

Annex

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## Debates of the European Parliament

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1974-1975 Session

Report of Proceedings

from 8 to 12 July 1974

Europe House, Strasbourg

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

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#### IN THE CHAIR: MR BERKHOUWER

*President*

(The sitting was opened at 4.10 p.m.)

**President.** — The sitting is open.

#### 1. Resumption of the session

**President.** — I declared resumed the session of the European Parliament adjourned on 28 June 1974.

#### 2. Apologies for absence

**President.** — Apologies for absence have been received from Mr Schulz and Mr Lautenschlager, who regret their inability to attend this part-session.

#### 3. Appointment of new Members of the European Parliament

**President.** — The President of the Luxembourg Chamber of Deputies has informed me that it

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has renewed its delegation to the European Parliament. The following have been appointed:

Mr Willy Dondelinger, Miss Colette Flesch, Mr Jean-Pierre Glesener, Mr Frankie Hansen, Mr Joseph Lucius and Mr Carlo Meintz.

The French National Assembly has also informed me of the appointment of Mr Michel Cointat to replace Mr Jarrot and of Mr Adrien Zeller to replace Mr Rossi.

The credentials of these Members will be verified after the Bureau's next meeting, on the understanding that, under Rule 3(3) of the Rules of Procedure, they will provisionally take their seats with the same rights as other Members of Parliament.

I congratulate colleagues whose appointments have been renewed and welcome the new Members.

*4. Statement by the President  
concerning Petition No 2/74*

**President.** — I would remind the House that Petition No 2/74 from Mr Ternand was referred to the Legal Affairs Committee for consideration on 3 April 1974.

The Legal Affairs Committee has informed me that, after examining this petition pursuant to Rule 48(3) of the Rules of Procedure, it reached the conclusion that it did not concern the activities of the Communities as the subject matter is in no way related to the aims of the European Communities.

Pursuant to Rule 48(4), this petition is therefore considered inadmissible.

*5. Documents received*

**President.** — Since the session was adjourned I have received the following documents:

(a) from the Council of the European Communities, requests for an opinion on:

- the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation No 120/67/EEC on the common organization of the market in cereals (Doc. 175/74).

This document has been referred to the Committee on Agriculture;

- the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation

(EEC) No 974/71 on certain measures of conjunctural policy to be taken in agriculture following the temporary widening of the margin of fluctuation of the currencies of certain Member States (Doc. 176/74).

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

- the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No 803/68 concerning the value of goods for customs purposes (Doc. 178/74). This document has been referred to the Committee on External Economic Relations;
- the proposals from the Commission of the European Communities to the Council for

I. a regulation extending the arrangements applicable to trade with Tunisia beyond the date of expiry of the Association Agreement

II. a regulation extending the arrangements applicable to trade with Morocco beyond the date of expiry of the Association Agreement

(Doc. 188/74).

This document has been referred to the Committee on External Economic Relations;

- the proposal from the Commission of the European Communities to the Council for a directive on the approximation of the laws of the Member States concerning road and rail transport tanks used as measuring containers (Doc. 189/74).

This document has been referred to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on Regional Policy and Transport and the Legal Affairs Committee for their opinions;

- the amended proposal from the Commission of the European Communities to the Council for a regulation on certain measures to be taken in agriculture for Italy following the fixing of a new representative rate for the Italian lira (Doc. 191/74).

The document has been referred to the Committee on Agriculture as the committee responsible and to the Committee

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on Budgets and the Committee on Economic and Monetary Affairs for their opinions;

(b) from the committees, the following reports:

- report by Mr Sandri on behalf of the Committee on Development and Cooperation on the Communication from the Commission of the European Communities to the Council on an attempt to neutralize certain international price movements for the most affected developing countries (Doc. 177/74);
  - report by Mr De Koning on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council (Doc. 175/74) for a regulation amending Regulation No 120/67/EEC on the common organization of the market in cereals (Doc. 180/74);
  - report by Mr Della Briotta on behalf of the Committee on Public Health and the Environment on the proposal from the Commission of the European Communities to the Council (Doc. 77/74) for a directive on the control of carnation leaf-rollers (Doc. 181/74);
  - report by Mr Liogier on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council (Doc. 128/74) for a regulation laying down special provisions applicable to trade in tomato concentrates between the Community as originally constituted and the new Member States (Doc. 182/74);
  - report by Mr Bourdellès on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council (Doc. 137/74) for a regulation amending Regulation No 121/67/EEC as regards certain conditions for granting aid for private storage of pig meat (Doc. 183/74);
  - report by Mr Pintat on behalf of the Committee on Energy, Research and Technology on the Communication and proposals from the Commission of the European Communities to the Council (Doc. 136/74): Towards a new energy policy strategy for the Community (Doc. 184/74);
  - report by Mr Leonardi on behalf of the Committee on Energy, Research and Technology on the conclusions reached at the hearing of experts held on 29 and 30 April 1974 on the safeguarding of the European Community's energy supplies, and on cooperation with the third countries concerned (Doc. 185/74);
  - report by Mr Della Briotta on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council (Doc. 168/74) for a regulation extending for the third time the period of validity of Regulations (EEC) No 2313/71 and No 2823/71 on the temporary partial suspension of the Common Customs Tariff duties on wine originating in and coming from Algeria, Morocco, Tunisia and Turkey (Doc. 186/74);
  - report by Mr Gibbons on behalf of the Committee on Agriculture on the amended proposal from the Commission of the European Communities to the Council (Doc. 191/74) for a regulation on certain measures to be taken in agriculture for Italy as a result of the fixing of a new representative rate for the Italian lira (Doc. 187/74);
  - report by Mr Lange on behalf of the Committee on Economic and Monetary Affairs on the proposal from the Commission of the European Communities to the Council (Doc. 107/74) for a directive amending Directive No 71/307/EEC on the approximation of the laws of the Member States relating to textile names (Doc. 190/74);
  - report by Mr Müller on behalf of the Committee on Public Health and the Environment on the proposal from the Commission of the European Communities to the Council (Doc. 39/74) for a directive on the approximation of the laws of the Member States on the driver-perceived noise level of agricultural or forestry tractors fitted with wheels (Doc. 193/74);
  - report by Mr Brégégère on behalf of the Committee on Public Health and the Environment on the proposal from the Commission of the European Communities to the Council (Doc. 7/73) for a directive on the approximation of the laws of the Member States concerning yeasts and yeast residues (Doc. 194/74);
- (c) Oral Questions pursuant to Rule 47A of the Rules of Procedure from Lord Chelwood, Lord O'Hagan, Mr Jahn, Mr Broeksz, Sir Douglas Dodds-Parker, Mr Cousté, Mr

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Härzschel, Mr James Hill, Mr Martens, Mr Blumenfeld, Mr Premoli, Mr Scott-Hopkins, Mr Van der Hek, Mr Früh and Mr Hougardy for Question Time on 9 July 1974 (Doc. 179/74);

- (d) Oral Question with debate put by Mr De Koning, Mr Laban, Mr Frehsee, Mr Früh and Mr Martens to the Commission of the European Communities on wheat prices (Doc. 192/74).

### 6. Order of business

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

I would remind the House that the order of business for this part-session was adopted by Parliament during the sitting of 28 June 1974.

I informed you at that time that I intended making a number of proposals with regard to the organization of the debate and the allocation of speaking time in connection with the supplementary report drawn up by Mr Brugger on the Statute for the European Company.

Pursuant to Rule 28 of the Rules of Procedure these proposals are to be discussed this evening at 6 p.m. by the chairmen of the political groups, the relevant committees, Mr Brugger, the rapporteur, and myself.

I will inform the House of these proposals tomorrow morning.

I would remind the House in this connection that the time-limit for the submission of amendments to the motion for a resolution contained in the Brugger report has been fixed at 10 a.m. on Tuesday, 9 July.

Since the draft agenda was adopted for this part-session, I have received on oral question, with debate, put by Mr De Koning, Mr Laban, Mr Frehsee, Mr Früh and Mr Martens on wheat prices.

Pursuant to Rule 47(2) of the Rules of Procedure, I ask the House to decide whether this question should be included in the agenda for this part-session.

I would draw the attention of the House to the fact that we have a heavy agenda for this part-session and that, even without the debate on this oral question, we will have to have evening sittings on Monday and Wednesday.

I call Mr Scott-Hopkins.

**Mr Scott-Hopkins.** — Our first item on the agenda today is an oral question with debate,

put by Mr Durieux on behalf of the Liberal and Allies Group, concerning agricultural questions. This is a broad subject which concerns the increased level of agricultural prices. Without going now into the subject of wheat prices, which are of great importance, and the questions submitted by Mr De Koning and others, I suggest that the debate we are to have on Mr Durieux's question could well encompass the questions put by Mr De Koning and his colleagues. Surely they could be combined into one short debate.

**President.** — I call Mr De Koning.

**Mr De Koning.** — (NL) Mr President, I support the proposal that this item be debated together with Mr Durieux's question. The two questions, however, concern quite different subjects. Our question is important because the 1974/75 wheat marketing season—and that is what it is all about—begins on 1 August 1974, which means that we cannot defer the debate until the next part-session. I agree, however, to the suggestion that this matter be dealt with together with the question put by Mr Durieux.

**President.** — Mr Scott-Hopkins proposes that the debate on Mr De Koning's oral question should be combined with the debate on the oral question put by Mr Durieux. If this is accepted, I propose that Mr Durieux speak first and deal with the general aspects, with Mr De Koning following him.

Are there any objections?

That is agreed.

The Committee on Economic and Monetary Affairs has requested the inclusion in the agenda for this part-session of a report drawn up by Mr Lange on textile names. This report can be dealt with without debate. I propose that it be placed on Friday's agenda, provided that there is really no debate.

If a debate is considered desirable, the report will automatically be placed on the agenda for the September part-session.

Are there any objections?

That is agreed.

Finally, the Council has informed me that it would appreciate it if Parliament could deliver opinions by urgent procedure during this part-session on two proposals for regulations concerning the extension of trade agreements with Morocco and Tunisia.

The Committee on External Economic Relations has informed me that it will look into this request at its meeting tomorrow, 9 July.

**President**

I shall consult Parliament on this request at the beginning of Wednesday's sitting. At any event, the report concerned cannot be dealt with before Friday.

I call Mr Houdet.

**Mr Houdet.** — (F) Would it be possible to place Report No 137 by Mr Della Briotta on wine originating in Algeria, Morocco, Tunisia and Turkey on the agenda immediately after question No 130? Mr Della Briotta has suddenly been recalled to his country and would like to present his report after Mr Durieux's question.

**President.** — Mr Houdet proposes that the report drawn up by Mr Della Briotta be dealt with after Mr Durieux's question.

Are there any objections?

That is agreed.

I call Mr Springorum.

**Mr Springorum.** — (D) With regard to Thursday's agenda, I should like to propose on behalf of the Committee on Energy, Research and Technology that we deal with the report by Mr Leonardi, Mr Pintat and Mr Noè in a joint debate rather than as individual items.

**President.** — Mr Springorum proposes that the reports by Mr Leonardi, Mr Pintat and Mr Noè be dealt with in one debate. All these reports concern energy.

Are there any objections?

That is agreed.

I call Mr Fellermaier to speak on behalf of the Socialist Group.

**Mr Fellermaier.** — (D) Mr President, I should like to ask that the report by Mr Ligios on the proposal from the Commission for a directive concerning forestry measures be removed from the agenda for the following reasons:

The Commission has let it be known that a memorandum on the situation of the paper industry in the European Community will be submitted in September. This subject is very closely connected with the question of forestry. As the Commission's directive may involve significant structural changes in the European forestry sector, including the social question of free access to forests and the question of whether or not state-owned forests should be covered by the directive, I feel that the political groups should be given an opportunity to make more thorough preparations and also that there should

be a link with the memorandum announced by the Commission.

For this reason I would ask the other political groups to agree to my group's proposal to postpone the debate on this report until September.

**President.** — What does Mr Lardinois think?

**Mr Lardinois,** *member of the Commission of the European Communities.* — (NL) Mr President, if as much importance is attached to this as Mr Fellermaier says, I have no objection to it being dealt with in September. I would, however, urge the Assembly not to postpone the debate beyond September even if the memorandum has not been completed by one of my colleagues by that time.

**President.** — Mr Fellermaier proposes on behalf of his group that consideration of Mr Ligios' report on forestry measures be deferred until September.

I call Mr Houdet.

**Mr Houdet.** — (F) The Committee has been considering the problem of forestry measures for a long time. I therefore feel it high time the subject was debated. Although, unlike Mr Fellermaier, I do not see the connection between the problems of the paper industry and that of improving the forestry sector, I feel, like Mr Lardinois, that we can defer consideration of this question until September, but no later.

**President.** — The Assembly would therefore appear to agree to deferring until September, but no later, consideration of the report by Mr Ligios on forestry measures.

Are there any objections?

That is agreed.

I call Mr Scott-Hopkins.

**Mr Scott-Hopkins.** — I wish to draw the attention of the House to the report by Mr De Koning about cereals. On behalf of my group I suggest that it should be removed from today's agenda. It was put through the committee very hurriedly in only one afternoon and there is now no document before us. The De Koning report was published only today and my political group has not had time to consider its implications, which are considerable. I fully appreciate that from the point of view of the Commission and the Council this action may be inconvenient, but it is their fault because they did not submit the document to the Committee on Agriculture until the last minute of the meeting last week,

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and that was too late. I therefore ask that this item be removed from today's agenda.

**President.** — I call Mr De Koning.

**Mr De Koning.** — (NL) Mr President, I feel that this report should be dealt with quickly because the measures proposed in it must come into force before the next marketing season, which begins on 1 August. I also feel that my presentation and the Commission's reply may answer some of the outstanding questions. My view is therefore that there can scarcely be any technical objections to dealing with this report at this time. I would therefore ask Mr Scott-Hopkins to agree to this.

**President.** — I call Mr Houdet.

**Mr Houdet.** — (F) Mr President, I agree with Mr Scott-Hopkins: the Committee on Agriculture had very little time to discuss this report at its last meeting, and I myself did not want to put it on the committee's agenda. It was only at the urgent request of the Council and Mr Lardinois that it was placed on the agenda. Mr De Koning was kind enough to draw up the report and we have discussed it in detail.

Of course, I regret this rush, but in view of the urgency of this question, since the regulation must come into force on 1 August and September will be too late to discuss it, I would ask Mr Scott-Hopkins to agree to Report No 136 being left on today's agenda.

**President.** — I call Mr Lardinois.

**Mr Lardinois.** — (NL) Mr President, I would appreciate it if Parliament could discuss this item. The amendments to the basic regulation on cereals have less importance politically than Mr Scott-Hopkin's remarks would suggest. They are principally of a technical nature, but they may help to make the market policy in this sector more flexible, and that would appear to be urgently needed at the beginning of the coming season.

**President.** — I call Mr Kirk.

**Mr Kirk.** — A very quick word, Mr President. First of all, we have had no explanation from Mr Lardinois or from the Council why this has been rushed before us at such very short notice when they must have had it in mind before. I am not ignorant in these matters. I represent one of the largest cereal-growing constituencies in Europe, and I understand that these are not purely technical matters but go further in depth.

It is treating Parliament with something like contempt to throw a paper at it after a meeting of Agricultural Ministers a few days before and say that the paper must be taken into consideration next week. This is not the way to behave.

**President.** — In reply to Mr Kirk, I think I can say that the reason for the urgency would appear to be that this regulation must come into force on 1 August.

I would ask the House if it agrees to the proposal that this item remain on today's agenda.

Are there any objections?

That is agreed.

I call Mr Fellermaier.

**Mr Fellermaier.** — (D) The agenda states that the sitting of Friday, 12 July will be continued at 3 p.m.

Mr President, I feel that I need not tell the House that this is being unrealistic. We should save Parliament the embarrassment of discovering that a quorum does not exist. I therefore put it to you, Mr President, that the House should only sit on Friday morning starting at 9.30 a.m. and not in the afternoon.

**President.** — Mr Fellermaier, the decision to sit on Friday afternoon was unanimously adopted by the enlarged Bureau—the chairmen of the political groups or their deputies were also present—in view of the heavy agenda.

I call Mr Broeks.

**Mr Broeks.** — (NL) Mr President, I should like to make a suggestion about the time at which Friday's sitting begins. In my opinion, we can get through Friday's agenda in the morning if we begin at 9 a.m. and sit until 1 p.m.

**President.** — I call Mr Kirk.

**Mr Kirk.** — I wish to speak on a combination of the two proposals. I suggest that we might meet at 9 or 9.30 a.m. and try to get through the business before lunch. If we are not able to do this, then we must meet after lunch.

However, I accept that we should meet earlier on Friday morning.

**President.** — I propose that the House decide in principle to begin Friday's sitting at 9 a.m. and to continue until 1 p.m. and only if absolutely necessary to sit in the afternoon.

Are there any objections?

That is agreed.

I call Mr Baas.

**Mr Baas.** — (NL) Mr President, I am astonished to note that the motion for a resolution on the threat to the Dollard Nature Reserve tabled by the Committee on Public Health and the Environment (Doc. 148/74) appears on the agenda again. If it was the intention of the Committee on Public Health and the Environment to put forward a motion for a resolution, I do not understand why we had the debate on the subject on 10 June.

If this motion is discussed now, we shall compel the Commissioner responsible to make a statement twice.

I would therefore propose that this motion for a resolution be removed from the agenda, since the Committee on Public Health and the Environment can take note of the contents of the discussions which took place on 10 June. If the committee then still considers that it is appropriate to put forward a motion for a resolution, it can still do so.

I object to this plenary sitting's being made use of to discuss again a problem we dealt with on 10 June. The committee met on 7 June. I very strongly object to the appearance of this point on the agenda and would propose that it be deleted.

**President.** — Mr Baas is therefore proposing that the motion for a resolution on the Dollard Nature Reserve be removed from the agenda. I shall give the floor to one speaker in favour and one against this proposal.

I call Mr Jahn to speak against this proposal.

**Mr Jahn.** — (D) Mr President, ladies and gentlemen, the Committee on Public Health and the Environment finds Mr Baas' proposal rather surprising, because at the last part-session in June the committee proposed that the debate be put back from Monday until Wednesday, as some speakers could not be present on the Monday. The motion for a resolution was then dealt with, although Members had no chance to speak on it, and the debate and vote on it were forgotten.

We have therefore again submitted the motion for a resolution passed by the committee about six weeks ago, and we would like to speak on it, since we have heard only one-sided views here in the Chamber, if I may say so, and everyone should be able to put forward his arguments and considerations.

I therefore move that this proposal by Mr Baas be rejected.

**President.** — I call Mr Scholten to speak in favour of Mr Baas' proposal.

**Mr Scholten.** — (NL) Mr President, a full debate on this question has already been held. Some Members were absent at the time. I do not think that is sufficient reason to repeat the debate. In view of Mr Baas' arguments and of the developments which may take place in a few days, I consider it desirable for the committee responsible to think over what was said in this Chamber—with special reference to the safety aspect which was brought out very clearly—and then reconsider whether to ask Parliament to discuss the matter.

I support Mr Baas' proposal.

**President.** — Mr Baas is not proposing that the motion for a resolution be withdrawn but that it should not be considered until the committee responsible has had another opportunity to discuss what was said during the debate at the last part-session.

Does Mr Jahn agree to this?

**Mr Jahn.** — (D) I would welcome that. We could then discuss this question again in detail.

**President.** — Does Mr Scarascia Mugnozza also agree?

**Mr Scarascia Mugnozza, Vice-President of the Commission of the European Communities.** — (I) I agree with Mr Jahn's request, for one reason in particular: during the last debate it became clear that the House wanted the Dutch government to be asked to make a thorough examination of the problem.

This was, in fact, done at once. And now I can tell you that the Dutch government is agreeable that these contacts should be developed: I talked about this matter myself with the minister concerned. So, if a meeting of the committee can be arranged, I shall be able to provide it with more information.

**President.** — I note that the House generally agrees to this proposal.

#### 7. Commission statement on beef prices

**President.** — Before we consider the oral questions put by Mr Durieux and Mr De Koning on cereals, Mr Lardinois will make a statement on a number of decisions that have just been taken by the Commission concerning beef.

I call Mr Lardinois.

**Mr Lardinois**, member of the Commission of the European Communities. — (NL) Mr President, I should like to begin by thanking you for giving me the opportunity to make a statement on a number of measures and proposals which the Commission has decided on this morning, after a thorough study of the problems we are facing at the moment, namely the control of the beef market. Ten days ago I informed Parliament in Luxembourg that we were studying this matter, in connection with the fact that we had then stopped the issue of import licences until 12 July.

The Commission is of the opinion that the current situation on the beef market is such that a number of decisive measures must be taken in the short term. These should relate first of all to the internal market, in particular to encouraging sales, secondly to intervention and the possibilities for intervention, and thirdly to the possibilities in connection with imports.

We shall be submitting a proposal to the Council before 15 July that a considerable quantity of beef should be made available to the socially weak at a price 50% lower than that normally charged in the shops. This will be done on the understanding that half of the subsidy, i.e. 25% of the value of the meat, is provided by individual Member States and the other 25% by the EAGGF.

Secondly, we will propose similar measures for institutions, collective groups, schools and the like.

Thirdly, we will generally recommend the Member States to reduce or abolish any taxes or duties on meat that form part of their national fiscal policies. In particular, we have VAT, local taxes and the reimbursement of the costs of inspection services in mind.

Where a Member State does not have such taxes or duties but does have a system of food subsidies, at least this year, we will recommend that these subsidies be directed towards beef and meat in general. We should like to exempt Italy from these measures, since that country is in a very special position here, and meat at the moment is an enormous burden on its balance of payments.

Fourthly, we will propose that 5 million units of account should be devoted this year to a supplementary publicity campaign to be organized in cooperation with officially recognized national bodies involved in this field; our principal objective is to achieve by the autumn through an intensive campaign the link which at present is clearly absent between the reduction in meat prices and the price the housewife has to pay.

In this connection we want to give priority in the Guidance Section of the EAGGF to long-term investments which may reduce the cost of beef processing and handling. This is a structural problem. In the long term some positive effect may be achieved here with funds from the Guidance Section of the EAGGF.

The intervention system, the Commission has decided, should not be modified at the moment; it will be studying this matter in detail this autumn. If it comes to the conclusion that the present system should be radically changed then it will submit proposals on this to the Council and Parliament in good time, certainly before the next marketing season. In the short term, however, the Commission will improve certain aspects of the intervention system, especially as regards the qualities of beef which can still be accepted, their presentation and measures concerning derived products.

Furthermore, where the intervention system is concerned, the Commission feels that the maximum capacity available within the Community must be used in the coming months to can meat at present in intervention and to add it to our intervention stocks. We can then use this canned meat for additional measures on the internal market or possibly for the World Food Aid Programme; interest has been expressed in that quarter. We should be able to make meat available to this aid programme at the end of this year or the beginning of next. In order to avoid the difficulties which we might expect this autumn when a large number of cattle for slaughtering come onto the market, we intend to propose to the Council that 400 000 oxen and bulls about a year and a half old be kept four to six months longer, with compensation paid to farmers for this at a rate of approximately 100 units of account per head, in the form of a slaughtering premium in spring. If these measures are given a proper administrative set-up—and we shall very shortly be consulting the Management Committee and other experts on this—we may go a long way towards alleviating the difficulties in the autumn.

As regards imports we have decided not to issue any import licences for a period of three days; this concerns not only those licences whose issue was suspended until 12 July ten days ago, but also licences for frozen meat from overseas. This will apply for only three days since on 12 July a new import system comes into force, similar to the one we are familiar with for frozen meat, the so-called *jumelage* system. This is a system under which imports are only permitted if a corresponding quantity of meat is simultaneously taken from the intervention stocks.

**Lardinois**

At the same time, a temporary ban on meat imports in inward processing traffic will be introduced as soon as possible, for both beef and pigmeat.

I considered it important to make this statement to Parliament, which can now discuss it. Furthermore, this problem may be discussed during the debates on certain other items of the agenda. I am thinking in particular of the question put to me by Mr Scott-Hopkins. I considered it necessary to make this statement in order to avoid varying reports appearing in the newspapers, from which Members of Parliament might then have quoted. These measures are going to cost a lot of money; they are going to be costly not only for the Member States which follow our advice or join with us on various measures, but also for the EAGGF.

Last year, when drawing up the budget for the EAGGF we estimated expenditure in connection with beef production at approximately 40 million units of account. In view of developments on the market, the measures already taken and the measures which will be taken if these proposals are put into practice, total expenditure this year for beef is likely to be almost ten times this, or nearly 400 million units of account. The support payments on beef sales will also cost us more than we expected in spring. Nevertheless, we regard ourselves as fortunate that the development of the agricultural market as a whole has hitherto been such that we do not consider it necessary at the moment to submit an additional budget for the EAGGF to the Council and the European Parliament. In other words, if no unusual problems arise, we can overcome this setback with the EAGGF budget.

However, I must say—and I do so on behalf of the Commission—that we feel that within the framework of the possibilities open to us we must go further in the beef sector and if necessary even introduce an additional budget—at the moment we see no necessity for this—given the general situation in agriculture, and particularly the cattle and meat sector, above all because in recent years the Commission, the Council, the European Parliament and the experts have all advised farmers to concentrate more on meat production. We therefore feel that we must bear a share of the responsibility, especially considering the development of the economic situation in Europe, which has meant that meat consumption has stagnated more than anybody could have foreseen a year ago.

**President.** — The 20-minute procedure must now be applied. In other words the chairman of the committee concerned may speak for five

minutes and thereafter other speakers for a total of 15 minutes.

The chairman of the European Conservative Group has, however, asked to be allowed to make a proposal on this particularly important subject.

The proposal is that this matter be debated after Question Time together with Mr Scott-Hopkins' question on the agenda for Question Time.

I call Mr Kirk to explain his proposal.

**Mr Kirk.** — You have roughly explained, Mr President, what I have in mind. Mr Scott-Hopkins has on the agenda for tomorrow morning, as the Commissioner said, a question on this important subject. I feel, and I am sure that many others feel, that 20 minutes will not be long enough to discuss the matter now, because it affects all of us and all our constituents.

My proposal is that Mr Scott-Hopkins should ask his question formally tomorrow morning to bring it within the Rules of Procedure and that we should then have a topical debate immediately afterwards in order that we may have more time to debate the proposals by Mr Lardinois. That is my suggestion.

I think that is fair to Parliament. Many of us would like a night to reflect on the very wide-ranging proposals that Mr Lardinois has made.

**President.** — This amounts to a flexible application of the Rules of Procedure in that a decision to have a topical debate can really only be taken after the Commission has given its initial answer during Question Time.

If Parliament approves Mr Kirk's proposal, Mr Frehsee will also have more time tomorrow.

Are there any objections to Mr Kirk's proposal?

That is agreed.

*8. Regulation on CCT duties on wine from Algeria, Morocco, Tunisia and Turkey*

**President.** — The next item is the report drawn up by Mr Della Briotta on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council for a regulation extending for the third time the period of validity of Regulations (EEC) No 2313/71 and No 2823/71 on the temporary partial suspension of the Common Customs Tariff duties on wine originating in and coming from Algeria, Morocco, Tunisia and Turkey (Doc. 186/74).

**President**

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

**Mr Della Briotta, rapporteur.** — (I) Mr President, we are dealing here with a proposal for a regulation extending for the third time the validity of regulations on the temporary partial suspension of customs duties on wines originating in the Mediterranean countries—a subject on which the European Parliament has repeatedly expressed its opinion on the basis of the report by the sadly missed Mr Vals.

The arrangements under consideration came into force on 1 November 1971. Now they are to be extended again until 31 August 1975. I would remind you that the regulations provide for a 60% reduction in the relevant customs duty and that the Community reference price remains the parameter.

The quantity of wine to which these arrangements would apply—on the basis of information for 1972 to be found in the documents—would amount to approximately 606 450 hectolitres, 60% of this originating in Algeria and the remainder in the other countries.

As regards finance, it must be pointed out that if the Community customs tariff were applied in its entirety, the Community would collect 5 621 070 units of account, while with the reduced tariff the customs duties will come to only 3 372 462 units of account, reducing Community revenue by 2 248 608 units of account.

I have quoted these figures because this measure means giving up part of the Community's own income. Apart from this, the problems which arise in this context concern those countries whose viticulture is in direct competition with that of the Mediterranean countries whose exports to the Community are favoured or, looked at another way, they concern countries which (like the United Kingdom) have traditionally imported Mediterranean products duty-free or at low duties.

As rapporteur, I am very conscious of the problems we are discussing. One of these is that of imports from third countries, a problem which certainly cannot be eliminated, since we all want economic relations between Europe and the Mediterranean countries to remain on a basis of cooperation. It should also be remembered that wine is distilled in many Community areas: I know, for example, that the Italian Parliament approved only a few days ago a practical measure for encouraging and facilitating this practice.

I should therefore like to repeat the appeal contained in the motion for a resolution where the

Commission of the European Communities is invited to do all it can to ensure that a definitive system for wine products is instituted as soon as possible within the context of an overall policy, and that it do so before the expiry of the new time-limits set down in the regulation, which I hope will be adopted.

To sum up, then, we trust that the observations made on this regulation will not prevent us from voting in its favour, with the sole reservation that reference prices be observed and with the appeal to the Commission to submit its 'global' proposals before the expiry of the extension.

IN THE CHAIR: LORD BESSBOROUGH

*Vice-President*

**President.** — I call Mr Lardinois.

**Mr Lardinois, member of the Commission of the European Communities.** — (NL) Mr President, I should like to express our particular thanks to the rapporteur for the report he has submitted. I hope that we shall soon no longer require this regulation and that we shall also no longer have to have recourse to this extension procedure. We expect a final solution to be found to this problem soon—in the context of the general Mediterranean policy. Then there will no longer be any need for debates on the subject in this Parliament.

**President.** — I call Mr Vetrone.

**Mr Vetrone.** — (I) Mr President, I have asked for the floor because I should like to ask what can be the possible relevance today of the regulation we are about to approve, in view of the fact that at its last meeting the Council of Ministers appeared to have agreed on a Mediterranean policy, and particularly on Algerian wines.

But I cannot let the occasion pass, although Mr Lardinois' interpretation of this regulation is the same, without emphasizing that the concessions provided for in the agreement reached by the Council of Ministers are undoubtedly more onerous for agriculture in the Mediterranean areas of the Community than those laid down by the regulations which we are asked to extend from time to time. Suffice it to say that, for Algerian wines, partial suspension of customs duties now goes up from 60 to 80%, and in some cases full duty exemption is to be granted, while the quota is some 500 000 hectolitres—and that for Algerian wines alone.

**Vetrone**

All this is unfortunately happening at a moment when my country has been obliged to introduce emergency measures in connection with the distillation of wines and the Commission is preparing to put similar proposals to the Council of Ministers.

It would seem in fact that in respect of the Mediterranean policy agreed by the Council of Ministers Italy has expressed reservations which it will withdraw only after the Council of Ministers has adopted a provision on the distillation of Community wines.

There is only one question I should like answered by Mr Lardinois: in the present situation, when the provisions, not of this regulation, which has now become superseded, but of the agreement reached by the Council on Mediterranean policy are to apply, do you think that only Community wines will be distilled, and should we not also decide that Algerian wines should be subject to the same process?

**President.** — I call Sir Douglas Dodds-Parker.

**Sir Douglas Dodds-Parker.** — I rise very briefly to support Mr Della Briotta's resolution. We all regret that it is necessary to extend this regulation for a short time and that no definitive system has yet been instituted by the Commission.

We are well aware, of course, of the problems which face the Commission and countries such as Mr Vetrone has pointed out, and any final solution will obviously mean some sacrifices from the Mediterranean countries of the Community. But we realize that the four countries named in this regulation are all of considerable importance to the Community, and in this respect Algeria, though it is invidious to select any particular one, has, I suppose, the largest interest as a major wine producer.

Wine is, of course, an important item in international trade in present times, and has become so increasingly, I am glad to say, in the United Kingdom, where last year, I understand, imports increased by 47%. So my colleagues and I in the European Conservative Group would like both personally and nationally to help maintain this momentum.

I urge the Commission and all concerned in this matter to institute a system without delay as set out in paragraph 3 of the motion for a resolution, which I hope will give satisfaction to all concerned, both producers and consumers.

**President.** — I call Mr Cipolla.

**Mr Cipolla.** — (I) Mr President, honourable Members, as a representative of a wine-growing region, and particularly as a member of the Communist party, I am not against importing wine into the Community, not least because this import trade, and especially that from Algeria, derives from the colonial era and from the fact that a colonial power planted vines in a Moslem country, where the drinking of wine is forbidden; this is why the Algerians now have wine to sell.

At all events, the quantity of wine involved is small compared with the output of Italy or France. Tunisia's and Algeria's export potential amounts to a few million hectolitres, which can surely be easily absorbed by the Community.

What does concern me is a serious problem which is tolerated, and indeed encouraged, by Community regulations and by the acts of the governments of both producing and non-producing countries. I mean the problem of wine adulteration: and not just 5 million hectolitres, Mr President. Wine is being adulterated in all the Community countries. This is morally more reprehensible in those countries which, like my own, are wine producers; but it is bad enough in Belgium, in Mr Lardinois' country, and in Britain, where unscrupulous producers are selling, under French and Italian trade-names, wines made from anything but grapes—which, incidentally, do not grow in those countries. Millions of hectolitres of wine are made from water by a process allowed by Community regulations, that is the addition to wine of not only sugar, but also water.

Were it not for this, the five million hectolitres of Algerian wine would be welcome, to help keep wine consumption in the Community at a respectable level.

The point to which I should particularly like to draw Mr Lardinois' attention is that if we want to reform the regulation on viticultural stocks, strict quality controls must be introduced into the legislation of the Community and Member States. This goes, in fact, for all countries: the regulations should as far as possible prevent the adulteration of wine.

Increased wine consumption is undoubtedly an indication of a rise in standard of living, proving that even the working family can afford to put a bottle of wine on its table (the same could also be said about increased consumption of beef or fruit); but this should be wine fit for drinking, Mr Lardinois, not for getting drunk.

I am very concerned—and I should like the House to be aware of the fact—that unscrupulous businessmen and traders are distributing

**Cipolla**

throughout Europe millions of hectolitres of wine produced not from grapes, but by processes which the law ought to eliminate, but in fact does not adequately prosecute.

**President.** — I call Mr Cointat.

**Mr Cointat .** — (*F*) Mr President, I should first like to say how glad I am to resume my seat in the European Parliament.

I am sure it will come as no surprise to anyone, least of all Mr Lardinois, if I take the floor on an agricultural matter. I should just like to point out to the Assembly that, at present, in France—and here I agree with Mr Vetrone—also in Italy, as indeed everywhere else in Europe, the wine industry is in serious straits.

I know that the final solution to this matter of wines from the Maghreb countries is an extremely delicate problem, but given the current situation, it is important that the necessary steps should be taken to ensure the incomes of Community wine growers. Here I would cite the example of France, where the 1973 harvest amounted to more than eighty million hectolitres—a record figure—and there is clearly a problem regarding the market and incomes.

That is why I also agree with Mr Vetrone when he wonders whether wines imported from Algeria, Morocco or Tunisia would be distilled in the same way as European wines.

I should like to draw your attention to the importance of adopting a definitive regulation which has two characteristics. One is the political aspect which concerns the maintenance of trade links between Europe and North Africa, and the other is the economic aspect, which is a matter of whether or not these wines should be put on the European market.

It is all very well to buy Algerian wine if we can do what we want with it—even retail it elsewhere—but there can be no compulsion to supply it directly for European consumption; that might lead to serious difficulties as is at present the case.

On behalf of my group, I therefore appeal for a great deal of care to be taken in this matter; for the situation is so explosive that it is vital to give European wine-growers in general, and French wine-growers in particular, the right to distil fragile wines at acceptable prices. There is no point in stirring up futile agitation in the agricultural world by hasty imports from other countries, and believe me, I say this because I know that, in the present circumstances, the situation is, shall we say, fermenting. Even if the wines are stable, the winegrowers are in

ferment; I would, therefore, ask you take this account when decisions are made in Brussels.

**President.** — We congratulate you, Mr Cointat, on your return to this Parliament.

I call Mr Lardinois.

**Mr Lardinois.** — (*NL*) Mr President, I should like to echo the President and welcome my old Parliament colleague Mr Cointat, who was also until recently a member of the Council. Particularly in view of the current situation I recall very well the way he tried to contribute to the development of the Common Agricultural Policy, with great success in many cases.

As far as Mr Vetrone's questions are concerned, I should like in the first place to say that the mandate for the negotiations with the Mediterranean countries concerned has not yet been finally fixed. There is an Italian reservation in respect of wine distillation, and there are also a few other smaller problems. But deciding on a mandate does not mean that the negotiations have been brought to a successful conclusion. We therefore definitely still need this regulation, since we cannot predict whether the negotiations can be completed before 31 August 1974.

I now come to some questions which have been put not on this point but in connection with it. In the first place, I should like to say to Mr Vetrone that it is not the intention that Algerian wine should be governed by this distillation regulation, since the system would not then function. We are assuming that our import system will continue to function, since although we are making concessions as regards import duties, we are not doing the same with the reference price. We shall never allow our system to include distillation above the reference price. In other words, if we only allow Algerian wine which is still subject to the reference price, the price for distillation will always remain below this and Algerian wine will therefore automatically be excluded from distillation. I should like to emphasize that we shall maintain this position.

It is another question whether we only apply the reference price system and bring this wine onto the market on that condition, or whether we take further measures. In the latter case the whole package of proposals would, however, have to be looked at, since we are also offering Algeria a redeployment bonus. Mr Cipolla was right in saying that viticulture in Algeria dates from the colonial period. At that time the heavy Algerian wines were blended with lighter French wines. The Algerian product was not

**Lardinois**

intended for consumption in Algeria—or only a small part of it—but was in the colonial period mainly used to improve the quality of certain French wines. This situation has now wholly changed. We now wish to come to an agreement with Algeria. We would allow some importing, and offer Algeria a long-term policy of gradual redeployment from viticulture to the production of the food that the country will soon need much more than wine, which causes difficulties on the international market rather than fulfilling a positive function.

We thus maintain internally the reference price system and the prohibition on cutting these wines. After our wine market regulation came into force, Italian wine was used for blending, especially in France. In the context of a long-term policy we are offering Algeria this redeployment, which will be financed partly from Community funds.

In connection with Mr Cipolla's observations I should like to say that fraud is in principle possible anywhere. This is not the fault of the regulations, since they are very clear and explicitly apply to all Member States. I am convinced that every Member State applies the provisions of the market regulations. Nevertheless, fraud exists. You can read about it in the papers every month, and rightly so, too, since this means that control is being exercised. There is more reason for suspicion when a veil of silence is drawn over something than when it is uncovered. It is a pity, however, that chemistry has made advances in an area where we would rather not have seen them, such as this one. I should like to point out to Mr Cipolla that production is rising faster than consumption. Prices are also considerably down by comparison with last year.

In answer to Mr Cointat's question I admit that there is indeed a major problem here. His excellent remarks on the potential explosive situation in wine-growing areas have made the picture very clear. I can tell him that we have taken or discussed measures to meet this situation. The Council has already decided that wine may be distilled in the next few weeks. We have put aside an additional amount of 28 million units of account for this. This will make available for distillation a considerable quantity of wine, intended above all for Italy and France.

This wine is of course only intended for Italy on condition that it does not take any national measures. If it did, the Community would be financing national measures, and that will of course not do. I warned the Italian Minister of Agriculture about this at the end of last week.

As far as the longer-term situation is concerned, I should like to say that in the memorandum on the improvement of the common agricultural policy we issued in October of last year we proposed that the wine regulation be modified so that intervention and distillation might take place at the beginning of the season. I understand that the Italian government will stand firm on this point and that it is making acceptance of this a condition of its agreement to the Mediterranean policy. If this is the case—it requires confirmation—the Commission will make a proposal to the Council before its next sitting that it adopt a binding resolution to this effect, so that we can start as soon as possible drawing up a regulation to put all this into practice.

**President.** — Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

*9. Oral Questions with debate: Effect of increased costs on the level of agricultural prices—  
Wheat prices*

**President.** — The next item on the agenda is the agreed joint debate on the Oral Question tabled by Mr Durieux on behalf of the Liberal and Allies Group to the Commission on the effects of increased costs on the level of agricultural prices (Doc. 170/74) and the Oral Question tabled by Mr De Koning and others to the Commission on wheat prices (Doc. 192/74).

The question tabled by Mr Durieux is worded as follows:

Does the Commission not consider that proposals should be submitted for the review of agricultural prices:

1. in the light of the exceptional rise in costs since the agricultural prices were fixed and the even greater increase since the Commission drew up its proposals;
2. in view of the current developments in the farming world, which are liable to call into question the common agricultural policy that is still one of the main factors of European integration?

The question tabled by Mr De Koning, Mr Laban, Mr Frehsee, Mr Früh and Mr Martens is worded as follows:

1. Can the Commission confirm that the farm-gate price for wheat lay below the target price for a considerable time during the past marketing year?

<sup>1</sup> OJ No C 93 of 7 August 1974.

**President**

2. If so, can the Commission confirm that the application of the system of export levies was a contributory cause?
3. Does the Commission not consider that at a time of high wheat prices on the world market, the price level for wheat inside the Community should be at least that of the target price?
4. Does the Commission intend to make proposals to apply export levies—if they are still to be imposed next season—in such a way as to achieve the objective referred to in paragraph 3?

I would remind the House that the provisions applicable in this case are those of Rule 47 (3) of the Rules of Procedure.

I call Mr Durieux to present the first question.

**Mr Durieux.** — (F) Mr President, honourable Members, Mr Lardinois' preliminary statement makes me all the more eager to develop the question I have put on behalf of the Liberal and Allies Group.

It is a major problem in agricultural circles and if I raise it before this Assembly today, it is because I wish formally to draw the attention of Parliament and the Commission to the dangers threatening the world of agriculture and, indeed, the entire Community.

At a time when many of us are hoping to go away on holiday, the farmers are at their peak working period and are increasingly concerned for their future. This is particularly true for young people who were especially receptive to the modernization programme which could have been accomplished under the common agricultural policy. Today, they face a very difficult situation on certain markets, at a time when production costs are rising steeply, and they are finding it impossible to repay the loans which they were encouraged to take.

Before starting this debate, I took the time to reread the report on the debates of this Parliament held on 13 February 1974, and in particular the resolution. I believe the premises of our debate today are already laid down in the first paragraph of the resolution adopted by the European Parliament, which was worded as follows:

'Notes that the Commission, in drawing up the present price proposals, employed a time period for the statistical basis which ended in November 1973, and did not take into account, therefore, the very sharp increases in costs brought about, for example, by the oil crisis, thus raising doubts as to whether the price increases proposed for the 1974/1975 marketing year will be adequate to safeguard the income of the farming population.'

Hence, the debate on prices and the consideration of the memorandum proposed by the Commission concentrated to a very great extent on the problems connected with the extremely sharp rise in agricultural costs and the way in which the Commission's calculations took this into account. The data given by various quarters indicated an average price increase of 12% to 14% for the year 1973 alone, whereas the Commission allowed for an increase of only 6% to 7%. It is true to say that the Commission is caught in a vice consisting of this increase in production costs on the one hand and the inflationary dangers of an increase in agricultural prices on the other.

However, many speakers pointed out—and Commissioner Lardinois agreed with them—that agriculture was not the cause of inflation and should not therefore have to suffer for it.

Following this debate in the Assembly, the Council, meeting in February and March, adopted on 23 March the agricultural price scales for 1974/1975. Given the Commission proposals for an average increase of 7.2%, the prices fixed by the Council corresponded to an average rise of approximately 8.5%. This slight levelling upwards, although a small improvement, did not, at the time, represent a solution to the problem of increased production costs. It goes without saying that it is even more ineffective today.

I shall take a number of examples from my own region, which I know well, from farming in France, and of course, from European agriculture in general.

At the local level, in my own area, I have noted the following increases compared with prices at the same period, i.e. mid-June, a year ago: for ternary fertilizers an increase of 50% to 60%; nitrate fertilizers, 38%; chemical fertilizers, between 6% and 40%; twine, 133%; seed, 15.5%.

As regards French agriculture, general surveys that have been carried out show that the major losses are suffered by the pigmeat, the beef and veal, poultry farming and wine-producing sectors. Just as an example, pig-farmers are at present losing 100 francs per pig sold.

As regards expenses, there is not only the sharp rise in the cost of supplies, but also the increases in guaranteed minimum wages generally. According to estimates, the gross product should amount to 49,000 million in 1974, as against 52,500 million in 1973, or a drop of 7% in current francs. If the gross operating income for 1974 was to be equivalent in real terms to that of 1973, it would have to reach 52,500 million revalued by 10%, that is to say, 57,500 million francs.

**Durieux**

Taking 12.5% as the currency erosion rate for 1973, which corresponded to an average monthly drop in the price index of approximately 1% until the end of the year, the reduction in gross operating income, taking a constant average, amounts to 17%.

You must excuse me for insisting on this and quoting so many figures, but I consider it my duty to be reasonably accurate where figures are concerned.

What, then, is the situation at Community level? The Commission has just published a memorandum on changes in the conditions of competition following the new situation on the energy market. It points out that the additional cost of energy is 49% and that the impact of this on incomes in agriculture is of the order of 3%.

In other words, up to 50% of the price increases decided in March 1974 have already been absorbed simply by the rise in the cost of energy.

As to fertilizers, costs have gone up by 30% to 45% depending on the product. If I remember rightly, Mr Lardinois told this Assembly in March, that if the increase reached between 25% and 50%, the situation would be disquieting. I therefore feel that, in view of the figures I have mentioned, the situation has become very worrying indeed.

In addition, there are other, more general aspects to be considered. At Community level, production cost factors, which rose by 16% in 1973, increased by 7% for the first four months of 1974. Here are some more figures on the first four months of this year: 4% increase for animal feedstuffs, 31% for energy, 23% for fertilizers, 5% for agricultural machinery, 10% for building materials. These figures speak for themselves.

The average rate of inflation, which was 7% in 1973, will probably reach 12.5% in 1974. These figures are alarming, considering that in other sectors of the economy, buying power continues to increase. Wages in industry, which increased by 11% in 1973, should rise by 13% to 22% this year. It is well known that one of the aims of agricultural reform was to achieve a certain degree of parity between agricultural and industrial wages. Faced with this increase in costs, we find there is a reduction in general agricultural incomes. Thus, in France, the overall index in April 1974 was 107.9 against 110.8 in December 1973, 100 being the level in 1972. Certain sectors, for example beef, have an even lower index: 103.1 as against 110 four months before.

France is not exceptional. In the Federal Republic of Germany, the overall index was 96.3 in

April 1974, against 104.9 in December 1973, on the basis of an average index of 100 for the period of 1972/1973. There, too, the beef sector was under heavy pressure: 90.7 against 93.4. For Belgium, the figures are roughly the same as those I gave for France.

As I have said, beef is one of the sectors most affected and, during the last week of June, Denmark excepted, prices dropped still further. The Commission could well reply that, by bringing the prices into line, there would be a risk of increasing intervention stocks. This argument would be very short-sighted, as it is a question of the confidence of the farmers in this speculation, not to speak of the considerable losses they are suffering at present. The danger would be a complete stoppage of production and a shortage for the two years to come. This is self-evident; indeed, Mr Lardinois pointed it out himself. It should not be forgotten that this situation is partly due to massive imports last year when customs duties were suspended.

There is one solution: do more than simply stopping the issue of licences for two weeks; put a stop to imports as long as may be necessary for the market to settle down. The agreements, both with Argentine and the Eastern Bloc countries, allow such measures if there is a risk of serious crisis in the Community. These measures would aim at a stabilization of the market. Have not all the exceptional measures that have been taken on the beef market, with certain Member States authorized not to apply intervention in this sector, also helped to create the present situation? It is interesting to note that the United Kingdom has applied the same guide prices as the Community for a short time now, but without recognizing the intervention system, and the same goes for the Federal Republic of Germany in certain regions, which, of course, has led to distortion.

Mr Lardinois, on behalf of the Commission, you have just made a number of recommendations. I sincerely hope that you do not think that the beef problem will be solved by these few short-term suggestions. How can you implement the measures you propose, particularly the distribution of meat to the needy at local level? I think there were similar experiments with butter, for example. You said that, if the situation so required, we would go still further; I think you should consider doing so immediately.

In conclusion, it is clear that the first objective must be to bring agricultural prices into line, taking into account the increase of production costs.

**Durieux**

The second aim should be to adopt short-term measures in certain sectors, if necessary, going so far as to grant temporary subsidies if the situation requires.

It is the simultaneous collapse of the markets in beef, veal, pigmeat, fruit, vegetables and wine which is at the root of this sudden burst of anger from the farmers, who are also rebelling against the fact that the drop in production prices has by no means led to similar drop in retail prices. It is outrageous that a reduction in farm-gate prices often goes hand-in-hand with an increase in consumer prices.

I therefore ask the Commission to consider this matter immediately, and to submit proposals to the Council as early as next week. Summer has brought a climate of change; I am sure that autumn will bring with it a particularly serious situation if decisions are not taken immediately.

**President.** — I call Mr De Koning to present the second question.

**Mr De Koning.** — (NL) Mr President, since I have noticed that the written text of these oral questions has not been distributed, it would be best for me first of all to summarize the nature and scope of these questions.

The question is whether the Commission can confirm that wheat prices were in the last marketing year below the target price for a considerable time, whether it is not of the opinion that export levies were a contributory cause of this, whether it does not consider that at a time of scarcity on the world market the price of wheat should be at least at the level of the target price and whether it intends to make proposals to apply the levy system in the coming marketing year, if they are necessary, in such a way that the target price can in fact be reached.

To clarify these questions I should like in the time allotted to me to make a few observations. In the first place I should like to point out that in the last wheat marketing year we had the remarkable situation of very high prices being paid for wheat on the world market, while the wheat grown in large parts of the Community itself could hardly be sold at prices which were still below the target price, that is at a price which certainly in the north of the Community meant a loss.

In going over the figures at my disposal on the market price of wheat at a number of intervention points in the Community—Hanover, Cologne, Rouen, Chartres and Arras—I note that the selling prices for wheat in Germany fluctuated

about the intervention price throughout the season; that is, overall they lay 8% below the target price.

The prices in France were admittedly better, but there, too, market prices only reached the level of the target price or exceeded it from January to March.

I do not wish at the moment to go into the causes of price differences within the Community. Apart from differences in wheat quality, currency questions play a large part. What I want to do is to point out that in the whole Community during the larger part of the marketing year wheat prices were below the target price, that is, below the price proposed by the Commission, accepted by this Parliament and laid down by the Council. It is not surprising if farmers in the Community complain when even at a time of shortage with high prices on the open market, the target price cannot be reached in the Community.

How can such an appalling situation arise? One of the causes is in my opinion that the Commission followed too restrictive an export policy, or rather I should say that the Commission and the Council have followed too restrictive an export policy with in consequence unnecessarily high pressures on the market price in the Community. In my opinion it is completely correct in a period of scarcity to follow an export policy which safeguards the Community wheat supply. This is to be regarded as the counterpart of the refund policy which relieves the common market in periods of surplus stock.

I have therefore no criticism of the export levy system as such, but I do have of the manner in which it worked last year.

The Commission and the Council could also have avoided excessive outflows of cereals with an export policy which would have exercised somewhat less pressure on prices, and then the target price level could have been reached in the Community throughout the year.

Mr President, we are talking about the past, and that will of course not come back again. The purpose of our question is to ensure that if the relative shortage of wheat on the world market continues, the levy system is handled in such a way in the future that the current target price can be achieved in the whole Community throughout the marketing year.

(Applause)

**President.** — I call Mr Lardinois.

**Mr Lardinois,** member of the Commission of the European Communities. — (NL) Mr President,

**Lardinois**

I shall deal with the questions put by Mr Durieux and Mr de Koning, which touched on very serious subjects. I am not making this remark just *pour le besoin de la cause*, as the French say. On the contrary, I think we have more need than ever of political clarity especially as regards Mr Durieux's question. If we do not achieve clarity now we shall be opening a Pandora's box which will bring us an autumn which the Community will long remember. I should therefore like to give an absolutely clear answer to this question. If we now remain vague and leave open the possibility of an interim agricultural price review in autumn, and the Community is not able to carry this out, then I weep not only for all those who have to do with agriculture in this Parliament but for every leader in Europe who has responsibility for agriculture, wherever he may be. I therefore feel that I must say that this is an extremely important question which deserves a very clear and accurate answer.

On Mr Durieux's question whether the Commission does not consider it necessary to submit proposals for an interim review of agricultural prices in the light of the exceptional rises in costs since the agricultural prices were fixed and the even greater increase since the Commission drew up its proposals, I should like to make the following answer.

The Commission is not at all in favour of interim price reviews. Nor is it considering submitting proposals for such reviews. It is of the opinion that such an operation involves very great danger for the continued existence of the common agricultural policy. Agricultural prices are fixed every year before the start of the new season. In determining the level, account is taken of cost trends, production policies and growth in producers' incomes. This happens once a year. Decisions on prices are always taken in the context of a whole package of measures and are the result of very laborious and delicate negotiations.

Since it is already difficult with nine Member States to reach agreement on this once a year, I am certain that this would not work if we were to carry out this operation twice a year, and that the Common Agricultural Policy would completely collapse. This is all the more true since at the moment we must be extremely careful in giving average cost growth figures. At present overall inflation in the Community varies from around 7% to somewhere between 20% and 25%. This process did not start this year; in the past, too, there were considerable differences in inflation rates between the various countries, though not so pronounced a difference as this year.

This means that we in fact have very divergent real cost and price changes in the case of agricultural products, especially as the official prices in some countries are linked to currencies in the snake—and these countries have the lowest inflation rates—while this is not the case in the other countries, Italy, France, the United Kingdom and Ireland—countries where more than three quarters of the Community's farmers live—where the prices are linked to the national currency, so that they are 10% to 20% below official agricultural prices linked to the currencies in the snake.

When developments suddenly occur in these latter countries, the consequence is that we must use, for example, the 'green lira', and perhaps shortly some other green currency. Thus from November 1973 to the end of June 1974 Italy did not have a price rise of 9%, on which the farmers had counted, but a total of 36%: about 12% last winter, about 9% in March and 12.5% this month, which comes to a total of around 36%.

I wonder how this matter can be regulated in the context of a general price round, especially since the current market situation for the various products is such that in the sector with the greatest problems, namely the meat sector, it makes absolutely no difference whether the price is increased by 10% or not. A 10% higher price on paper makes no difference to the market unless you say that when the price is 10% higher than the present intervention price, intervention must be increased. I really wonder what we should do about meat.

At the moment the market requires quite different measures. I have briefly explained to you what in our opinion these measures are. I hope that I shall have an opportunity tomorrow after Question Time to go into more detail if the Members of Parliament have any further questions.

Mr President, we think that at present, in the critical situation which undoubtedly exists, *ad hoc* intervention measures must be taken in the context of a general market policy and that an active market policy must be followed. I have already indicated what this means for the meat market. I will give a few more examples taken from the recent past and current practice.

Three weeks ago we took the opportunity to contribute to alleviating the critical situation in United Kingdom beef production by requiring the British government to apply the formal European price level, so that the exception which existed as regards the price of beef, which was 10% lower, was removed.

**Lardinois**

The crisis which existed two months ago on the poultrymeat market was overcome as follows. Production cutbacks were encouraged, especially in undertakings where this could be done most easily and quickly, in the first place by organizing cooperation among poultrymeat producers producing broilers on a large scale for intra-Community trade. At the same time they were given the opportunity for two months to pursue an aggressive export policy. It is now apparent, that this policy has had results. There is now a reasonable equilibrium on this market. This is one of the few examples which I can mention. I think that something similar has to happen in the short term as regards the egg trade.

Secondly, we took measures with regard to increased energy costs, especially in the sectors using most energy, glasshouse market gardening and coastal fishing. We allowed, and in fact encouraged, the Member States to absorb 50% of the difference between the prices charged last winter and next winter, by means of a direct producer subsidy. In this way not one but two seasons were bridged, not only last winter, where the price rise occurred in some Member States, for instance Germany in December, but also the coming winter.

If we try to cope with the matter in this way, I think it will be possible to pursue a policy which we can also get the agricultural sector to accept, even if—as I expect—agricultural incomes go down this year instead of rising as a result of all these measures. The farmer knows just as well as we do that the measures which we and the authorities in general may take never by themselves determine whether a year is a good one or a bad one. I do not only mean that climatic conditions may play a part here, but also price changes in general, which are determined in Brussels only for a number of products, while for other products there is merely a guarantee in the background.

When I am told that incomes from pig-breeding have dropped significantly, my only reaction can be one of regret. I should, however, like to say that the good incomes over the last three years in this sector have hardly been affected by our price policy, since we have never had one for pig-breeding; nor do we want one since the level of guarantees in pig-breeding used to be such that it was profitable. We merely wanted to lay firm foundations in the market below the cost level. If we allowed ourselves to be induced by pig-breeders to guarantee a price at cost level, products of this nature would face difficulties in a space of time which is so short and so irrevocably fixed in the case of large-scale pig-breeding that I should not like to take any responsibility for it.

To summarize, I should like to say that I see the seriousness of the question raised by Mr Durieux and I understand that we cannot get out of it by saying we are doing nothing. The present situation requires us to make maximum efforts in the sectors where the crisis is acute and attempt to find solutions. What we have done or are intending to do should not, however, be disparaged. The fact that from one year to the next we have been forced to incur the expenditure I mentioned earlier should not be minimized. I am convinced that if the measures we have proposed are broadly accepted by the Council, they will achieve the necessary effects.

Mr De Koning asked if the Commission could confirm that farmgate prices for wheat lay below the target price for a considerable time during the past marketing year. In general this was not the case. On average, the market price of wheat within the EEC lay above the target price. The situation did, however, vary substantially from region to region. On the one hand we have Italy, the United Kingdom and Ireland, where the wheat price was considerably higher than the target price for practically the whole year. Then there is Benelux and Germany, where the wheat price lay at target price level for only part of the year, while Denmark was somewhere in the middle. In France there was a great difference between the period after the harvest and the period after the floating of the franc. On average, therefore, the target price for wheat in the Community was exceeded, but there are considerable differences between the various countries. The differences are connected not so much with the export levies we applied as with currency developments. We can of course slow down the developments at the moment with our policy and try to stave off the consequences. In the last year, however, the consequences have been so radical that, like other sectors, agriculture has been curable to avoid them.

I can also answer the second and third questions in the affirmative. I can also give an affirmative answer to the fourth question, except that I am unable to guarantee that next year the target price will be exceeded throughout the marketing year everywhere in the Community.

I should like to make a further observation on the philosophy apparent from Mr De Koning's presentation of his question. If prices are below the target price, that does not mean losses. A target price for cereals does not mean that we want this price to be reached all the time. These prices give an indication of further measures needed in the context of the policy to be pursued. It is not a question of concealed guarantee prices for the farmer. On the contrary, we can see that particularly in France,

**Lardinois**

where in many regions the intervention price is 15% below the target price, the French government regards the intervention price essentially as a target price. When prices rise, the French government always compares the market price with the intervention price and not the target price. When the Commission proposes that the Community should export more, the French government often says that the intervention price is already 10% above the guarantee level, but it is still 5% below the target price, at least in those particular areas.

Mr President, I shall indicate, for the benefit of Mr De Koning and others, the general course we shall follow. In the next two years we shall use levies. At the moment we are working in exports with 30 to 40 units of account. We are in a situation which is difficult for agriculture. In such a situation I do not think we should close the export tap too tightly.

I should, however, like to emphasize in this Parliament—and I hope that these words will be passed on—that the Commission does not determine policy on its own: it is laid down in very close consultation and according to set voting procedures in the management committees, which have a very great influence in these matters.

Ten days or so ago when 600 000 tonnes could have been exported and export licences had been applied for this amount, especially in France, at an export levy of 10 units of account, the French government applied the safeguard clause to refuse the issue of these export licences and thus keep the domestic price lower than it would have been if they had been granted. The Commission did not approve this, and decided within two days that the export licences ought in fact to be granted. Over the last three or four weeks and the coming two weeks we shall have approved the export of around 3 million tonnes.

The price of maize on the world market has also risen somewhat. For various, frequently lesser qualities of wheat the price of maize is often a more important determinant than other wheat prices. In this context we are at the moment working towards a definite goal; I also think that Mr De Koning can take it from me that the Commission will in any case ensure that—though I cannot guarantee this for the whole year nor for all regions—as many regions as possible and as many farmers as possible will obtain the target price for their wheat.

**President.** — I call Mr Martens to speak on behalf of the Christian-Democratic Group.

**Mr Martens.** — (NL) Mr President, I truly regret that I have only five minutes to deal with what

has been said by Mr Lardinois, Mr Durieux and Mr De Koning.

I should like to say that I found Mr Lardinois' first statement very satisfactory. I should like to thank him for the efforts the Commission is making to improve the situation in the beef sector. I shall be reverting to this point in a moment, but I should also like to concur with the very well documented speech by Mr Durieux. I think that I can agree with it almost entirely; perhaps I might have a reservation here and there about the figures quoted. I can also easily approve what Mr De Koning has said, but I must say that I was extremely disappointed by Mr Lardinois' answer. I am afraid that our farmers will not like it at all.

I would remind the House that when the price proposals were made, it was established—and no-one could dispute this—that after 1.5% had been deducted for productivity, costs had risen by 12.5%. After the Commission had proposed about 6%, it finally became 8.5%. I should like to refer to one part of Mr Durieux's speech, which perhaps summarizes the whole thing. In the first six months of 1973 production costs rose by an average of 7%. In the first six months of 1974 they rose 12.5%. If this trend continues we shall arrive at an increase of 20 to 25%. I am sure that Mr Lardinois will agree that this is unacceptable, since not even the 8% price increase that had been envisaged was achieved. It is partly represented in the price of wheat, but we cannot find it at all in the price of sugar. Mr Durieux has already pointed out that 3.5% is attributable to the rise in energy costs.

Furthermore, 85% of the price is to be paid at the end of 1974, and the remaining 15% not until 30 June 1975. What will the purchasing power of the money coming in then be?

I think Mr Lardinois was wrong when he stated quite simply that price reviews are not possible. If the Commission made an honest mistake last year, it must take the opportunity to put things right. This is the only thing to do. I assure you that this problem of reviewing agricultural prices will come up for discussion here again. My group has decided to put this point on the agenda again for the September part-session. That will give the Commission a couple of months to establish the extent to which cost prices have actually risen and selling prices have come up to expectations. We shall also know by then the results of the 1974 harvest and the prospects on the wheat and sugar markets. We ought then to be in a position to take a realistic decision.

I have already emphasized that the problem lies mainly in the meat sector. Mr Lardinois was

**Martens**

candid enough to admit that the Commission does have some responsibility for this, since last year it left no stone unturned in its efforts to promote an increase in beef production. As soon as increased production was achieved, however, it became a disaster for those who had gone over to it.

I have heard that 15 measures have already been adopted to improve the situation on the beef market. More are to be announced, and I shall certainly subscribe to them, although I am, like Mr Durieux, somewhat sceptical about some of the measures. I do appreciate, however, that the Commission is taking trouble in this area. I think that there are still other possibilities.

Why is the present situation on the meat market so bad? It is because of the way intervention is effected. It is said that meat can be offered for intervention, but then comes the rider that—at least as far as my country is concerned—it will be three weeks before there is room for it. At the moment practically the only meat to be accepted is carcasses or non-boned quarters, which means that only 30% of our refrigerator capacity is being used. I have read somewhere that the total refrigerator capacity in the Community is about 9.5 million cubic metres. In 1973 70 to 71% was used. I know that part of the 9.5 million cubic metres capacity cannot be used for meat because of the lack of cooling tunnels.

I would ask the Commission, as far as intervention in the beef sector is concerned, to change over as soon as possible to accepting boned beef. Cattle farmers are already panicking. They find that the meat cannot be sold, that wholesalers make matters even worse and that the situation is becoming increasingly serious. At the moment people are already talking about a surplus. If things are to take a turn for the better, supplies must be better cushioned, so that less pressure is put on the market.

I shall be returning to the beef problem tomorrow. I had hoped that Mr Lardinois might also be able to give us some good news.

Last week I heard what was probably only a rumour, that Russia had bought about 55 000 tonnes of meat in France and that 5 000 tonnes of this had already been delivered. If the farmers and I could have confirmation of this today, we would have been relieved. If the refunds for normal exports were also increased, we would have a little more breathing space.

My conclusion is that Mr Lardinois should not so radically reject out of hand any price adjustment, since I am afraid that he will have problems with this. I should like to ask him to study the problem with all the data on move-

ments of the cost price and prices of agricultural products. Let us then examine the situation at our ease at the September part-session and decide whether some prices should be adjusted or not.

**President.** — I call Mr Frehsee to speak on behalf of the Socialist Group.

**Mr Frehsee.** — (D) Mr President, it is certainly useful for us to discuss again during this last part-session before the summer recess agricultural cost and price tendencies. It is useful in view of the unrest which, so far as I can see, exists in agriculture in all Member States. As the questioners have pointed out in paragraph 2, certain tendencies are becoming noticeable in the agricultural sector. Whether this means that the common agricultural policy, one of the most important elements in the building of Europe, is in danger remains to be seen.

It is a good thing that we are discussing these matters today. This Parliament shares the responsibility for the Common Agricultural Policy.

Mr President, we agree with the questioners that dangerous developments in agricultural farm-gate prices and equally dangerous developments in agricultural production are discernable. Many figures have already been quoted in this connection.

I shall resist the temptation to discuss in detail the situation in my own country. I shall simply state in general terms that last month farm-gate prices in Germany were 9.6% lower than in the same month of last year, while equipment and supplies were costing the farmer 6% more. However, this figure is lower than the general increase in the cost of living, which dropped back to 6.9% in the Federal Republic in June. Experts all know why this is: supplies include agricultural products, such as young animals and some feedstuffs, which have become cheaper.

These statistics seem to tally, on the whole, with those given by Mr Durieux for the Community as a whole. I shall therefore not pursue the matter any further.

The Socialist Group does not agree with the conclusions drawn in this question. It is more in agreement with the conclusions which Commissioner Lardinois has drawn from the question.

Mr President, we also believe that in general we should retain the system of annual decisions on agricultural prices, and that *ad hoc* price adjustments should not be made. However, if *ad hoc* measures become necessary in emergencies, purposeful and prompt steps should be

**Frehsee**

taken, as Mr Lardinois has said, and they should primarily concern the cost side of agricultural production, and not the price side.

Mr President, there are valid reasons for this. We have tried to point this out on other occasions in this House, with some success, if I understood Mr Lardinois correctly when he spoke two hours ago. When the last decisions on agricultural prices were being taken, it was necessary—and I do not mean to reproach the Commission—to yield to the intense pressure of individual countries, especially in the processing sector, as you know. However, a price level has been reached—I have said this before several times—which has the effect of a boomerang, of a Greek gift, on agriculture. High intervention prices and target prices are set, and then they are not accepted by the consumer. The consumer reacts by not buying. The Commission, the Community and every one of us must take that into account in the agricultural price policy.

That is the main consideration of the Socialist Group in warning against being too ready to change the agricultural price level and also against thinking of nothing but prices, costs and price and cost trends, as has partly been the case here today, and ignoring income trends. These things are not necessarily the same, as an investigation recently carried out in my country has shown.

I do not wish to say anything about the accuracy of the results of this investigation at the present time; I would merely like to point out that agriculture, as a result of our efforts, is already integrated into the economy in many fields. Persons working in agriculture do not receive income only from their agricultural activities, but from other sources as well. And if there is to be a comparison with other types of income, total agricultural income must be taken into account, and price decisions, for example, must be made dependent on it.

While I am still on this point, Mr President, I would like on behalf of the Socialist Group to point with gratitude to the important role which agriculture has played in containing inflation. One of the results of agricultural price trends has naturally been that the general trend of inflation has received no new impulses from the agricultural sector.

Mr President—I shall finish now, as I see you are already raising the gavel—we are, broadly speaking, in agreement with the Commission. We do not agree with the confidence Mr Lardinois has displayed, as he did on 27 June in Luxembourg, when we were also sceptical. The results of the agricultural policy are not inspir-

ing. That is clear today, and will be clear tomorrow. However, we agree with his conclusion that if *ad hoc* measures are taken, they must be taken in respect of costs rather than prices, at least until the general decisions on agricultural prices are taken next spring.

(Applause)

**President.** — I call Mr Scott-Hopkins to speak on behalf of the European Conservative Group.

**Mr Scott-Hopkins.** — I think Parliament can agree—every speaker has done so—that a very difficult situation exists in agriculture at the moment. We have debated this at almost every plenary session we have had. Indeed, I think that every Member must now know that farmers in all our countries are facing difficult times. The speech by Mr Durieux opening this short debate underlined, particularly in terms of the statistics that he gave, the problems facing all our farmers throughout the Community. It is not my intention to go over those facts and figures again. They have been given again to a limited extent by Mr Frehsee. Nevertheless, that is the situation. The question is: what do we do about it? What is the Commissioner doing about it? Mr Martens says that we want a new price review now, as does Mr Durieux. The situation is so grave that it has to be completely reassessed.

I think that every minister has always resisted reassessment of agricultural prices in between the annual reviews, be they at national or Community level, because, as Mr Lardinois said, this upsets the pattern of production and expenditure set down at the last annual review. Nevertheless, these are not normal times. I would have thought that the Commissioner would have realized that we are living, in the 1970's, in a situation entirely different from that which existed previously.

I would agree entirely with Mr Lardinois that one does not want to have intermediate reviews and to change price levels when the fluctuation in costs is 2, 3, or even perhaps 5%. But that is not the situation now. What the farmers, not only in the United Kingdom but throughout the Community, want first of all is stability. Then they want to see that their work is properly remunerated and that they make a reasonable profit from it.

Why cannot the Community think along the lines of having a review every three years at which review parameters are set down within which the various sectors of the Community wish to move forward. Within those three-year periods, or five-year periods if the Commissioner wishes, when any particular commodity demands that special steps should be taken, the

**Scott-Hopkins**

Commission's statistical department could tell him that this or that movement was taking place, COPA could tell him or one of the national governments could tell him, and then the Commissioner would be in a position to take instant decisions regarding the product after the consultations have taken place.

What Mr Lardinois said just now was a little hypocritical. He knows as well as we do that the Commissioner has had to take decisions affecting almost every product outside the price review because of the urgency of the situation. He has done it. He did it again this afternoon over beef.

He has done it previously, and he is doing it again. Let him not be so rigid as to say, 'In no circumstances can we have an interim price review.' Can he not change the way in which these things are done and have a 3- or 5-year complete review, together with a continuous rolling review on the basis of the statistics provided by his own department, by the various national governments, COPA and so on—by all the interested parties—who can feed information to him all the time so that he will be able to take instant action within the parameters laid down? This is perhaps the most important issue of all.

We all know that agriculture has not caused the inflation with which we are dealing at present, and it will not in future be the basic cause of it. But both agriculture and those who work on the land suffer from inflation most grievously. There is no doubt that agriculture is the sector in the worst position in the Community. We need the greatest help, throughout the Community, if we are to be in a position as we all want, to be the prime source of food to our peoples.

We can do this, but we can do it only if we have stability and the knowledge that we have a reasonable chance of making a profit or at least not losing money over a period of time. I hope the Commissioner will review what I have said in the light of these considerations.

*(Applause)*

**President.** — I call Mr Hunault to speak on behalf of the Group of European Progressive Democrats.

**Mr Hunault.** — *(F)* Mr President, ladies and gentlemen, on behalf of the Group of European Progressive Democrats, and in the spirit of the question raised by Mr Durieux, I should like to draw your attention to the seriousness of the situation currently faced by farmers in the various countries of the Community.

At a time when everyone agrees on the importance of the development of agriculture, from both the economic and the social point of view, this sector of activity is, in fact, struck by a crisis which may have disastrous consequences if strong measures are not taken very soon. At a time when the world seems to be entering a permanent period of shortage of agricultural and food products—at least this is what we gather from research carried out by responsible bodies like the FAO—it would be paradoxical and shocking for the Community not to do everything in its power to stimulate the development of its agricultural production.

I should also like to point out the importance of agriculture for the general balance of a society which is undergoing great changes and needs to counterbalance a movement towards urbanization, which often gets out of hand, and take into account the lessons to be drawn from social organization in the countryside.

These considerations show the need to do everything possible to ensure that farmers have adequate working conditions and living conditions, making it possible for them to fulfil the task the rest of the community expects of them. It is clear that wage increases are of paramount importance insofar as they determine the living conditions of farmers and their security.

In this respect, recent developments show a considerable deterioration in the situation which, if it continues, could call into question the very basis of our agricultural economy.

This phenomenon, which, quite rightly, is a cause for grave concern amongst farmers and the authorities in our various countries, affects, unevenly it is true, all types of production and is especially severe as regards animal breeding. In this sector, it is the result of the pincer effect of the drop in prices of agricultural products and the increase in costs. The market price of beef, for example, which has been unfavourable for some weeks, has dropped still further in the last few days. The average Community price of full-grown cattle in particular is less than 88% of the guide price, and there has been a worrying regression in all the Member States. The latest weekly figures showed a drop of 3 units of account per 100 kilogrammes. The same goes for veal. As for the pigmeat market, it has been subject to a startling drop since the beginning of 1974. Average Community prices have fallen by approximately 70 units of account per 100 kilogrammes, having reached 110 units of account six months ago.

I hope we all realize the extent of the difficulties which these developments could cause farmers at a time when the general economic situation is

**Hunault**

confronting them with costs which have risen quite exceptionally in every sector. The energy crisis has triggered a process which has had alarming consequences for the development of prices, not only for energy-generating products as such, but also for fertilizers and services and other industrial products needed in agriculture. Thus, for fertilizers alone, the wholesale prices in France increased by 30% between 1973 and February 1974; the upward movement which has occurred since that date is estimated at 20% of the overall costs of services and industrial products for 1974. The causes of this situation are well known as regards the development of costs in general.

As to the drop in prices of a number of products, I should like to take the example of beef and veal. The phenomenon is not limited to the Community; it is world-wide, as witnessed by the fact that, over the past year, there has been a 40% drop in the USA. Certain decisions taken at Community level have, however, contributed to a deterioration in the situation and I should like to point to the importance of the unfortunate measures taken in connection with the shortage in 1973. This led to a high level of imports, even though the original deficit had been absorbed. Measures had, of course, been taken at Community level since the beginning of the year. Without belittling them, it must be conceded that they were largely insufficient and that they had led to no improvement in the situation.

The Community bodies should therefore implement new and wider-ranging action. Without going into details regarding procedure, I consider that, in order to stabilize the beef market, action must be taken to clear stocks as soon as possible; otherwise, within a few weeks, we shall find ourselves faced with no more refrigeration space, and this would mean the impossibility of continuing with intervention policy.

The latter had given grounds for hope. Unfortunately, all hope have been dashed in the last few days. The Commission must take the necessary steps here. Otherwise, it will have to shoulder a very serious responsibility towards the farmers.

Over and above this type of arrangement, and the administrative measures which the Commission must take immediately, the fundamental problem concerns the overall level of agricultural prices. These were fixed at a period of the year when the detrimental effects of the situation I have just described had not been felt with all their force.

Since that time, market prices have dropped and there has been a steep rise in costs. It is there-

fore extremely important for these elements to be taken into account and for the Community authorities to decide, without delay, to bring the prices fixed last spring into line.

A measure of this sort would be the sort of reply the farmers expect from the Community and would help to alleviate the current disorganization on the market. A decision must be taken without delay. The European Parliament cannot stress too heavily the need to adopt an attitude to meet this contingency.

In conclusion, Mr President, I make these remarks in the conviction that it would be absolutely intolerable to allow this situation to deteriorate any further, and it would also be extremely dangerous to do so.

I believe that public opinion would not understand why the procedures provided for under the common agricultural policy had not been with all the force that is necessary. This would be even less appreciated given that the common agricultural policy represents the spear-point of European construction which we are seeking to bring about.

*(Applause)*

**President.** — I call Mr Lemoine.

**Mr Lemoine.** — *(F)* Mr President, ladies and gentlemen, Mr Durieux's question, which over and over again raises fundamental problems, has serious implications for the future. Agricultural problems are once more on the agenda, and everyone here knows how important they are for the Community.

It is quite clear that the position of farmers, milk producers, wheat producers, vine growers, beef and pork producers, is continuing to worsen.

Inflation and the increase in costs have been so high that the price rises agreed on in Brussels on 23 March will be altogether inadequate.

This is inevitable because the price rises do not make sufficient allowance for inflation and the increase in agricultural costs. We made this point when the Commission's proposals were being discussed.

During the year from March 1973 to March 1974 agricultural producer prices in France fell by 0.7% while, in the same period, the prices of necessary inputs increased by 26%, and experts forecast that, for 1974 as a whole, the increase will be of the order of 34%.

The purchasing power of farmers is therefore once again being seriously eroded, and it has

**Lemoine**

been reliably estimated that it will fall by 15% in the current year.

On the beef market, the situation is no longer dramatic: it is catastrophic. Prices continue to fall and, recently, a further drop of 5% was registered. Furthermore, as Mr Hurnault just pointed out, prices are only 88% of the guide price.

The measures recently taken by the Commission have not proved effective enough. At the same time, the pork sector is also affected, and in recent months prices have fallen by more than 1.50 francs per kilogramme. Today, some people are saying that we are on the point of breaking up. Discontentment is growing. Selling at a loss and low prices discourage breeders. Vine growers are also having to sell at a loss and, in addition to their financial problems, they have the problem of emptying their store-houses before the next harvest.

Fruit producers do not enjoy guaranteed profitable prices either, and the economic balance of many holdings is affected. In general, milk producers continue to obtain prices which bear little relation to increasing production costs.

We could say that, at the present time, agriculture as a whole is running into difficulty. In my country at least, you have the shameful spectacle of produce such as fruit and vegetables being thrown away at public expense and drenched with oil to make it inedible at a time when many needs still go unsatisfied.

If the truth be told, the rural population is the victim of a Community agricultural policy which was framed above all to favour the interests of import-export companies and major financial and industrial monopolies. They have had enough of this and are therefore protesting in many places, coming out strongly against a policy which is contrary to their interests.

It is useful to talk about the problem, as we are doing today, but it is not enough: we need solutions. I listened attentively to what Mr Lardinois had to say and took note of the proposals concerning beef and veal which we are to discuss tomorrow, but I already have my doubts whether they can resolve the serious problems which exist. In the present circumstances, which, as has been pointed out, are abnormal, we have to go further than this. European agricultural prices must immediately be brought into line with reality. This measure should take effect rapidly. It is most important that new negotiations on agricultural prices should be opened, involving the main parties concerned and, no doubt, the organizations representing the professions and the associations for protecting family

holdings. The rural population, which plays an essential role in the Community, is becoming impatient and, as a matter of priority, awaits measures concerning the market for animal production, providing budgetary and fiscal aid, eliminating compensatory sums and raising threshold and intervention prices.

We insist that the Commission and Council take the essential decisions awaited by our farmers during this marketing year.

That, Mr President, ladies and gentlemen, is all I have to say at the moment, though I cannot help feeling that the present agricultural situation would, in the short term, justify a very much more thorough debate.

**President.** — I call Mr Vetrone.

**Mr Vetrone.** — (1) Mr President, we have heard it said today that agriculture is not causing inflation, that agricultural incomes are the lowest so much so that in some Community areas they do not amount even to 50% of incomes outside agriculture. Finally, it was said that consumers are not buying because agricultural prices are too high and that it would therefore be ridiculous to undertake at this moment the agricultural price review asked for by Mr Durieux in his question.

But all this is a misunderstanding: behind all these arguments, obscured by a fog of technical terms and technicalities, political attitudes are discernible and it is of course natural for everyone to work within the terms of his own ideology.

Have you, for example, ever heard a Conservative finish a speech without rising to the defence of the consumer? Never. They are always defending consumers. But who are the consumers? If agricultural producers have small incomes, so small that they do not even amount to 50% of the wages of unskilled industrial labour, then all consumers have incomes far superior to those of the producers. It is right to concern ourselves with the consumer's problems, but we should ask ourselves first of all why it is that consumers have to pay high prices; it is not because the prices charged by producers are high.

The fact is that so far no-one has tackled the distribution problem. Let me give you an example. We now have a meat surplus. Well, we have it, Mr Lardinois, because distributors want to make high profits on a small turnover; if, instead, they were prepared to make small profits on a large volume of sales, then prices would be reasonable, more people could afford them, and consumption would rise.

**Vetrone**

Look at what is happening in my country with fruit—peaches, for instance. The distributors are selling very small quantities, but at an extremely high price, putting this fruit out of reach of families of more modest means. And so we have the price of peaches on sale rising, while huge quantities of the same fruit are being destroyed. This is what we have come to: the deliberate destruction of food.

Statistics available from international organizations will support my contention. As I have already had occasion to mention, the OECD, in cooperation with the FAO, has established that a 1% increase in agricultural producer prices should, were it not for the distribution stage, affect the consumer price to the extent of 0.1% at the most. I challenge anyone to tell me by how much a 1% increase in agricultural producer prices rebounds on the consumer with the distribution system that we have: I should be glad to hear that it was only 10%. Unfortunately, in reality the effect is much greater.

So much in reply to Mr Frehsee. Because, after all, there comes a moment when one must have the courage to speak the truth.

It is my opinion that the common agricultural policy is wrong because it is not based on the British system of deficiency payments. I am convinced that a move in that direction would be extremely beneficial to us: the introduction, that is, of a system whereby the consumer is assured of reasonable prices, and the producer of profitable price, with the Exchequer making up the difference. That is what the deficiency payments system boils down to. But one must have the courage to say so.

My overall impression, Mr Lardinois, is that the measures announced by you for meat, even if they are not exactly on the lines of deficiency payments, do at least resemble them. We are confronted by a mysterious phenomenon: while, until a year ago, we were all worrying about the meat shortage in the Community—all the more, since there was also a shortage in other, traditionally meat-producing countries—we now have an abundance to the point of excess. It would be extremely interesting to solve this mystery and try to find the reason that no-one seems able to explain.

Now, you see, Mr Lardinois, I am at one with you when it comes to respecting principles. This is why, given the structure of the common agriculture policy, which is based on these three or four principles, it is clear to me that we need the courage to abandon and remake—as I was saying just now about income supplements—rather than respect those principles.

After the monetary upheaval, all sorts of acrobatics were performed to save the Common Market—highly praiseworthy efforts, though, of course, it was inevitable that they would find their critics as, indeed, they did. But when you tell me that you are opposed to revising agricultural prices because that would be mean violating a principle, I must remind you, Mr Lardinois, that in this House we have condemned the fact that last year it was proposed that production costs should not be calculated by reference to a four-year average, because that would have meant a denial of reality.

*(Protests from Mr Lardinois)*

I therefore ask you now to ensure at least that, when agricultural prices are next fixed, they are based on a two-year rather than a four-year average, so that they are realistic. In any case, the proposed review would infringe no principle because, in practice, we should not be ignoring production costs if the calculation were based on a two-year, rather than a four-year, average. The four-year average, I say again, might have been right in normal times, but has become totally absurd in this exceptional period which began with the energy crisis.

**President.** — I call Mr Liogier.

**Mr Liogier.** — *(F)* Mr President, ladies and gentlemen, Mr Cointat has stressed all the difficulties encountered by wine producers, so I shall not go over this matter again.

However, as regards fruit and vegetables, peaches, which have a very low intervention price, have already been withdrawn from the market in France, even though production is very much lower than during a normal year. This is obviously a result of outside competition. Clearly, peaches, like pears or apples, for example, can only cross our frontiers from Spain or elsewhere at the reference price, and the cost of transport from the frontier to the market has to be added to this price. In these circumstances, what could be the explanation for the sudden drop in prices which has obliged France, in dire straits, to apply the safeguard clause, one must assume with the Commission's approval, which it has the right to give under the new general regulation?

Furthermore, as you well know, Mr Commissioner, Greek Dixie Red peaches are about to arrive on the Community market, and you must be aware of the problems which have arisen in the past with Greece over the question of importing peaches at the beginning of a period when Community production is at its peak.

I therefore feel that the Commission must be asked to give special consideration to this mat-

**Liogier**

ter. Otherwise, withdrawal, which when all is said and done is simply a corollary of poverty, becomes a normal operation whereas, in fact, it should be an exception. The new general regulation governing fruit and vegetables should give us effective means of upholding prices.

(Applause)

**President.** — The proceedings will now be suspended until 9 p.m.

The House will rise.

(The sitting was suspended at 7 p.m. and resumed at 9.05 p.m.)

IN THE CHAIR: MR BORDU

*Vice-President*

**President.** — We continue the joint debate on the oral questions put by Mr De Koning and Mr Durieux.

I call Mr Lardinois.

**Mr Lardinois.** — (NL) Mr President, I should like first to comment on Mr Martens' remarks. He spoke about the possibilities of achieving an improvement in the situation for some products, such as wheat, sugar beet and beef. I hope that Mr Marten will not mind if I do not this evening say anything about beef in my answer, since Parliament has set aside an hour for that subject tomorrow. I take it that I shall then be able to give a satisfactory answer to him and the other Members of Parliament who have put questions on this.

There remain wheat and sugar beet. In my answer to Mr De Koning I said that I felt we have to develop a policy on wheat which gives the farmer a reasonable price on the market. For me a reasonable price is one that lies as close as possible to the target price. It will be very difficult in view of the present currency situation, but if we do not reach that goal I think that our policy will be anything but satisfactory as long as the present market situation continues.

I think we can say that as far as this product and the other cereals are concerned, we have over the past year, despite the difficult circumstances, generally pursued a particularly satisfactory policy. Over the larger part of the year we even managed to achieve a price tendency in areas producing medium wheat qualities which came close to the target price level. I feel that this should still be possible given similar market conditions next year, which always means that

you can get 5% or so more on the market in these areas than elsewhere.

As regards sugar beet, in the present situation all the sugar produced is reaching at least the price level of A sugar. The Council decided ten days ago that C sugar remaining in the Community should be given a rather higher guarantee than the A sugar, especially since a storage premium has to be paid on it. This must be counted on top of the guarantee level we had in previous years.

You cannot consider the wheat price policy by itself. There is a very close connection between our policy on wheat—wheat is in fact the only product in the cereals sector for which we have a net exporting position, except for rice, which is a specific case—and our policy on feed grains. With unlimited wheat exports we can offer European cattle breeders much less certainty that we can keep the price level for feed grains under control.

At the moment I should give much more priority to maintaining the price level for feed grains than to easing the price level. We must not forget that cattle breeders are the most important customers for the cereals sector as a whole. Last year there were situations in which the world market price for maize, which determines the price of feed grains, lay 20% above our price level. Nevertheless, thanks to our policy of restraint on wheat we managed more or less to maintain the target price level. Both aspects should be taken together. Nevertheless, I would repeat that if a situation like last year's recurs, our arable farmers have the moral right to obtain approximately the target price for wheat. This applies not only as an average for Europe, but also for the problem areas.

It will be very difficult to achieve this. I have already said that the national policy in the big exporting countries in our Community is directed at the opposite, namely at a wheat price level—related to the price of bread—as close as possible to the intervention price. If this situation arises in the future, agriculture and specifically arable farming will certainly have a special claim to good treatment.

Mr Frehsee hinted—he is not often so passionate—that agriculture policy has not yet reached a level that everyone can regard as satisfactory. I agree with him on that. Nevertheless I take the position that we have an important sector here, as regards both production and consumption—after all this sector and our policy on it determine around 25% of the cost of living of our consumers—with very many conflicting interests. The history of agriculture is completely

**Lardinois**

different in each of the nine countries of our Community.

When I compare everything we have done and are doing for this sector with what is happening or not happening in this sector in other parts of the world, to our east or to our west on the other side of the Atlantic—I shall not speak about the developing countries or countries like Japan, which cannot be counted as a developing country—then I think that our common agricultural policy can stand the test of criticism better than the agricultural policy being followed in large parts of the rest of the world. I think this is quite an achievement for our young Community. If you do not agree with this, I shall gladly listen to what you have to say—if you have the arguments to back it up.

Mr Scott-Hopkins put forward an interesting idea, namely to hold a price review once every two or three or even five years in broad outline, and then in the intermediate period to leave policy to the Commission and the Management Committee, or the Commission and the Council, within this broad outline. This is an attractive idea, and I think it should be not only be looked into in more detail but also discussed in this Parliament and in the Council, in consultation with the agricultural organizations.

I wonder, however, if we have yet reached the point where we can put such an idea into operation. We must not forget that the accession of the three new Member States has created a special situation. In these three new Member States price relations and absolute price levels are still so out of line with the price level in the original six countries of the Community that I should think it would be impossible to fix these price relations for a period of several years all at once.

Secondly—and I shall be returning to this point in a moment—we have to face the fact that prices in the Community are in fact very divergent as a result of the currency developments.

These two things together make me think that this idea, though original, cannot yet be put into practice, though it would give our policy a lot more flexibility. But I do feel that it is certainly not too early to discuss it seriously. I am therefore grateful to Mr Scott-Hopkins for having so convincingly presented this idea to Parliament. Mr President, the remarks then made by Mr Hunault and Mr Lemoine were particularly critical. They closely followed Mr Durieux, who asked for this debate. There was essentially one complaint, namely that costs had risen enormously and that something should be done immediately about prices.

It is not by chance that Mr Hunault, Mr Lemoine and Mr Durieux have all brought up this point. Nine months ago we heard precisely the same thing, except that then it was from the Italian rather than the French Members. Those who paid close attention will have noticed that Mr Vetrone's intervention was much more moderate, calm and objective than what Mr Durieux, Mr Hunault and Mr Lemoine had to say. Their view is just as strongly coloured as that of Mr Vetrone and other Italian Members was about nine months ago. And this is not due to chance. The cause is the same. Since the Commission made proposals at the end of December 1973 for a price adjustment of 6.5%, which following the latest British measures came to 9.5%, what happened in the whole of Europe in general was not what should have happened: prices in France, for example, fell by around 10 to 12%. Since France decided to take its currency out of the snake, agricultural prices in France have fallen by 10 to 12%. Sometimes it is 12% and sometimes 10%: it depends on domestic circumstances.

What does this mean in practice? Suppose France exports cheese to Germany. It may happen—and this was the case last week—that an export levy of 12% is imposed at the French frontier, and that a hundred metres further on at the German frontier an import levy of 12.5% is added. Altogether this makes 24.5%, of which the French producer in fact gets less than the German.

I can give you some other examples. If pigmeat is exported from the Netherlands to Paris, the Netherlands first pay 2.75% subsidy—this amount is eventually paid by the EAGGF, to which it is declared—as far as the French frontier, where France grants a further 12% import subsidy. That makes nearly 15% altogether. That is the common market for you.

If I am asked to raise 'the' Community prices, then I ask by how many per cent? By 5% or by 10%? Do you want that to apply to Germany, too, where prices are 24% higher than in France? In my opinion that is the height of stupidity. I want no part of it. You cannot expect me to accept the Commission's responsibility for the Community price adjustments this autumn or next spring if this crazy situation does not change. It cannot be tolerated any longer. How can Breton farmers accept a situation in which a subsidy of 15% is paid in Belgium on exports of pigmeat to Brittany, with which they have to compete, while the difference in feed grain prices is not 15% but at most 3%?

No export levies are being imposed on cereals under current world market conditions. That is reality. If Mr Hunault, Mr Durieux and Mr

**Lardinois**

Lemoine then say that the price level in France is too low at the moment, I fully agree with them. If they were asking for a measure for France like the one we took for the Italian lira which comes into effect this month, or something like that, then I would fully agree. I would regard that as a step in the right direction. Even if it was only 5%, 7% or 9%—you could choose the percentage. All we would say then would be that we would be glad to take such a measure at the moment against the will of the governments while the fight against inflation goes on everywhere.

I can imagine that the present President of France feels the time for such a step will not be ripe until there is more clarity about monetary cooperation in Europe over the next few years. I can agree with that. It was the French President himself who, as Finance Minister, took the French Franc out of the snake in February of this year and said that in about six months we should make proposals to encourage monetary cooperation in Europe. The Commission agrees that such a measure can only be taken if there is more certainty as regards the whole problem of European monetary relations and that it would suit France. We do not need to waste time talking about this.

What I have said about the green franc applies also to the green lira and could in principle also apply to the green pound, which would involve not only the United Kingdom but also Ireland. To speak in the present situation of all-round price increases when prices are sometimes 25% or 30% apart is madness, gentlemen! I do not go along with that. I refuse to bear any political responsibility for this until some real harmonization has actually been achieved in these areas.

After this outburst on my part, I do not think I have to go too deeply into the various details. Mr Liogier discussed an important but specific point. I can say to him that I shall obtain the information tomorrow morning and answer him either personally or in the Chamber.

(Applause)

**President.** — Pursuant to Rule 47 of the Rules of Procedure, I call Mr Durieux to comment briefly on the answer given.

**Mr Durieux.** — (F) Mr President, I shall be extremely brief. Mr Lardinois certainly rebuffed the French speakers, but I should like to point out to him, as I expressly mentioned in my statement, that the position of farmers, in France and the Community as a whole, is very tricky at present. I think that all those who

have spoken this afternoon have approved of my raising the question and agreed to take part in the debate.

Or course, the problem is to find out how to remedy this situation. It has already been necessary to make special provisions for Italy. Some also need to be made for France. But, if I remember correctly, everyone who has spoken this afternoon has stressed the existence of a problem caused by the increase in production costs in Great Britain, the Netherlands, France, Belgium and elsewhere. Technical measures are therefore required. Any other measures, I am tempted to say, are unimportant. I have taken note of certain provisions which Mr Lardinois referred to at the beginning of the sitting. These measures are certainly capable of effecting some improvement.

As Mr Frehsee just said, some people consider that it ought to be possible to provide selective subsidies to offset costs. These are measures which we could take. The green lira has been devalued, so why not the green franc?

But the problem can be tackled at various levels. Producer prices can be raised to some extent, and costs could be selectively subsidized. This measure could be contemplated provided that it was only to be applied for a limited period of time.

Certain countries are in difficulty at present and other countries, for the moment relatively well off, cannot rule out the possibility that in a few years they may also run into difficulty. Therefore, whichever countries are concerned, measures must be taken—first and foremost, to save the common agricultural market. We all want to stop the erosion of farmers' incomes, wherever they live. The Community of the Nine stands together. We must take the necessary measures, and I hope that the Commission will act with sufficient imagination to work out all the necessary measures as a matter of urgency. In France, Belgium and even Germany, the predictions made in the press some time ago are coming true, and the farmers are becoming aware of their strength. At present, they are discontented—they were not the ones to feed the flames of inflation, as everyone is well aware.

I should particularly urge Mr Lardinois to formulate Commission proposals to be submitted to the Council of Ministers which meets next week. If these measures are not taken in the very near future we will face very major difficulties in the Community. We must realize that the Community is not at its strongest at present and that it is therefore not the moment to increase discontent. This is why I hope that

**Durieux**

important decisions will be taken. I believe that it is essential to be far-sighted in this field, Mr Commissioner.

I think that we must take into consideration the present position of Community farmers as a whole, not just French farmers. I rely on you to forward our ideas and take all the necessary decisions as soon as possible. The future of the common agriculture market is at stake. We count on you, Mr Commissioner.

**President.** — I call Mr Hunault.

**Mr Hunault.** — (F) Mr President, I should like to return to the Commissioner's reply. If I understood him correctly, he said that the French Government was to blame for the difficulties currently facing farmers, particularly producers of beef and veal.

Personally, I find this explanation unacceptable and I should like to protest strongly against this statement.

**President.** — I call Mr Lardinois.

**Mr Lardinois.** — (NL) Mr President, I may be naive, but not to that extent.

**President.** — I have no motion for a resolution on this debate.

Does anyone else wish to speak?

The debate is closed.

10. *Commission Communication on the resolution concerning animal and plant health and animal nutrition*

**President.** — The next item is the report drawn up by Mr Bourdellès on behalf of the Committee on Agriculture on the Communication from Commission of the European Communities to the Council on the resolution concerning animal and plant health and animal nutrition (Doc. 162/74).

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

**Mr Bourdellès, rapporteur.** — (F) Mr President, ladies and gentlemen, in submitting this Communication to the Council, the Commission's aim is to ensure that there are no barriers to trade in certain products between the Community countries. To this end, the Council resolution lays down a timetable for harmonizing laws concerning animal and plant health and animal nutrition. This resolution follows,

and adds to, the resolution of 12 March 1968, which established a working programme for the Council in the veterinary field.

As you can see, in my report I point out that the Council has fallen considerably behind in carrying out this first working programme. This delay, which results in the continued existence of technical barriers to free trade of veterinary products, is not in keeping with either the spirit or the letter of the Treaty of Rome.

The Committee on Agriculture therefore insists that the Council should make every effort to make up the time which has been lost in the veterinary field and, furthermore, to adopt and observe the new timetable fixed in this Commission Communication on plant health and animal nutrition.

Bearing these points in mind, the Committee on Agriculture invites you, honourable Members, to give a favourable opinion on the motion for a resolution contained in my report.

**President.** — I call Mr Lardinois.

**Mr Lardinois, member of the Commission of the European Communities.** — (NL) Mr President, I should like to thank the rapporteur most cordially for the work he has done. His report has quality and bears witness to enthusiasm for his work. I can say to him that I shall not merely take his recommendations into consideration, but also follow them as soon as possible.

**President.** — I call Mr Gibbons.

**Mr Gibbons.** — In the Irish Republic we have a peculiar freedom from certain animal diseases, in particular foot-and-mouth disease in cattle and certain other diseases in poultry. I urge upon all parliaments that it will be necessary to proceed with the greatest caution in introducing what might seem to be a common veterinary code. This would apply to plant health also.

I am particularly concerned, as an Irishman, about the particularly fortunate position in which we find ourselves in Ireland in relation to foot-and-mouth disease of cattle and certain other diseases such as Newcastle disease of poultry. If there were to be the absolute freedom of movement that Mr Bourdellès advocates throughout the Community, we should have endemic diseases running throughout the length and breadth of the Community, and, clearly, this would not be in the Community's interests. That must be manifest to everybody here, including the Commissioner.

**Gibbons**

The existence of a disease-free animal-breeding area such as the Irish Republic is of very definite value to the Community as a whole, especially when it comes to exports of pure-bred cattle to the United States and to the third countries generally, and for this reason I would ask Mr Bourdellès and Parliament to take particular note of this point, which to us in Ireland is of great importance. We happen to be the biggest cattle exporters in the Community and, therefore, it is easy to see that, in spite of the present deplorable condition of the cattle trade and the enormous losses being suffered because of the peculiar management of the pig industry at the present time, our cattle industry is the most important thing we have at present in Ireland.

We in the Republic of Ireland do not wish to import any endemic animal diseases from the mainland, and we ask that we be permitted to exercise such an internal régime as would permit us to retain our disease-free status.

*(Applause)*

**President.** — I call Mrs Orth.

**Mrs Orth**, *daftsmán of the opinion of the Committee on Public Health and the Environment.* — *(D)* Mr President, ladies and gentlemen, for reasons of time, the Committee on Public Health and the Environment was unable to discuss the Communication from the Commission to the Council concerning the resolution on animal and plant health and animal nutrition and deliver its opinion until its meeting of 1 July. However, it is important to the committee that the three points contained in its conclusions should be incorporated in the motion for a resolution by the Committee on Agriculture. For that reason, the amendment which I have put before the House on behalf of the Committee on Public Health and the Environment is not an amendment in the normal sense, but a proposal to extend the motion.

In his report, for which we are grateful, Mr Bourdellès has taken up all the essential points which the Committee on Public Health and the Environment also considers important. However, it is only natural that our committee should consider all questions primarily from the point of view of health and environmental protection. For that reason, it is unfortunate that the Commission has not yet been able to deal with this field in a unified and comprehensive manner.

All those who know of the Commission's proposals, as the Community slowly harmonizes its way through mayonnaise, bread, yeast, honey and margarine, have been making fun of them

for some time. The Commission is scarcely taken seriously nowadays, submitting its proposals for regulations and directives one at a time like so many slices of salami. Why can there not be a single proposal to harmonize for example, all laws on food, with the use of additives in feed-stuffs or the feeding of medicines to agricultural animals included? All that is, after all, a matter of public health and the environment. Why does the Commission try to achieve agreement in the Council and avoid all resistance by proposing the lowest common denominator from the outset?

The Committee on Public Health and the Environment has expressed these three points in its amendment. I would ask the House to adopt this amendment. As I have said, it is not really an amendment as such, but a proposal to extend the motion for a resolution of the Committee on Agriculture, which we approve.

*(Applause)*

**President.** — I call Mr Lardinois.

**Mr Lardinois.** — *(NL)* Mr President, I shall first of all attempt to answer Mrs Orth's questions. She expressed very well how Parliament thinks about this subject. She brought out the mistrust which has long prevailed in Parliament concerning this kind of harmonization, which is not quick enough or rigorous enough. I can still remember, however, when the Socialist Group, through Mrs Orth's compatriot Mrs Käthe Strobel, adopted a much sharper tone. In all honesty I should say that when I had to deal in the Council with Mrs Strobel in her capacity as Minister for Public Health, I did not recognize her when these subjects came up. She had been given a different responsibility, which affected the same matters, in a country where legislation in these areas went much further than in other countries. The other countries would not allow themselves to be convinced of the usefulness of this sort of far-reaching legislation, which is, to put it cautiously, burdened by certain axioms.

But I do not want to use that as a way of getting out of answering Mrs Orth. The proposal we have submitted is in fact aimed at breathing new life into the corpse which exists in this field, to get it moving again, after our 1968 proposals, which we have only implemented by dribs and drabs in the years since.

I hope that Parliament will understand this and follow the Commission here.

In reply to Mr Gibbons I would like to point out that the Act of Accession was being negotiated when he was Minister of Agriculture.

**Lardinois**

On this point Ireland was granted such guarantees and such long transitional periods, which can still be extended, in that Act of Accession that Mr Gibbons need have no fears about whether Irish interests coincide with European interests here, if, that is, Ireland and he himself are being sincere. I am nothing on the assumption that that is the case, since I cannot have discussions with a Member of Parliament who is not sincere. I mean by this that if Ireland really wishes to protect its animal stocks, and not misuse this protection to obtain particular trading advantages, it has absolutely no reason to worry on this score. If, however, the suspicion arises that the interest in veterinary questions is in fact a cover for opposing particular imports, I cannot, of course, agree to such a policy. I take it, though, that Ireland is an integral part of Europe. It is an island which has already gone very far in the area of measures to combat the most important animal diseases in Europe. It is therefore in Europe's interests to allow Ireland as much freedom as possible in this area. For this we should not talk about this specific Irish problem in this Parliament again, since if we did suspicion might well arise.

**President.** — Thank you, Mr Lardinois.

I call Mr Gibbons.

**Mr Gibbons.** — I accept that the Commissioner speaks in good faith, but why he has elaborated on this particular aspect in his intervention is more than I can understand. He would have been better employed had he elaborated on what he seemed to be hinting at—a somewhat strange conspiracy on the part of the Irish to use their fortunate veterinary circumstances to their own financial advantage and to the disadvantage of everyone else. I was simply pointing out—and this is straightforward enough and applies to a certain extent to the British as well, as the Commissioner knows—that we know his zeal in trying to work out a new code for the slaughter of poultry.

We accept that the Commissioner is speaking in good faith, but sometimes we wonder what the motivation is, just as he wonders what mine is. I will tell him now. It is that we want to protect our cattle-herd because it is the biggest resource we have. We have nothing clever up our sleeve.

**President.** — I call Mr Bourdellès.

**Mr Bourdellès, rapporteur.** — (F) Mr President, in reply to Mrs Orth I should like to point out that the Committee on Agriculture was not

informed of her amendment in time and that we only just received it. As a result, the committee has not yet discussed it. I think that, on behalf of my colleagues, I can say that we will agree to adopt it, since it further emphasizes our desire for this timetable of harmonization of laws concerning animal and plant health and animal nutrition to be observed. I therefore feel I can safely say on behalf of the Committee on Agriculture that we agree with Mrs Orth's amendment. One committee member seems to disagree with me. But he did not vote in favour of the committee's motion either. It seems to me that the majority of the committee members agree.

**President.** — I call Mr Scott-Hopkins.

**Mr Scott-Hopkins.** — I merely wish to point out that the rapporteur, worthy man as he is, has no right to speak on behalf of the Committee on Agriculture. He is expressing his own view as rapporteur, as he is entitled to do, and so long as he sticks to that, it is fair enough. I do not agree with him.

I call your attention, Mr President, to the fact that there is not a quorum in the House. This comes under Rule 33.

**President.** — Does anyone else wish to speak?

The general debate is closed.

I call Mr Scott-Hopkins.

**Mr Scott-Hopkins.** — On a point of order, Mr President. I called your attention to the fact that there was no quorum in the House. Under Rule 33, therefore, it is up to you to ascertain whether there is a quorum.

I submit to you that there is not, and that in that case the House must rise.

**President.** — Mr Scott-Hopkins' request must, according to our Rules of Procedure, be made by at least 10 Members of this Parliament.

I call Mr Scott-Hopkins.

**Mr Scott-Hopkins.** — According to Rule 33(2), all that is required is for a Member of the House to call your attention to the fact that there is not a quorum present, Mr President. The debate must then cease.

**President.** — The Rules of Procedure lay down in fact that 10 Members must request the President to ascertain whether a quorum exists.

I call Mr Scott-Hopkins.

**Mr Scott-Hopkins.** — On a point of order, Mr President. I am not trying to be difficult, although I know that I am being difficult. We have come back at 9 o'clock to debate important agricultural subjects. It is absolutely disgraceful that the House cannot summon 19 members into the Chamber for this debate.

It is for that reason and that reason alone that I have drawn your attention to the fact that there is no quorum. I do not wish to stop the debate, to embarrass Commissioner Lardinois, the rapporteur, the President of the Commission, or anybody else. But I am absolutely fed up with having debates on agriculture on a Friday morning, when we have present perhaps two or three Members, or even 10 if we are lucky, and we close our eyes to our Rules of Procedure and happily vote with only 15 or 20 Members present. Now we are having exactly the same sort of thing on a Monday night.

On what we all regard as the main basis of the European Community, the common agricultural policy, we do not have even all the members of the Committee on Agriculture present, although, bless their hearts, most of them are here.

It is disgraceful that the Members of the Parliament regarded by Europe as its forum should not be fulfilling their functions and should be failing to attend important sittings, and that is what debates on agriculture are.

Accordingly, under Rule 33(2) I call your attention to the fact that we do not have a quorum and therefore have no right to take decisions. We can do nothing more than debate. We are very good at debating, but it does not matter what the hell we say, for we have no right to take action or enforce decisions on anybody at any time.

**President.** — Note will be taken of Mr Scott-Hopkins' statement, which I agree is important.

We hope that one day there will be a wide-ranging debate on the considerable problems facing agriculture with the largest number of Members present. But at the moment 10 Members are not requesting that the number present be ascertained. We shall therefore continue with our work.

I call Mr Houdet.

**Mr Houdet, chairman of the Committee on Agriculture.** — (F) Mr President, on behalf of the Committee on Agriculture I should like to say that it is not deliberate policy for our colleagues not to be present when we discuss agricultural problems. The fact is that, for some months,

agricultural problems have been discussed during the Friday morning sitting. At the request of Mr Scott-Hopkins and myself the Bureau moved these items to the Monday afternoon sitting. Here we are, coming to the end of the sitting, and many of our colleagues have left or have not yet arrived.

If you will allow me to repeat my request, when agricultural matters of such importance are to be considered, could the debate not take place in the middle, rather than at the beginning or end, of the part-session?

I should like to make it quite clear that in no way am I accusing our colleagues of lack of interest in agricultural matters. If other questions were called for by the agenda this evening, would more or fewer of us be here? Quite probably, the same number.

**President.** — Mr Houdet, note will be taken of your statement.

We shall now consider the motion for a resolution.

On the preamble and paragraphs 1 to 3 I have no amendments or speakers listed.

I put the preamble and paragraphs 1 to 3 to the vote.

The preamble and paragraphs 1 to 3 are adopted.

I call Mr Scott-Hopkins for a procedural motion.

**Mr Scott-Hopkins.** — Mr President, I call your attention to the fact that you have not got one third of the Members voting and, therefore, the vote is not valid. The quorum of this Parliament is one-third of the Members. I am not asking for a roll-call, for which I should have to have 10 Members present supporting the proposal. I am just pointing out to you, Mr President, that there is not a quorum available to get a majority or a minority for or against the motion. You, Mr President, know as well as I do—because the Members present were counted by your staff—that there are not a third of the Members present.

**President.** — I call Mr Spénale.

**Mr Spénale.** — (F) I do not understand Mr Scott-Hopkins' insistence. Unless my version of the Rules of Procedure is incorrect, Rule 33(3) reads: 'All votes other than votes by roll-call shall be valid whatever the number of voters unless, before the voting has begun, the President has been requested by at least ten Representatives to ascertain the number of those present.' This does not seem to apply in this case. It would be unfortunate if, as a result of badly timed

**Spénale**

speeches, public opinion were led to believe that the Conservative benches were completely full whilst those of the other groups were empty. I therefore ask Mr Scott-Hopkins to look behind him and see what percentage of the European Conservative Group is present.

**President.** — I call Mrs Orth.

**Mrs Orth.** — (D) Mr President, ladies and gentlemen, as I understand it, there are doubts as to whether we have a quorum, and I have the impression that no vote is to be taken on the amendment which I tabled on behalf of the Committee on Public Health and the Environment. It is kind of Mr Scott-Hopkins to ask whether we have a quorum, as it is doubtless his intention that the vote on the amendment by the Committee on Public Health and the Environment should be taken tomorrow morning by a full House.

It can be seen from the minutes that Mr Scott-Hopkins voted for Mr Bourdellès' motion at the meeting of the Committee on Agriculture. I do not know whether he attended the meeting of the Committee on Public Health and the Environment, but I believe he voted in favour at that meeting, too. I therefore cannot see his difficulty. Perhaps it is a question of numbers, of collecting 70 instead of 60 votes. However, since Mr Bourdellès is in principle agreed to the incorporation of the amendment into his motion, we could take a vote this evening, as there is general agreement.

Mr President, if you would be so kind as to hold a vote on my proposal for the insertion of paragraphs 3 (a), (b) and (c), the matter would be more or less settled. I believe that an extremely important agricultural question and an important public health question must be solved by means of a detailed programme to be submitted by the Commission as soon as possible.

I am pleased, Mr Lardinois, by the praise which you have given my colleague Mrs Strobel. I do not hesitate to criticize my own government a little. It is regrettable that the same people who energetically advocate something in the European Parliament go back on what they have said when called upon to represent their national interests in the Council. I personally have no prospects of becoming a minister in a national government. I have therefore set myself the task of involving myself here in matters of public health and the environment without regard to the personal advantages or disadvantages that this may bring.

(Applause)

**President.** — I call Mr Cipolla.

**Mr Cipolla.** — (I) Mr President, I rise only to say that, as far as the rules of procedure are concerned, Mr Spénale is right. But in my heart, I know that Mr Scott-Hopkins' comments, although intended as self-criticism by the European Conservative Group, are valid.

We are considering a matter which accounts for 80% of the Community's budget and discussing external economic relations, the Community's monetary policy and inflation. These are very practical matters. We are not generalizing about Europe, but talking about what, for better or worse, is actually happening in Europe.

Well then, Mr President, as regards this Assembly and the quorum, I should like you to point out to Parliament's Bureau that debates of this kind should be arranged so that all Members can take part in them, because we have to deal here with problems which affect not only the Community's farmers, but also the Community's consumers and, in fact, the Community as such.

This is what I wanted to ask you, Mr President, although I believe your decision to be perfectly correct, as Mr Spénale has said.

**President.** — I call Mr Scott-Hopkins.

**Mr Scott-Hopkins.** — If I may briefly comment on what has been said, of course Mr Spénale is right. I have never denied the fact that there should be 10 voices to call for a roll-call. It was not my intention to embarrass the Commission, Parliament or the committees of which I am a member. As Mr Spénale said, my firm intention was to point out to you, Mr President, and to Parliament that when Parliament is faced with coming to a decision on the subject of agriculture, which is very important—Mr Cipolla has just emphasized this and so did Mrs Orth—this is not the way to treat it, with only 18, 19 or 20 Members present. I am not concerned whether all my Conservative colleagues are here or whether all Mr Spénale's colleagues are here or whether all the Social-Democrats are here. The point is that there are not enough people coming back here after dinner to listen to something that is important to Parliament and to the Community. As Mr Cipolla said, there are only 20 Members present and we are dealing with a matter that accounts for 83% of the budget.

That was the whole point of what I was saying. I did not wish to stop anything. I should like to withdraw the initial point that I put to you, Mr President, that there is not a quorum present,

**Scott-Hopkins**

because I know that there are not 10 Members present who will stand up, unhappily, with me to count the House out.

**Lord St. Oswald.** — Why not?

**Mr Scott-Hopkins.** — I hear behind me the words 'Why not?' I have done my counting. I can tell Lord St. Oswald that I have done that, and so I do not think that this is the moment to call for the support that I should need. I regret that there are not a reasonable number of Members taking part in this debate and the other debates this evening, which to my mind are of great importance.

**President.** — I call Mr Spénale.

**Mr Spénale.** — (*F*) Mr President, I do not wish to prolong an argument: Mr Scott-Hopkins says that there are 19 Members in the House. Personally, I can see about 30, not including yourself. This may not be enough, but there is no reason to exaggerate.

**President.** — I feel that the Assembly would do better to continue its work.

I call Mr Bourdellès.

**Mr Bourdellès, rapporteur.** — (*F*) Mr President, I am speaking in my role as rapporteur. We must get back to the point and finish the discussion. Obviously, in deciding to consider these proposals, we also implicitly decided to consider Mrs Orth's amendment because the motion would otherwise be incomplete.

I therefore ask you to put Mrs Orth's motion to the vote. I cannot speak for all the members of the Committee on Agriculture but, personally, in view of the general tenor of the discussion on this matter, I think that most of them would agree with the amendment tabled by Mrs Orth. However, Parliament must decide.

**President.** — I have Amendment No 1 tabled by Mrs Orth on behalf of the Committee on Public Health and the Environment and aiming at the insertion of three new paragraphs after paragraph 3 of the motion for a resolution. The amendment is worded as follows:

After paragraph 3, insert the following three paragraphs:

'3a. Cannot conceal its scepticism concerning the practicality of the new programme, in view of the fact that substantial parts of the 1968 programme have still not been implemented,

in consequence of the inefficiency of the Council;

3b. Notes with regret that the present state of harmonization in the areas of animal and plant health and animal nutrition still falls far short of conditions similar to those existing in a national market, although such a situation has for many years been called for and is expressly provided for in the Treaties;

3c. Again calls on the Council, in its future harmonization work in the areas in question, to be guided in accordance with the spirit and letter of the EEC Treaty by the most progressive national regulations in each case, and to adopt them for the whole Community, instead of being content—as has hitherto unfortunately almost always been the case—with agreement at the lowest common denominator;'

The author has already moved the amendment, and the rapporteur has stated that he accepts it.

Does anyone else wish to speak?

I put Amendment No 1 to the vote.

Amendment No 1 is adopted.

On paragraph 4 I have no amendments or speakers listed.

I put paragraph 4 to the vote.

Paragraph 4 is adopted.

Does anyone else wish to speak?

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

The resolution is adopted.<sup>1</sup>

11. *Regulation on aid for private storage of pigmeat*

**President.** — The next item is the report drawn up by Mr Bourdellès on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation No 121/67/EEC as regards certain conditions for granting aid for private storage of pigmeat (Doc. 137/74).

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

<sup>1</sup> OJ No C 93 of 7 August 1974.

**Mr Bourdellès, rapporteur.** — (F) Mr President, ladies and gentlemen, the majority of the Committee on Agriculture were in favour of the proposals submitted for consideration by the European Parliament.

The proposed regulation concerns certain conditions for granting aid in the pigmeat sector.

As Mr Lardinois will certainly confirm, we have heard through official channels that, at its meeting of 17 and 18 June, the Council of Ministers, taking account of the extreme difficulty facing pigmeat producers in coping with the acute crisis on the pigmeat market in all the Community countries, had already taken preliminary steps and decided to relax the conditions for granting aid for private storage of pigmeat. We have the impression that the Council has decided to go a little further than the proposal under consideration. It envisages providing aid when the price of pigmeat falls to 94% of its basic price, rather than 92% as suggested in these proposals, and granting the aid on a regional basis. This means that aid would be provided for private storage when, in any region of the nine Community states, or even one important market of a region, prices fell below 94% of the basic price.

I personally welcome this fact most heartily and hope that Mr Lardinois will soon confirm that the aid is to be regional and that the new threshold price established by the Council will be fixed. In the Commission's proposal there is no reference to a time-limit for applying these measures. I also welcome this fact. However, if my sources are correct, I understand that the Council refers to 31 October 1974 as a limit for such intervention. I myself feel that laying down a time-limit leads to a *de facto* contradiction since, in this case, we are amending, a basic regulation—Regulation No 121 of 1967. In any case, if these measures aimed at granting aid for private storage fail to revive the pigmeat market before 31 October 1974, would it not be advisable to keep them in force until such time as the market returns to a normal cycle?

In the Community countries, the costs of production have increased by 15% to 20% over the last year. The basic price of pigmeat no longer corresponds to reality, even though, on 1 November 1974, it is due to be raised from 86 to 93 units of account. At present, the producer is forced to sell well below his break-even price. The income of farmers, particularly breeders, is likely to fall by 10% to 12% during 1974. Everyone is well aware that the social climate is deteriorating, while the farmer is losing faith, and will soon abandon pigmeat production, which no longer pays him. Then what price will we have to pay to import a product that is

becoming increasingly scarce, if we can find it at all, that is?

These, Mr President, ladies and gentlemen, are the few brief points which I wished to bring to the attention of the House.

In conclusion, subject to the above reservations, the Committee on Agriculture invites the European Parliament to adopt the motion for a resolution contained in my report.

(Applause)

**President.** — I call Mr Frehsee to speak on behalf of the Socialist Group.

**Mr Frehsee.** — (D) Mr President, under the terms of this measure, 18 000 tonnes of pigmeat are to be taken from production and stored privately, for an initial period of four months, in Belgium, Denmark, Germany and the Netherlands. The cost of this will be 3.2 million units of account. Mr President, this represents an intensification of the present intervention arrangements for pigmeat.

The Socialist Group is worried that an intensification of the intervention machinery in the pigmeat sector may lead to an expansion of production. Our degree of self-sufficiency in respect of pigmeat is over 100%. When there is self-sufficiency of 100% or more, a balanced market cannot be achieved in the Community with such intervention measures. A balanced market can naturally be achieved only by adapting supply to demand. Intervention measures such as this only put the matter off until a later date. Pigmeat can only be stored for six months at the most. In another six months at the latest, the problem will be facing us again.

The effect of the Commission proposal which we are debating today, if it were to be retained after 31 October of this year, when the increased price for pigmeat included in the last agricultural price decisions enters into force, would be that intervention measures could be taken, as from 1 November this year, if the average price were 99 units of account, or 107% of the then basic price, which in view of the present price level and likely price developments within the next twelve months, would mean constant intervention, with all its disadvantages.

Mr President, the Socialist Group fears that this would be a Greek gift to agriculture. The recent collapse in prices in some countries represents a kind of charge levied on agriculture for its co-responsibility, a giving up of income from pigmeat production, to which the Commission refers in its Memorandum on the improvement of the common agricultural policy. The Socialist

**Frehsee**

Group is afraid that this 'charge' will have to be considerably increased above its present level if a pigmeat mountain results from the intensification of intervention measures.

I would not, however, like to tempt providence; but, Mr President, *principiis obsta*. The Commission's new policy for the pigmeat sector seems too dangerous to us. It seems to allow for the possibility of our having over-production of pigmeat and of one day facing the same problems as we now have with beef, on which Mr Lardinois spoke this afternoon and which we are to discuss tomorrow.

My group is therefore unable to vote in favour of this proposal for a regulation.

**President.** — I call Mr Liogier.

**Mr Liogier.** — (F) Mr President, honourable Members, the Commission's proposal is for a regulation amending the basic regulation concerning pigmeat to allow aid to be granted for private storage when market prices fall.

Since 1971 the system in force has allowed intervention measures only when the average price on Community markets falls below 103% of the basic price, the Council, it seems, having failed to act on the recommendation in Parliament's reports.

Since the end of 1973 our pig farmers have been contending with an extremely difficult situation. According to information supplied by the Commission itself, during the week from 6 to 12 May 1974 the average Community price of pigmeat—91.5 units of account per 100 kilogrammes—was 106% of the basic price. According to the 1971 regulations that did not justify intervention. However, if the situation is examined more closely, it becomes evident that prices in France have fallen 20% while in the Netherlands they are 66.8% and in Germany 96% of the basic price.

The Commission is therefore proposing that intervention should be extended to include private storage when the average Community price is between 103 and 107% of the basic price and especially when the price on an important market is less than 92% of the basic price. We approve this proposal which has, as far as we know, been confirmed by an even more favourable decision by the Council that will immediately relieve the situation. The Commission estimates that if such a system of aid were immediately applied in Germany, Denmark, Belgium and the Netherlands for an average period of four years, 18 000 tonnes could be stored. But this measure will be applied to all the countries, including France.

This slump on the pigmeat market, coming so soon after the beef crisis, is due as much to monetary disorders as to factors peculiar to pig-breeding. Thus the system of compensatory amounts, which was designed to eliminate the fluctuations in the currencies of the Nine, not only fails to do so but actually aggravates the disparities.

So we have prices fluctuating and pigs from Belgium selling in France more cheaply than those from French farms. We are sorry that the Commission has acted so precipitately after the deterioration in public confidence.

Nevertheless, these measures are necessary, and we hope that they will succeed in checking the fall in prices.

On the other hand, like the rapporteur, Mr Bourdellès, whom we congratulate on his excellent report, we are against setting the time-limit at 31 October 1974. There is a contradiction here, because this is a matter of a basic regulation. We ask the Commission to remove that clause, since the intervention system must be sufficiently flexible and well-defined for it to be available whenever the situation becomes precarious for the producer, as is the case at present.

We know that pigmeat production is cyclical in character. Today we are dealing simultaneously with cyclical and seasonal effects. Yet it is suggested that this aid for private storage might not be necessary.

On top of cyclical causes there has been the phenomenal rise in prices of between 20 and 25%, which has considerably increased agricultural production costs.

At the same time the rise in energy prices has led consumers to reduce their expenditure on food, particularly meat in order, naturally, to avoid reducing their expenditure on petrol, entertainment and holidays. This reduction in consumption has come at a time when the farmers have been encouraged by last year's favourable prices to increase production.

In such a situation we welcome the Commission's proposal. Admittedly, storage costs are very considerable. Storage facilities are overstrained at present owing to massive storage of beef. However, we think private storage is sometimes more effective than storage by the public authorities.

But we must remember that the guide price for pigmeat is based on the cost of animal feedstuffs the previous year; with regard to pigmeat the new price envisaged for 1974 seems to us inadequate. We ask the Commission to submit pro-

**Liogier**

posals for a substantial increase in the price of pigmeat based on a accurate assessment of agricultural prices as requested in the course of today's debate.

We wish to give the producers the stable prices which they need, and this will automatically make it possible thereafter to satisfy the consumers. It is, after all, the aim of the common agricultural policy, to strike a fair balance between production and consumption and therefore between producers and consumers.

(Applause)

**President.** — I call Mr Scott-Hopkins.

**Mr Scott-Hopkins.** — One cannot but agree with the last words of Mr Liogier, when he underlined the difficulties of the pig-producers, saying that he thought the pig-producers needed more money and hoped that the Commission would do something about it in the near future. I echo those words. The pig-producers are having the most difficult time at the moment. But this is not the way to go about it. I am amazed that Mr Liogier and his group have decided to support this proposal of the Commission, which I and my group find unacceptable.

I join with those who believe that this proposal will lead to difficulties and problems.

It seems extraordinary that Commissioner Lardinois, who is a very sensible and rational gentleman, should propose giving a subsidy to a pig-producer to put his meat into cold storage, not to sell it and to keep the money, but to pay cold-storage charges and to take up cold-storage space that is needed for other products, and to leave that meat deteriorating gently, but rather rapidly, while in cold storage. He appears to dissent, but it is true that after three or four months, even with the new British process, there is deterioration even with fast freezing. The meat is to be taken out of cold storage and put on the market eventually, in say six months, but it will then depress the market still further.

Two important issues arise. The first is the use of cold storage. Is this the best use to be made of cold-storage facilities throughout Europe? By his intervention and subsidy, the Commissioner proposes to take up 18 000 tons of cold-storage space throughout Europe. Is that wise at this time?

Secondly, what will be the effect on the farmer? The pig-farmer is having a rough time. All he is to get is not money for the carcass that he puts into cold storage, but a subsidy to pay part of the cold-storage charges when he first puts the meat in. Later he will have to sell that meat

on the market. The pig-farmer is already having a rough time on the market and this proposal will not help him at all.

I ask Mr Liogier and his friends to reconsider their decision to support the motion, because I think that it will not help the pig-farmer, not even in Ireland. I believe that for once the Commissioner has got the equation the wrong way round. I do not suggest that he should adopt the policy of the Minister of Agriculture in my country, who has given a slaughtering premium to pig-producers to keep them going during this difficult time when their costs have increased. But it is worth giving that policy consideration on a wider scale.

If this proposal is meant to help the pig-producer rather than the consumer, I am not sure that it is not the wrong way round. If it is meant to help the pig-producer, it is not the best way. If it is meant to help the consumer, a straight consumer subsidy, as for beef, would be better. Let us have a consumer subsidy for pork and bacon confined to certain categories so that it goes to those who need it most.

The proposal will cause confusion among the pig-breeders and will not succeed in helping them. Indeed, it may have the reverse effect and increase pig-production, which would be disastrous. In any event, it will not help to increase the income of the pig-producer. Unfortunately, it will not help the consumer to get pigmeat, fresh or frozen, more cheaply. It will have a deleterious effect on the pigmarket throughout the Community, and I hope the House will not approve it.

**President.** — I call Mr Cointat.

**Mr Cointat.** — (F) Mr President, honourable Members, I wish to speak in this debate because I am very surprised at the amount of misunderstanding on the part of some Members with regard to the organization of some agricultural markets. I would remind them that a market can only be organized if the producers are organized and if there is a bottleneck at a given moment which acts as a control, making it possible subsequently to regulate supply and demand, that is, by storage.

I am surprised, Mr Scott-Hopkins, that an English Representative should not remember a certain law dating from the 15th century in England, which states that a surplus needs to be reduced by only 3, 4 or 5% to prevent a fall in price of from to 30%.

This has been proved for more than four centuries. I am therefore surprised that anyone can

**Cointat**

still be questioning this principle today. The immediate need is to withdraw a certain surplus supply from the market so as to be able to force up and stabilize prices and, by using storage, to wait for more favourable times for putting the meat back on the market.

The pig production cycle lasts 35 months and in 17 months' time at the latest we shall have a shortage. This means that in only 5 or 6 months at the most we shall be past the worst. I know very well, having lived through it, what happened from April to July 1971, 35 or 37 months ago: the only way of avoiding a catastrophe at that time was by storage, reinforced by export measures.

Therefore, honourable Members, I ask you to support this proposal; since for once—no disrespect intended. Mr Lardinois—the Commission is encouraging private storage when, in the past, it has always been reluctant to do so, and since as a result it is helping to improve the organization of the economy, it would be ungracious of us not to express our appreciation and approve its proposal.

(Applause)

**President.** — I call Mr Vetrone.

**Mr Vetrone.** — (I) I want to give briefly, Mr President, honourable Members, an explanation as to why I shall be voting in support of the Commission's proposal. I was much encouraged by this proposal because, in my country, the institution of voluntary storage has existed for years, but without state assistance.

Now that I see a proposal like this from the Commission, for voluntary storage of pigmeat with Community assistance, I feel much cheered and begin to hope that the system of voluntary storage might become widespread and receive everywhere assistance from the Community, or at least from the State.

In my country, in view of the economic situation in which it finds itself, it has not been possible to introduce voluntary storage for cereals (because of the credit squeeze), but the Italian government has realized that this is an extremely important thing for cereal producers and has therefore slightly eased the credit restrictions in this sector.

I find Mr Cointat's argument completely convincing and believe that the removal of the surplus from the market will have a buoying effect. This can be done through voluntary storage.

For all these reasons, I am unreservedly in favour of the Commission's proposal.

(Applause)

**President.** — I call Mr Lardinois.

**Mr Lardinois, member of the Commission of the European Communities.** — (NL) Mr President, in the first place, I should like to thank the rapporteur very cordially for the report he has drawn up and for his positive opinion on the proposal from the Commission. There was some criticism of the Council in the rapporteur's presentation, to the effect that the Council had already somewhat anticipated the European Parliament's opinion. I think, however, that there has been a misunderstanding here. The Council has not taken any decisions on this at all. It certainly discussed the subject while considering other possibilities in the meat sector and other decisions on the pigmeat sector, for particular Member States. I shall be returning to this directly.

The Council has said that it will be pleased to take a decision on this as soon as possible and that it is in principle in favour of taking action in this direction by 1 November, when the new prices come into force.

This must also be seen in its political context. I should like to defend the Council by stating that there has been no question here of any overstepping of its powers, and this also concerns the respect required of the Council for the European Parliament.

Mr Frehsee and Mr Scott-Hopkins have spoken against this proposal. Mr Frehsee did so on behalf of his group. He said that it would cost 3.5 million units of account and that the producers ought now to take a share of the responsibility on themselves; if there is a surplus on the market, production must be adjusted.

I sympathize with this kind of argument. I am positively in favour of it; in this respect I am rather liberal in my leanings. I will admit that. But in itself and in the context Mr Frehsee has put in in, it goes a bit too far. Pigbreeders ought to adjust their production much more than beef producers to supply and demand on the market, since it is possible to adjust more quickly in the pigmeat sector and since the production of pigmeat has a much shorter cycle. Mr Cointat has already made a similar observation here.

It would, however, be going a little far to do nothing in this area, especially as—and I should like to emphasize this—this question was discussed in the Council when it had to take a decision on the continuation of national subsidies in the United Kingdom and Ireland, which are financed from the EAGGF.

In that case, in order to absorb some of the fall in the price to the producer, a premium

**Lardinois**

was accepted which, as regards costs is about a hundred times as high as what we are proposing here.

The British subsidy is similar to a 'deficiency payment'—I am not saying that it is not justified; if it was not, I should not have gone along with approving it—which is paid out from 1 April until 1 September and then gradually reduced over two months. It therefore amounts to a subsidy for six months. The cost of this to the United Kingdom is 65 million units of account. If the British pig stock is compared with that of the whole Community, the 3.5 million units of account for the Communities excluding the United Kingdom and Ireland comes to 1% of what we have allowed for the United Kingdom and Ireland...

**Mr Scott-Hopkins.** — Will Mr Lardinois make it quite clear to Parliament that the premium which the United Kingdom producer is receiving is not coming from EAGGF funds but from the British national Exchequer only? It is not a drain on EAGGF funds.

**Mr Lardinois.** — No I am totally in agreement with what Mr Scott-Hopkins says. I have referred to the national subsidy in Britain and the national subsidy in Ireland. This Irish subsidy is paid by the EAGGF. In Britain, it is paid entirely by the national Treasury.

But that was not the point. The point was that when we are doing something in this field in the whole of the Community outside Ireland and Britain and, as Mr Frehsee said, spending 3.5 million units of account there, when we compare that with what the British Government, with the help of our institutions, and we ourselves are doing in Ireland, that is 100 times as much if one compares the total value of pig-meat and pig production in those two areas of the Community. That is precisely what Parliament and everybody, in my opinion, has to take into account if we want to change our system from intervention, with a lot of fuss in the newspapers and with a lot of political difficulties in certain of our member countries. Thus, one kind or another of deficiency payment—consumer subsidy, producer subsidy, or whatever one calls it—is for me the same.

All I want to say is that if one wants to keep the producer's price up and give the consumer the advantage of lower prices, that will cost a lot of money. I cannot say that it will be 100 times as much; I do not think that is an average. But one has to take into account what Mr Cointat has said: to keep up the price because of an over-production of 2, 3 or 4 per cent one has

to lower the price sometimes by 20 per cent, sometimes by 25 per cent or more.

That is the issue. I myself have nothing against deficiency payments—nothing whatsoever. On the contrary. But then we do not need 4 000 million units of account for the agricultural budget but we have to think of the order of at least 10 000 million units of account not for 1980 but for 1975.

**President.** — Thank you, Mr Lardinois.

Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

**12. Regulation on trade in tomato concentrates**

**President.** — The next item is the report by Mr Liogier on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council for a regulation laying down special provisions applicable to trade in tomato concentrates between the Community as originally constituted and the new Member States (Doc. 182/74).

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

**Mr Liogier, rapporteur.** — (F) Mr President, honourable Members, the Commission is proposing to the Council a system for subsidizing exports of tomato concentrates from the six original Member States to the three new Member States.

Normally the prices of tomato concentrates in the new Member States are considerably lower than those in the original Six owing to the fact, mainly, that the new states are able to import the tomato concentrates from third countries such as Portugal and Bulgaria at a price substantially lower than the price within the original Community without yet having to apply the full Common Customs Tariff duties.

In order to safeguard the competitive position of the producers of the Six, it had been agreed, in discussions on a compromise on a common organization of the market in products processed from fruit and vegetables, that the Commission would draw up a proposal providing for export refunds to be paid in respect of tomato concentrates exported to the new Member States. The Commission has now done this in the document we are considering. The refunds will be

<sup>1</sup> OJ No C 93 of 7 August 1974.

**Liogier**

reduced progressively up to the end of the transitional stage and will be in the form of compensatory amounts reduced progressively by 20% each year and finally phased out as prices within the new Member States align themselves with those of the Six. That is to say, they will amount to 80% on 1 July 1974; 60% in 1975; 40% in 1976; 20% in 1977 and finally 0% on 1 January 1978.

It is rather surprising to find that on 8 July 1974 there was a first reduction of 20% applied as from 1 July 1974, that is to say retrospectively, when it would have seemed logical for it to be applied for the following year. But no doubt the Commissioner will be able to tell us the reasons for what appears to us to be an anomaly.

Assuming annual exports of 5 000 tonnes and compensatory amounts of 9 units of account per 100 kilogrammes, this being the present level of payments, expenditure will amount to 450 000 units of account from the EAGGF, and this will decrease each year and finally cease on 1 January 1978.

This, then, Mr President, is a brief account of the proposal before us, which is designed to protect the competitive position of the producers in the original Member States on the markets in new Member States, so that when export refunds are granted to producers in the original Member States a corresponding monetary amount shall be granted to those producers for exports to the new Member States. In view of the considerable importance of trade in tomato concentrates for some of the original Member States of the Community and the desirability of safeguarding the aims of the common agricultural policy as laid down in Article 39 of the EEC Treaty, your committee has approved this proposal by 16 votes with 2 abstentions, while the Committee on Budgets, asked for its opinion, voted unanimously in favour of the proposal, stating that it is fully in keeping with the objectives of the common agricultural policy.

**President.** — I call Mr Lardinois.

**Mr Lardinois, member of the Commission of European Communities.** — (NL) I should like to thank the rapporteur for the study he has made of this subject, and for the report he has produced. I have no objections at all to the conclusions the rapporteur has reached.

**President.** — I call Mr Vetrone.

**Mr Vetrone.** — (I) I should like to ask you one question, Mr Lardinois: do tomato concentrates

also include peeled tomatoes? This is a matter of extreme importance for Italy.

**President.** — I call Mr Lardinois.

**Mr Lardinois.** — (NL) Mr President, I must answer this very expert question in the negative.

**President.** — Thank you, Mr Lardinois.

Does anyone wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

13. *Regulation on measures to be taken in agriculture following the fixing of a new rate for the lira*

**President.** — The next item is the report drawn up by Mr Gibbons on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council for a regulation on certain measures to be taken in agriculture for Italy as a result of the fixing of a new representative rate for the Italian lira (Doc. 187/74).

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

**Mr Gibbons, rapporteur.** — The proposal from the Commission which we have to consider is one of a series which has come before this Parliament over the past few years since the French franc was devalued in 1969 and the system of monetary compensatory amounts was introduced in May 1971.

Monetary compensatory amounts, which were introduced as a temporary measure to maintain the stability and unity of the agricultural market, have now become a permanent instrument, many of whose effects are largely unknown, even to the experts of the Commission. The present proposal is for a 12.5% devaluation of the representative rate for the Italian lira, known as the green lira. This is the fourth such devaluation, the others being of 4% in November 1973, 4.5% on 1 January 1974 and 5% on 28 January 1974.

The purpose of the devaluation of the representative rate for the lira is to bring down that rate closer to the actual market rate and so lead to an increase in agricultural prices in Italy and give some relief in that sector, and also, as a consequence, a reduction in the monetary compensatory amounts applied by Italy.

<sup>1</sup> CJ No C 93 of 7 August 1974.

### Gibbons

The procedure adopted by the Commission is one that has been criticized in the past by the European Parliament, but it is one whose use cannot, perhaps, be avoided in a matter where rapid action is required. The Council has taken a provisional decision on the basis of Article 103 of the EEC Treaty, which does not require the opinion of the European Parliament. This measure is now to be integrated into the common agricultural policy on the basis of Article 43 of the Treaty, which does require the opinion of the European Parliament. Therefore, decisions have already been taken, but our opinion is still required.

It is for this reason that the initial document has been amended by a further document to take into account a decision of the Council further to increase the devaluation of the representative rate for the lira from 10% to 12.5%. This second document also introduces two amendments to take into account particular problems in the pigmeat and sugar sectors. The date for the application of the price increases for pigmeat and sugar has been advanced from the beginning of the 1974-75 marketing year until 1 July 1974 in order to avoid speculation in the sugar market and to respond to the very difficult situation in the pigmeat market.

It must be clearly borne in mind that these present proposals follow directly from the balance-of-payments crisis faced by Italy in April last, when the external deficit in that country reached a record level of 2,766 thousand million lire. Confronted by this grave situation, the Italian Government introduced a 50% deposit scheme to be applied to imports from the Community as well as from third countries, under Article 69 of the EEC Treaty.

The Commission of the European Communities has sought to arrive at a compromise between the need to meet the demands of Italy's economic situation and the necessity to maintain the unity of the Common Market. Its efforts have concentrated on the common agricultural policy, which is the one area where a unified policy exists. The framework, as a result, has shifted from Article 109 to Article 108. It is a Community rather than a national action.

In respect of agricultural products, the Commission has authorized the following. First, from 10 June onwards, the security will be abolished for young calves for fattening; secondly, Italy will be authorized to maintain a reduced security of 25% for other categories of meat until a date to be determined later; thirdly, the green lira, it is now proposed, will be devalued, this time by 12.5%; lastly and at the same time, intervention and buying-in prices will be increased by 12.5% also.

The package of measures to deal with Italy's balance-of-payments problems represents a compromise between the demands of Italy's economic situation and the desire, which we all share, to maintain the unity and stability of the European agricultural market. There is a balance of advantages which has to be considered.

The fixing of a new representative rate for the lira has certain advantages for Italy. There will be better conditions for Italy's farmers; internal consumption will be restrained; monetary compensatory amounts will be reduced by an equivalent figure of 12.5%.

For the Community as a whole, this measure has a number of advantages also, including encouraging Italy to accept the Community's rather than the national measures, reducing or even eliminating monetary compensatory amounts in respect of Italy, and so helping to rebuild the unity of the market, and reintroducing Community preference in Italy, since compensatory amounts were to be deducted from customs duties on meat imports from third countries.

These proposals have important implications for the existing arrangements for trade in agricultural products between Italy and the other Member States; in particular, the increase in agricultural prices on the Italian market of 12.5% will lead to a corresponding decrease in the monetary compensatory amounts applied by Italy. A reduction in the monetary compensatory amounts existing in the Community has long been desired both by the Commission and by Parliament, since they lead to numerous distortions in trade whose effects cannot always be foreseen.

As with previous devaluations of the green lira, Article 4(b) of Regulation 974/71 is to be applied to postpone, for reasons of conjunctural policy, the price increases until the beginning of the 1974-75 marketing year. At that time, previously deferred price increases of 3.5% for cereals, rice and poultry, or 8.5% for wine and olive oil will also be put into effect. For pigmeat and sugar, however, deferred price increases of 3.5% and 13.5% respectively were put into operation on 1 July this year. Moreover, according to Article 1 of the present proposal, for products for which the marketing year has already begun—beef and milk—the devaluation of the green lira has resulted in an immediate increase in prices.

Other amounts paid out in the framework of the EAGGF will be similarly increased, except for the aid to durum wheat and the subsidy for olive oil. The Commission believes that there is no reason to increase these aids and subsidies, and the Committee on Agriculture has adopted the same position.

**President.** — I call Mr De Koning to speak on behalf of the Christian-Democratic Group.

**Mr De Koning.** — (NL) Mr President, I should firstly like on behalf of my group to compliment the rapporteur, Mr Gibbons, on his report, in which he once again gives a review of the monetary measures and their consequences and outlines very clearly the compromise finally embodied in the Commission's proposals.

The Christian-Democratic Group broadly agrees with the compromise now proposed by the Committee on Agriculture. We see this as an important step on the way to the restoration of stable monetary relations in the Community and of the European agricultural market.

Mr Gibbons has summed up all the advantages contained in this proposal: the advantages for Italian agriculture, the income position of which will be improved, the advantages for the Italian balance of payments if imports are in fact reduced by these measures, advantages for farmers in other Community countries, for whom the import obstacles to Italy are reduced, and last but not least, the advantages for the EAGGF, since the abolition of the monetary compensatory amounts on the one hand and the increase in the export refunds on the other hand will eventually leave a positive balance. On the whole, therefore, we have a favourable view of the proposals.

The question remains for my group why durum wheat and olive oil are excluded from the consequences of the revaluation of the green lira. Opinions may vary on the price advantages which durum wheat and olive oil have had in the recent past, but the decisions on this have now once and for all been taken. It seems somewhat arbitrary to nullify these decisions again with these exceptional measures. I should like to ask Mr Lardinois whether he will once again clarify the reasons for these exceptional measures, and whether he can tell us what the Italian government's position has been. When we have an answer, our group will decide its position on the amendments proposed by Mr Vetrone and Mr Cipolla, which have the effect of nullifying the exceptional measures for these two products.

**President.** — I call Mr Frehsee to speak on behalf of the Socialist Group.

**Mr Frehsee.** — (D) Mr President, I agree with the previous speaker as regards the written report and the presentation which we have just heard. I am pleased to be able to say on behalf of the Socialist Group that we shall vote in

favour of the report as such and of the proposal submitted to us. It is made clear in the report that this is a measure of considerable importance. Nevertheless, I would like to make a few general remarks, which will be short in view of the late hour.

The fixing of a new representative rate for the Italian lira, as it is officially called, first occurred in the spring of 1973. The rate for the lira is now being fixed again. That is one of a number of measures which the Commission proposed when the Council did not know what to do following events in Italy—imposition of a cash deposit and the deposit of a surety when agricultural goods subject to a common market organization were imported. I am glad to say at this point that the Commission did know what to do and proposed a series of measures which included the refixing of a representative rate for the lira, a devaluation of 12.5%. We welcome this proposal from the Commission which, as the rapporteur has already said, encourages Italy to replace national measures with Community ones and has reduced, and even partly eliminated, the monetary compensatory amount, the countervailing frontier charge used to offset differences in the price of agricultural products in Italy and other countries.

This is all very encouraging, although I do maintain that without this countervailing frontier charge it would not have been possible to continue with a common agricultural policy; many people have criticized it and thought differently.

I would just like to say a few words on the points made by Mr De Koning. The report says that the aid for durum wheat and olive oil should be kept at their present level. The Socialist Group agrees with this. We do not consider that the opportunity should be taken to increase these two subsidies by 12.5%. We see no reason to raise the figures for these subsidies in lira merely because a new representative exchange rate has been introduced, for that would be purely a matter of financial policy rather than one of monetary or agricultural policy.

We shall therefore vote against the two amendments tabled in this connection. The Socialist Group, however, will vote in favour of the report and of the motion for a resolution.

**President.** — I call Mr Scott-Hopkins to speak on behalf of the European Conservative Group.

**Mr Scott-Hopkins.** — It would certainly not come well from me to disagree with the Com-

**Scott-Hopkins**

mission's proposals, and on behalf of my group I certainly do not do so. This is yet one more sad step that Italy is having to take in the devaluation of her currency and because of her economic problems. One cannot but hope that this step, together with the very severe measures taken internally and announced in the past two or three days, will have the right effect. I commend Italy and her representatives here for the efforts that are being made to put matters right. I hope that this remedial action will persuade other countries such as my own to learn from the lessons that Italy is teaching.

I should like the Commissioner to say what will be the effect of this 12.5% green-lira devaluation on the farmers themselves. We have heard from our Italian colleagues of the problems being encountered in the regions of Italy's agricultural economy. What is the Commission's view of the effect on farmers over the wide spectrum of Italy's agriculture? Will this proposal be to their advantage? As I understand it, it will certainly not be to the advantage of the consumer.

I cannot help but recall what the Commissioner said at our last-but-one part-session, when he said that he hoped to be able to persuade the Council of Ministers to phase out monetary compensation amounts within the foreseeable future. He was wise enough not to commit himself further than that. I agree with him that they are bedevilling everything. They may be necessary, but they are bedevilling the whole of the common agricultural policy. This proposal will aggravate that situation, and I should like to hear the Commissioner's view on how the proposal will affect his plans to persuade the Council to get rid of the MCAs eventually and, one hopes, in the not too distant future.

I do not disagree with the Commissioner's proposal, but there will undoubtedly be an increasing drain of EAGGF funds into Italian agriculture. This almost inevitably follows the 12.5% devaluation, and I see no escaping it, but it means that other countries will have to contribute more, even if only marginally. One must mention durum wheat and olive oil.

I agree with Mr Frehsee and Mr De Koning that we cannot support the amendments. We agree with the Commission that there seems to be no reason in this instance for increasing the subsidy from EAGGF funds by 12.5%, and we support the proposal.

In conclusion, I should like to say that I hope the House will realize that this is a sad moment. We are discussing the Italian economy and we want to do everything we can to help, as does the Commission. One sincerely hopes that this will

be one small strand in helping the Italian economy, especially its agriculture, with which we are principally concerned in this debate, further along the road to recovery on which it has been set by the courageous measures proposed by the Italian Government for overcoming the difficulties facing the Italian economy. I am sure that we all wish the Italian government success in their endeavours to get out of the troubles that now bedevil them.

*(Applause)*

**President.** — I call Mr Cipolla.

**Mr Cipolla.** — *(I)* Mr President, there is a common thread running through all our debates today. The general crisis of the common agricultural policy crops up whether we talk about external economic relations or beef or pigment or export premiums on tomatoes.

The common agricultural policy was conceived—and it does not matter at this point whether rightly or wrongly: everyone will have his own opinion—in an economic situation and a state of the market totally different from today's.

The situation today is quite unlike that in 1962 or 1968 or 1970, but we go on imagining that, with technical adjustments, everything can become as before.

Italy's monetary situation, which Mr Lardinois, after speeches by our French colleagues, rightly compared with that of France, is caused by the fact that there is no longer a unit of account, because most of the Community countries no longer have a currency linked to those of the others.

This state of affairs results in imbalances which, sooner or later, will have to be dealt with. We, the Italian Communists, were the only ones to criticize Mr Andreotti's government when, against the interests of Italy and of the Community, and acting on promptings not from Europe, but from outside, it decided to float the lira, i.e. to devalue it savagely and without justification, and caused grave political harm to the Community by disrupting its solidarity at a critical moment, and grave economic harm to Italy because, as we now see, the balance of payments deficit instead of diminishing, has grown since devaluation. But I should be unfair if I criticized the Italian Centre-Right government alone: in fact, the Community also made a mistake. When a marriage breaks down, it is never the fault of only one party; the blame must always be shared by both. The Community—and particularly those countries which have drawn most advantages from European unification—has not been generous to anyone.

**Cipolla**

Our British Conservative colleagues ought to know how difficult the Community proved to be in its dealings with the Conservative government and how much this has contributed to the present state of public opinion in Britain. But I am a Communist and therefore not surprised by the solidarity among bourgeois capitalist governments which emerged on that occasion.

To return to the matter in hand, it has to be said that the measures now to be introduced are worse than bad because they perpetuate the unsound system of compensatory amounts. This system 'crucifies' the agriculture and economy of the weaker countries. When the Italian or French farmer has to buy an artificial fertilizer or a piece of agricultural machinery produced in Germany or Holland, he gets no compensatory amount to set against the price: on the contrary, the price he has to pay is increased by the cost of devaluation.

**Mr Vetrone.** — (I) But that is not an agricultural product.

**Mr Cipolla.** — (I) Perhaps I have not made myself clear. In any case, the prices of industrial products are rising steeply.

I had to laugh at those of our colleagues who were lamenting the 6, 8, 10 or 15% increases in the cost of industrial products for agriculture in their countries; in Italy, the increases have been 50 to 60%! The fact is that industry has profited from the devaluation. Agriculture does not exist in isolation from industry, they are both part of a single economic complex. How, then, can one have one rate of exchange for agricultural produce and a different one for industrial goods? The common market is a thing of the past. Compensatory amounts should be abolished quickly, completely and unconditionally, particularly since they do not in the least benefit the farmers of a country which has devalued its currency. Nor do I believe that they are advantageous to the farmers of any country that has revalued its currency upwards.

Let us take beef. I should like to ask Mr Lardinois, and our German colleagues here present, by what miracle—and I refer here to Community statistics—a country like the Federal Republic, a country which is a big beef importer, its own production being insufficient to cover internal consumption—managed in 1972 to export to Italy 20 000 tonnes of beef, and in 1973, after devaluation and the introduction of compensatory amounts, over 40 000 tonnes. Was Germany producing filet and T-bone steaks on the Volkswagen assembly line? Did the Federal Republic turn itself within a few months into the biggest beef producer in the Community?

No, it did not. The Bavarian farmers were not exporting meat to Italy; the real exporters were in Denmark, Ireland and France, but not in Germany. The meat that came from Germany to Italy was exported by smugglers legitimized by Community laws, buying their meat abroad. This meat comes in without any compensatory amounts; the slaughtering and butchering is done in Germany; the price is raised, and the meat is transported across the frontier; then the operators collect the positive compensatory amounts from the German EAGGF; then they collect the negative compensatory amounts from the Italian Ministry of Finance and put the meat into storage, Mr Lardinois, storage again paid for by the EAGGF. The EAGGF is swindled when the meat enters Italy, and swindled once again when the meat goes into Community storage; and it is also stored in France because one cannot ask a side of beef what language it speaks. Just us, for that matter, one cannot ask a bottle of wine. The truth is this: the EAGGF today does not serve to help financially the farmers of any part of Europe; it is used to finance this type of shady operation. And this is why we are against these measures.

Of course, we are being told: since you were going to be blinded in both eyes, be grateful that you are losing only one. So part of the negative compensatory amounts is to be abolished, but the positive compensatory amounts stay. Mr Lardinois, we cannot accept this, nor can we accept the devious arguments in these documents, the deviousness whereby the measure is to apply to some agricultural products, but not to others; it is to apply to sugar, for instance, from 1 July. Let us see what happens: 800 million kilogrammes of sugar, which we can no longer call Italian, French or Dutch because all the sugar producers in Europe have merged, were put aside; we saw long queues in Italian supermarkets and grocers—not a grain of sugar was to be found. When the price went up by 100 lire, there was the sugar again.

The decision to raise the price of sugar by 12.5% comes into force at once, while for olive oil and durum wheat it will not apply either this year or next.

Mr Scott-Hopkins was wondering how much all this would cost the Community. Ah well, the Community will be making a saving, because, with the lira devalued, the number of units of account that the EAGGF will have to pay out will be less; and these units of account will not be used either for olive oil or durum wheat, but to facilitate the trade in meat that I have just described.

Is this supposed to be aid? We are told that we have to help Italy to get over its crisis, but

**Cipolla**

Italy's crisis is a monetary one. Are we, then, by reducing the EAGGF's contribution on durum wheat and olive oil helping Italy? This is sheer hypocrisy. There is a saying: 'I can take care of my enemies, but God preserve me from my friends.'

Do you really believe that these measures are going to strengthen Italy's economy? The truth, and the whole truth, must be told: we cannot go on, in this year 1974, with a moribund European industry, with galloping inflation, stocking meat in order to sell it at 200 lire per kilogramme outside the Community, while at the same time paying bounties on meat imported from outside.

In our present position, we simply cannot afford to continue this policy. You talk of income supplements? What we need is courage. I appreciate the answer you gave to the French Members, Mr Lardinois; but you should have gone all the way, and added that to achieve this end, compensatory amounts have to be abolished. We should not forget that the Treaty of Rome provides for the protection of the interests of agricultural producers, but it also protects the consumer. We should not forget that we must go on from price protection to measures for the maintenance of incomes, as indeed was said by Mr Vetrone, whom I congratulate on having reached this conclusion.

We really must try to amend these provisions, which represent the last stage in an out-dated policy that has never brought benefit to anyone. This is why we are against the proposal; for we are for a real Europe, a Europe of all the Europeans, a Europe which cares for those in the south and in the north, which benefits the workers and not the speculators who make their fortunes out of the peoples of Europe.

**President.** — I call Mr Vetrone.

**Mr Vetrone.** — (I) I should like to thank the rapporteur for his masterly report. The subject is a complicated one and may give rise to misunderstandings and false interpretations.

I am sorry to have to contradict Mr Cipolla. In any case, he has said that he will vote against, and I wish to state now that I shall be voting in favour of the proposal. He has said that the Commission's proposal is a natural consequence of the way that the common agricultural policy was conceived.

We are aware that the Communists are in favour of an agricultural policy of the British type, i.e. a policy of income aids, or deficiency payments, which, according to rough estimates,

would cost the Community 14 000 million dollars.

In replying to Mr Frehsee, I said that we needed the courage to make up our minds to abandon one type of common agricultural policy for another, similar to that pursued in the past by Britain until it had to be given up to enable that country to join the Community.

I can be perfectly frank, because what I am about to say I have already published in writing: what has brought us to the need to introduce this measure was Italy's decision to let the lira float. But the decision was supported by the Communists in the Chamber of Deputies, in contrast to my own attitude. Perhaps in the Senate they took a different stance. Nevertheless, *l'Unità*, the day after the decision, wrote that the only opponent to the government's decision had been Mr Mario Vetrone, Christian-Democrat, because on this point the Minister, Mr Ferrari Aggradi, was supported by the Communists.

**Mr Cipolla.** — (I) But Ferrari Aggradi was also against.

**Mr Vetrone.** — (I) Let us see, then, whether the present state of affairs is due to the common agricultural policy or to the freely floating lira.

I must say that I agree with Mr Lardinois that the current situation in France arose out of its government's decision to abandon the snake. All I know is that on 9 February 1973, the Italian Government floated the lira and practically the next day, with the flood of compensatory amounts released, the livestock sector of our agriculture went into crisis. To give Mr Lardinois his due—and here, Mr President, I am anticipating the discussion on the amendment I have tabled, on which I shall not be speaking again—the Commission, faced with an increasingly dramatic situation in Italy, particularly in the meat and milk sectors, while in the other Community countries the crisis was not yet apparent, did offer Italy the chance of a solution, although a temporary one: to accept officially a lower rate for the lira for transactions involving agricultural products, all agricultural products. It was only in the autumn, when the situation in Italy had become really intolerable and the first demonstrations were beginning, that Italy took up the Commission's suggestion, but with certain products excluded.

At that time Italy was already thinking of freezing agricultural prices and, therefore, could not agree to a conventional, across-the-board devaluation of the lira, but only to one limited to agricultural transactions, which would auto-

**Vetrone**

matically result in raising the minimum guaranteed prices paid to Italian farmers.

Now, though one may object to compensatory amounts, they are, in my opinion, the instrument to which the Commission was bound to resort to preserve, as far as possible, the unity of the market, to preserve to some extent the common price system. Undoubtedly, however, compensatory amounts cannot be considered a permanent measure because they are typically instruments of short-term policy.

If there is something which has remained unchanged, it is, Mr Cipolla, the unit of account. You were completely wrong when you spoke of the fluctuations of the French franc, Italian lira, the pound sterling, and the dollar; the rate for 0.88 grammes of pure gold has, in fact, remained stable. In other words, the only currency which is still the same is the unit of account.

**Mr Cipolla.** — (I) But the unit of account is not a currency.

**Mr Vetrone.** — (I) Obviously, we could have easily solved the problem if the Member States had agreed to declare the new rate official, because then we would have had at our disposal a system of parities linked to the unit of account. One could also have envisaged devaluing the unit of account, but I believe Community legislation does not allow that.

The Italian lira had fallen too far and the first three devaluations did not manage to reduce the compensatory payments sufficiently. Now, with the 12.5% change, it will be possible to eliminate the negative compensatory amounts almost completely provided that the lira does not continue to slump; otherwise the negative compensatory payments will reappear again.

It would seem, then, that this is a favourable development for Italian agriculture, because the compensatory amounts will be reduced and agricultural producers will be paid minimum guaranteed prices calculated no longer on the basis of 625 lire, but of 801 lire per unit of account. All this, of course, does not affect the consumer, but essentially the agricultural producers who will be getting more assistance.

This is where the misunderstanding arises: either we want to protect the weak—and it must be admitted that it is the agricultural producer who is the more disadvantaged—or we protect the consumer, the stronger party, and defend him on all fronts, even against the agricultural producer, i.e. the weaker party. These things must be said clearly, and we should not hide behind consumer protection while neglecting the producer's interests.

Mr Lardinois, it is precisely for this reason that the Commission is asking Italy to accept a lower official exchange rate for the lira for all products. And this is why I have tabled my amendment, because I cannot see how the Commission can now want to exclude olive oil and durum wheat.

I know that, as regards aid for olive oil and durum wheat, there are some doubts which need to be dispelled. You have been in Italy recently, Mr Lardinois, and I believe that one reason for your journey was to see how this hesitation could be resolved when the new prices come to be fixed.

Is it, then, that by now officially recognizing the further devaluation of the green lira in the case of olive oil and durum wheat, the Commission's and the Italian government's hands would be tied because the doubts would be resolved? I do not think so. If the matter is to be resolved in the sense that an alternative way of helping the olive growers and other categories of farmers has to be found, I think that we could arrive at a recognized representative exchange rate for the green lira for all products in conformance with the Commission's traditional attitude.

What has happen, instead, in that the Italian government, for reasons of domestic policy, has decided to exclude certain products and include some others, as it did recently with sugar.

This is why, Mr Lardinois, I do not understand why the new representative rate for the green lira should not also be applied to olive oil and durum wheat, since, as far as I can see, this would in no way prejudice the solution which we must eventually find to the problem of meeting the objections concerning these two products, objections which were voiced when the last set of prices for agricultural products was adopted.

**President.** — I call Mr Laban to speak on behalf of the Socialist Group.

**Mr Laban.** — (NL) Mr President, I shall be very brief, but Mr Cipolla has engendered this reaction. He is asking for more solidarity from other countries with Italy. I know that Mr Cipolla is active on behalf of small farmers, and I sympathize with that, but I must point out that Italy in the past has repeatedly received, and is still receiving, extra support for various products under the common agricultural policy. All kinds of structural measures may also be seen as a contribution to the improvement of the Italian farmers' position.

I would likewise point out that in the discussions on the regional fund my group spoke very

**Laban**

earnestly in favour of priority being given to the inhabitants of Southern Italy.

The problem is, however, that insufficient use is made of all sorts of regulations by the Italian administration. This is of course a matter for the Italian people itself, but it is urgently necessary for a stable government, which will look for a structural solution to the economic, financial and administrative questions, to be formed and bring an end to the major differences in incomes and poor administration.

We agree that Italy, should be helped, but love cannot be one-sided. The Italian people itself must also do something.

To come back to the proposal, I should like explicitly to ask Mr Lardinois whether the Italian government agreed to the package of measures under discussion, which has now come out as a compromise for Italy and is in fact already being implemented.

If the Commissioner's answer is in the affirmative, then I cannot understand why Mr Vetrone, a member of the government party, should propose amendments on additional support for durum wheat and olive oil. As I understand it, the support remains the same by maintaining the lira exchange rate of 28 January, when the price proposals were approved. So no-one is losing and we shall in due course see when we come to the new price proposals what must be done in the real situation as regards support for these two products. I should very much like to hear Mr Lardinois' answer to this.

**President.** — I call Mr Lardinois.

**Mr Lardinois, member of the Commission of the European Communities.** — (NL) Mr President, I, too, should like to thank the rapporteur, Mr Gibbons, for his excellent report he has drawn up on behalf of the Committee on Agriculture.

I should now like to answer the various questions and comments from the floor. Some of these questions and comments may have been rather emotional, but those who know the background to these problems and can translate it into practice will be able to understand this.

Mr De Koning, Mr Laban, Mr Cipolla and Mr Vetrone ask what is going on with sugar, olive oil and durum wheat in the general agreement? I should like to make the following brief statement on the matter.

These compensatory amounts, which should eliminate the difference between the old and

new exchange rates, were fought over in the Council at the beginning of 1973 by the importing countries, including Italy. They urged the Commission to pay the difference between the low rate of the Italian lira and the higher rates of the currencies of the other Member States when goods were imported. These payments were therefore no longer to be made from national Italian funds, as previously, but from the EAGGF. The Council had considerable difficulty in accepting payment of this consumer subsidy from the EAGGF. The EAGGF already had so many obligations that considerable reluctance had to be overcome. That the Commission nevertheless made this proposal and that it was accepted by the Council was seen by the Italian Government as a great victory, an important indication of European solidarity and an important means of keeping the cost of living in Italy in check.

As so frequently occurs—especially in times of monetary uncertainty—the consequences of this were insufficiently foreseen nor was it sufficiently understood that allowing the lira to float instead of strengthening the national economy might cause a weakening of the national currency and a consequent undermining of confidence in it. I am in full agreement with what Mr Cipolla said about this.

Since I have been a member of the Commission of the European Communities, I have attended all the meetings of the Council of Ministers of Finance, in particular the meetings where parity questions have been raised and the possible repercussions on the agricultural policy discussed. A classic example of the way in which one can be mistaken about the outcome of particular measures which are advocated nationally and designed to strengthen the national position, but then have the opposite effect, is the breaking of the fixed relationship between the currencies in Europe at the beginning of 1973, and shortly thereafter the extension of monetary compensatory amounts by the EAGGF. In this respect, I have nothing to add to Mr Cipolla's analysis.

Mr President, there is in fact a serious lack of solidarity in our Community. We need only point to the fact that the regional policy has not yet got going. It may, of course, be said that it will get going, perhaps in three or four months, perhaps in the context of possible renegotiations with the United Kingdom. If the British had not asked for renegotiations, the regional policy would probably have been in operation by now. But that is not the point. The point is not whether the regional policy comes into being at the beginning or end of this year, but that it did not come into force five years ago. I agree with

**Lardinois**

Mr Vetrone's remarks concerning the present problems in the south of Italy, that on this point, for instance, a great deal has been done during the last five or six years under the common agricultural policy.

When I myself visited the south of Italy last week, however, I found that the Community has so far paid too little attention to agriculture there, which is potentially capable of so much. I should like here to stress this as the member of the Commission responsible for agriculture.

This is, however, something different from turning things right round as regards the discussions we had last year on the application of our policy to olive oil and durum wheat. Which in the south of Italy I did not mince matters and made my position quite explicit. I found then that we were not in agreement and that this matter receives a lot of attention there. They did not agree with me. I thought, however, that the southern Italians did have some respect for the fact that I defended the position of the Commission and told them that the lira exchange rate was not to be adjusted for olive oil and durum wheat, and that this decision had been taken after consultation and in full agreement with the Italian government. It was not simply part of the package of measures we discussed in connection with the guarantee arrangements; the matter had already been discussed in principle during the price negotiations at the end of March of this year. Following those difficult negotiations we eventually agreed that we would maintain the status quo for olive oil for a year, but that this status quo would be linked to the value of the Italian lira and not to the unit of account. I should like to state once more to Mr De Koning and to Mr Laban that this took place after consultation and in agreement with the Italian government.

This applies both to olive oil and to durum wheat. In the case of sugar, too, the Italian government asked us to shift the operation which would normally take place at the end of this month to 1 July, since on 1 July the operations in connection with the lira already agreed last winter for the other products would also come into effect. We were asked to do this to put a stop to possible speculation involving keeping back quantities of sugar. Such speculation might have taken place if the 12.5% operation we are now discussing had come into force at the end of this month instead of 1 July.

There was of course some speculation, but I cannot say how extensive it was. All I can say is that the Community imposed a levy on every holder of sugar stocks in Italy known before this price increase came into force. I say

explicitly every known holder of stocks. Whatever kind of administration it has, no country can follow up every single ton of sugar.

Mr Cipolla said that he finds the compensatory amounts worse than the evil of varying exchange rates. To me this seems to be going a bit far, but I can sympathize with him. In my opinion, the compensatory amounts are a necessary evil and must be accepted as such, provided they do not last too long, that is, if they are used for adjustment purposes over a fairly short period. If, however, this system remains in existence longer, it will contribute to large-scale distortion of competition. In whatever post I have been, I have always been an outspoken opponent of this system. I am still opposed to it. I also foresaw and criticized the negative consequences of these measures earlier than most other European politicians responsible for agriculture in some way.

I emphasize that it is no longer understood or accepted that we actually give export subsidies on these goods when we export them from Benelux to Italy, for this is what these measures amount to in the long run. The 'export subsidies' here were of the order of 20%. When goods were exported from West Germany to Italy, the percentage was as high as 25 to 28%.

What we are talking about here is exporting goods from countries with a strong trade balance to countries with a weak trade balance. This is a consequence of the system. It involves goods exported from Germany and the Benelux countries to Italy, France, the United Kingdom and Ireland. The world has been turned upside down. It cannot be defended. I emphasize once more that if we do not largely solve this problem in the next few months, I must abandon my faith in the continued existence of the common agricultural policy. This is not the first time that I have issued warnings about this system in this Parliament, but it is the first time that I have used such words.

To Mr Scott-Hopkins I should like to say that 12.5% is a step in the right direction, that is, towards the restoration of the common agricultural market. Since less has to be paid in compensatory amounts out of the EAGGF, this step as such means a saving for that fund.

There is no question of raising expenditure. The saving is quite significant. This is also in fact one of the reasons why I think that we must work hard on the solution of this problem. We must make the governments accept their responsibilities.

I think that this will also have answered Mr Vetrone's question. I should like once more to thank the rapporteur and the other speakers.

**President.** — Thank you, Mr Lardinois.

Does anyone else wish to speak?

The general debate is closed.

We shall first consider the proposal for a regulation, and then the motion for a resolution.

On Article 2 I have Amendment No 1 tabled by Mr Vetrone and worded as follows:

I. In paragraph 1, second sub-paragraph the words:

'save in respect of the aids for durum wheat and the subsidies for olive oil';

II. Delete paragraph 2.

On the same article I have Amendment No 2 tabled by Mr Cipolla and worded as follows:

Paragraph 2 of this Article should read as follows:

'2. The amount of aid for durum wheat and the subsidy for olive oil shall for the 1973/74 marketing year be converted at the representative rate for the Italian lira stipulated in the preceding Article 1.'

These amendments can be considered jointly. I would point out that the adoption of these amendments to the Commission's text will automatically involve the modification of paragraph 1 of the motion for a resolution.

As Mr Vetrone does not wish to speak, I call Mr Cipolla to move his amendment.

**Mr Cipolla.** — (I) Mr President, I believe the two amendments are fairly similar, both referring to the question put by Mr Vetrone and myself: Why these two important products, which are the subject of Community intervention, should be excluded from this measure. The question of target prices for wine, fruit and vegetables, or other products to which arrangements precluding intervention by the EAGGF in the market apply, is purely abstract and does not affect the matter in hand. Fluctuations of the green lira are relevant to those products, and those products only, for which the EAGGF does intervene either by totally guaranteeing the price, for instance in the case of sugar, or in respect of the producer's income, as in the case of olive oil and durum wheat.

Therefore, when it is said: we are going to devalue the green lira and thus reduce the losses suffered by Italian agriculture owing to the compensatory amount system, it makes no difference whatsoever for a number of products, for instance fruit, vegetables and wine. There

is a very limited effect, or in fact no effect at all, on products which are the major products of our country. And yet for three products: sugar, durum wheat and olive oil a different attitude is taken. I should like to say, particularly to Mr Laban, quoting the words of his my very good friend Mr Vredeling, who has much sympathy for the problems of Italian agriculture, that the balance of EAGGF payments and income from levies has always been unfavourable. The proposed reduction in income will increase the deficit by another 40 to 50 million units of account. Although the matter in hand concerns the agricultural sector, we are in fact dealing now with the core of the balance-of-payments problem. This in excluding durum wheat and olive oil we should not only be harming the farmers and the major interests concerned, but aggravating Italy's monetary and balance-of-payments position vis-à-vis the EAGGF. This is why we are opposed to the proposal. And we feel that it is particularly right to say so here, in the European Parliament, where the Community's best friends are gathered, while in the Council of Ministers short-term and very particular interests not infrequently prevail. The place where we can vote for Europe, for European solidarity, is this House.

And this is why I say that the amendment should be adopted. We are quite ready to discuss modifications to the regulation under discussion as far as durum wheat and olive oil are concerned, but we do not wish this to become the means of reducing EAGGF payments to Italy.

However, to facilitate the Parliament's task I shall withdraw my amendment and support that tabled by Mr Vetrone.

**President.** — Does anyone else wish to speak?

I put to the vote the first part of Amendment No 1 tabled by Mr Vetrone, which alone refers to paragraph 1 of Article 2.

This part of the amendment is rejected.

I put to the vote the second part of Amendment No 1 tabled by Mr Vetrone.

This part of the amendment is rejected.

Amendment No 2 has been withdrawn.

We shall now consider Amendment No 3 tabled by Mr Cipolla and worded as follows:

After Article 2, insert the following new article:

'Article 2a

The Italian Government shall be authorized to adopt measures to suspend the importation of

**President**

products for which the price on the Italian market would be lower than the Community intervention price, and coming from Community countries which normally import either from third countries or from Community countries the products re-exported to Italy;'

I call Mr Cipolla to move his amendment.

**Mr Cipolla.** — (I) Mr President, this amendment is not intended to prohibit the importation of Community products into Italy, or any other country, but simply to introduce a safety clause to prevent occurrences which we most definitely condemn.

Let us take the example of meat: this amendment would not under any circumstances be applicable to Denmark, Ireland, France or the Netherlands, countries which produce more meat than they consume, because it is only right that they should enjoy Community preference. But it is intolerable—and Mr Lardinois has recognized this himself—that the system of compensatory amounts should be used to finance the re-exportation from one Community country to another of goods coming from outside.

As things are at present, if a frozen carcass, or a live or slaughtered beast enters Germany, it should pay a compensatory amount, pay a duty, of 12.5%. But if the same carcass comes in cut in half, and the rear half, for example, is re-exported to Italy—at a higher price, because it is now processed meat—it is the EAGGF that pays the compensatory amount.

In this connection I should like to draw the Commission's attention to a fact which has been condemned in the Italian Parliament and which is at present the subject of an enquiry. A strange phenomenon has been observed in Italy: in 1973, consumption fell by 4%, but while the domestic supply of meat rose, because there had been early slaughtering of cows to reduce cattle stocks, imports also rose. The inexplicable thing is how, when consumption fell and supply rose, imports should have also risen.

The fact is that customs officials throughout the Community are recruited to collect customs duties, not to hand out premiums.

Therefore, when a refrigerated van arrives at the frontier and the declaration states that it contains 20 000 kilogrammes of meat, the customs official is not going to check whether in fact it contains 50 000 or 100 000 kilogrammes because he is used to looking out for duty evasion not for fraudulent applications for import premiums. This is the sort of thing that can happen to any customs service, not only the Italian, but of any importing country. We have seen that in Italy there should now be more meat than is consumed

and stored. The whole thing is just too easy for dealers in certain countries—and I am not referring to the farmers or producers in any particular part of the Community.

On this point I am in agreement with the Commission: safeguard measures are needed—and this is the point of my amendment; otherwise, when we come to experience in everyday life the situation that is already indicated by the statistics, we shall have to say to ourselves: 'Because we were unwilling to take adequate steps in good time, we have promoted something which is contrary to the interests, not of just one country, but of the whole Community'.

**President.** — What is the rapporteur's opinion?

**Mr Gibbons, rapporteur.** — I am not accepting the amendment, Mr President.

**President.** — I put Amendment No 3 to the vote. Amendment No 3 is rejected.

We shall now consider the motion for a resolution.

Does anyone else wish to speak?

I put the motion for a resolution as a whole to the vote.

The resolution is adopted.<sup>1</sup>

14. *Regulation on the common organization of the market in cereals*

**President.** — The next item is the report drawn up by Mr De Koning on behalf of the Committee on Agriculture on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation No 120/67/EEC on the common organization of the market in cereals (Doc. 180/74).

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

**Mr De Koning, rapporteur.** — (NL) Mr President, I greatly appreciate the opportunity to introduce this Assembly at this very late hour to the gripping topic of the cereals regulation and the amendments the Commission proposes to it. The Commission's proposal covers three subjects: firstly, the alignment of the marketing season for sorghum with that for maize, namely 1 October to 30 September; secondly, the manner of fixing the amount for correcting the export refund on cereals and thirdly the amendment to Article 19 of the regulation, in which

<sup>1</sup> OJ No C 93 of 7 August 1974.

**De Koning**

the lower limit for the taking of special measures is fixed at a price considerably higher than the threshold price. In practice, this was the threshold price plus 2%. The Commission now proposes to set the lower limit at a price considerably higher than the intervention price; probably again the intervention price plus 2%.

As regards the first proposal, the Committee on Agriculture has no problems. Sorghum is in a number of respects comparable with maize and it is quite reasonable to have the marketing seasons for the two products remaining concurrently.

The second proposal concerns the alignment of the procedure for fixing the corrections to export refunds with the procedure for fixing premiums on import levies. The latter is done daily by the Commission, and the former, the fixing of the amounts to correct export refunds, is done weekly by the Management Committee.

Mr President, both amounts are intended to adjust the levies on refunds to the actual course of market prices, and it is logical to follow the same procedure for both. From the viewpoint of flexible policy, the most rapid procedure, the one through the Commission, is preferable. The Committee on Agriculture accordingly advises the approval of the second proposal.

The question arises what the Commission's intentions are with the third proposal. Article 19 of the cereals regulation is the only article concerned with the level of supply on the world market at which measures must be taken to safeguard the supply of cereals to the Community itself. The measures can however, only be taken if world market prices are higher than the threshold price derived from the target price plus 2%. The Commission is of the opinion that the Community's cereals supply might be threatened even below that price level. It has therefore proposed that a lower lower limit be chosen.

In itself I can well imagine that the Community's cereals supply can be threatened below this limit, certainly if the policy on export levies is such that market prices inside the Community are significantly below the target price, as happened last year. If the Commission intends to use this lower limit to bring in such levies that even when there are high prices on the world market the market price for cereals inside the Community cannot or can barely exceed the intervention level, then the Committee on Agriculture has considerable objections. After the discussion on the oral question I do not have to illuminate these objections any further; I think that it is also apparent from Mr Lardinois' answer that this is not the Commission's inten-

tion. If, however, the Commission's intention is to use the amended regulation to control the export volume, at a time when the world market is giving the Community some stimulus to export without refunds, the Committee on Agriculture has no objections. It is clear that the Commission must have control over exports as soon as the possibility of increased exports arises. I would ask Mr Lardinois to repeat explicitly what he in fact already said in answering the oral question, namely that it is not the Commission's intention to put the cereals price on the common market under further pressure. If he will again make this statement, the Committee on Agriculture has no objections to the third proposal.

**President.** — I call Mr Liogier to speak on behalf of the Group of European Progressive Democrats.

**Mr Liogier.** — (*F*) Mr President, honourable Members, the Commission is proposing three measures, one more important than the other two, which we had to consider very quickly, too quickly in fact, in the Committee on Agriculture.

Some of the proposals are rather complex, but that does not explain why they should have been drafted in such a confused way. Greater clarity was called for.

The purpose of the first measure is to have the same marketing year for maize and sorghum. The maize marketing year had already been fixed from 1 October to 30 September. We agree with the rapporteur, Mr De Koning—whom we congratulate on his report—that the same period should apply in the case of sorghum, which is similar in many ways to maize.

The Commission's second proposal concerns the corrective amount to be paid in connection with export refunds and is designed to improve the refund system. We agree with it; what is more, we also think it justified on economic grounds. It is right not to fix the corrective amounts and the premiums at the same time; the criteria must necessarily differ in the two cases since they relate to different situations. The corrective amount, which is linked to the premium in the case of import levies, and which enables the export refund system to be organized in advance and so acts as a stabilizing factor, has until now been calculated on the basis of cif Rotterdam prices. The assessment was therefore incorrect, because the corrective amount to be judged according to export possibilities.

The third of the measures proposed, which seems to us more important, modifies Article 19 of the basic regulation on cereals. Up to now, in order

**Liogier**

to obtain the stablest Community price possible between the intervention price and the threshold price, there has been provision for an export tax which could only be imposed when the world price cif Rotterdam was 2% higher than the threshold price. In the context of the present world shortage of cereals, there was a risk that, when the world price was between the intervention price and the threshold price, our cereals would be lost to the European market, the only bulwark being the safety clause, which was not easy to apply. We therefore agree with the Commission that the export tax measures must be triggered when the world price reaches the level of the intervention price. However, the Commission will have to handle this clause carefully, according to the estimates available. It must, in particular, ensure that the measure envisaged does not turn against the interests of our own producers as a result of the price for cereals being reduced to too low a level. Here we touch on a fundamental problem, and we are afraid that the Commission may be too inclined; at present, to think in terms of intervention prices. We cannot agree with it there.

We must get as close as possible to the target prices and ensure that our producers are not deprived of traditional export channels for merely temporary reasons.

**President.** — I call Mr Scott-Hopkins.

**Mr Scott-Hopkins.** — I shall not keep the House for more than two minutes, but I should like once again to register my protest about the way in which this proposal has come forward. I understand the reason for the urgency—the application to the cereal year beginning at the end of this month and the fact that the House will not meet before that. But this is not a proposal that has come out of the blue, and I ask the Council and the Commission to take greater care about seeing that both the Committee on Agriculture and the House have more warning before measures such as this are rushed through.

It may well be said that the first two measures, which have been so ably explained by Mr De Koning, are technical and minor, and I would not disagree, but the third, concerning Article 19, is of greater importance and merited more discussion. No political group in the House has had the opportunity to discuss it in depth, and I doubt whether many individual Members have had the chance to consult their experts about it. It came before the Committee on Agriculture on Wednesday of last week, completely fresh and new, and yet it is before the

House on Monday. That is not much time to take advice, to consult, to reach a considered opinion.

I certainly support the first two proposals, but I am a little dubious about the amendment that the Commission proposes to make in respect of Article 19 affecting the cif and 2% in the intervention price. I am not entirely sure what the effect will be, and I should like the Commissioner to explain. I shall not attempt to block it or stand in its way, because that would not be in the interests of Parliament. However, I regret its having come forward in this way and I hope that the Commissioner will be able to give a fuller explanation.

**President.** — I call Mr Lardinois.

**Mr Lardinois, member of the Commission of the European Communities.** — (NL) Mr President, I should particularly like to thank the rapporteur for his report, for the speed with which he drew it up and for the caution with which he has approached certain proposals from the Commission. I am grateful to him for accepting the first two proposals without difficulties. The other two Members of this Parliament who have spoken, Mr Liogier and Mr Scott-Hopkins, also accept these two proposals. The doubts of both the rapporteur and the other speakers are concentrated on the third proposal.

Mr De Koning himself said in his presentation that the Commission also intended the measures against export levies to be taken when the cif prices were 2% above the intervention price, not above the threshold price. This is, of course, not the case.

We have only proposed this measure because the experience of the past year has taught us that the rule of taking measures against export levies whenever the prices are 2% above the threshold price is so rigid that it hinders flexible handling of the export levy machinery. I do not wish to say that 2% is always too low. Circumstances may arise in which we might intervene earlier, but that is more of an exception than a rule. It is more the rule—this varies for different cereals and different market periods—to intervene less quickly than is at present the case.

This is also precisely what Mr De Koning stated.

There must be close consultation with the Management Committee for Cereals, which is made up of those who, from the national point of view, have the responsibility and the right to vote—they are not only experts but the formal representatives of their countries on that committee. What I think is that in our policy on this

**Lardinois**

matter it must be possible to achieve more flexibility is possible with than this rigid rule of 2<sup>0</sup>/<sub>0</sub>.

Mr President, I should like once again to thank Mr De Koning and also Mr Scott-Hopkins and Mr Liogier.

In conclusion, I should like to say to Mr Scott-Hopkins that we submitted this proposal at the beginning of June. For administrative reasons it was held up at the Commission and therefore dealt with too late. It was forwarded to the Council in the middle of June. The Council was also late in sending the document to Parliament. In short, we saw this proposal above all as a technical amendment, and because of special circumstances it took too long on the road to this Parliament. I accept the responsibility for this and offer my apologies to Parliament and in particular to the Committee on Agriculture.

**President.** — Thank you, Mr Lardinois. Does anyone wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted<sup>1</sup>.

15. *Commission Communication on Community policy on data-processing*

**President.** — The next item is the report drawn up by Mr Cousté on behalf of the Committee on Economic and Monetary Affairs on the Communication from the Commission of the European Communities to the Council on Community policy on data-processing (Doc. 153/74).

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

**Mr Cousté, rapporteur.** — (F) Mr President, it is 1.25 a.m., Tuesday, 9 July, and it is rather inconvenient—to put it mildly—to have to speak on such an important subject with so few Members present.

I would say furthermore that this is all the more regrettable since the Council, without even waiting for this Parliament's opinion, approved the Commission's proposal on 26 June. This is not the first time this has happened: it was the same with the industrial policy. One wonders why we are asked for an opinion at all in such an important sphere of Community life, unless it is that we are regarded not as a European Parliament, but as some sort of academy may be delightful no doubt, but different from

civilized academies where one would be asleep at such an hour.

I therefore intend to speak particularly briefly, while recognizing the importance of the amendments tabled by Mr Cointat. As I have written in the report which I have introduced and discussed on several occasions in the Committee on Economic and Monetary Affairs, the European data-processing policy as advocated in the Commission's excellent memorandum is based on two objectives: on the one hand, the promotion of a European-based data-processing industry, and, on the other, ensuring that there is a truly European market for this industry.

On the first point, that is to say the promotion of a European-based data-processing industry, the Commission quite rightly states that the computer industry will become the third largest world industry by 1980, after oil and cars, if, indeed, there are any oil and cars left in 1980. It could therefore even, become the first world industry, used in a multitude of ways to improve the quality of life, I imagine. But what we must realize is that in the computer sector, crucial as it is for the economic development of our societies whatever their form, there is a paradoxical situation in Europe at present, for in this sector Europe is almost exclusively dependent on American technology, and a single American company, IBM, controls some 60% of the European market.

The conjunction of these two circumstances forms the background to the Communication from the Commission: the existence of this key sector for our economic future, and Europe's weak position in that sector.

Having made this observation the Commission, we believe, has not made sufficiently clear in what ways it hopes the European data-processing industry will catch up. However, it has proposed two sets of measures, one to increase the capability of the European industry and the other to increase the application of data-processing.

To increase European data-processing capability the Commission proposes—and in this it is, in fact, merely following up action already started—to encourage the restructuring of the industry. In other words, if various European companies regrouped, this would substantially increase their capacity and therefore their competitiveness at world level, for this is a world-wide industry. The Committee on Energy, Research and Technology—which has produced an excellent opinion—and the Legal affairs Committee have stressed the need to take vigorous action for this purpose of regrouping the data-processing companies.

<sup>1</sup> OJ No C 93 of 7 August 1974.

**Couste**

In our committee we have discussed the question of whether balanced agreements with non-dominant firms outside Europe should be concluded. In our resolution we have taken up a position on this point, and it is also the subject of a very clear amendment tabled by Mr Cointat.

The Commission also proposes granting development contracts to promote innovation in the data-processing industry. These contracts would be of great value, especially in the field of terminals, where there are good commercial opportunities. However, I should point out that the Council has still not approved the Commission's proposal of 18 July 1972 on these development contracts. Indeed the Council's delays are no less surprising than its undue haste. But it should also be noted that the Commission quite rightly stresses that there are greater commercial opportunities in European data-processing for peripheral equipment than for central processors. The Commission is quite right here.

It is also true that it should be possible to give effective support to European producers specializing in small computers and terminals and in the field of semi-conductors. The Commission state that this problem will be studied in a separate document.

Advanced research on, for example, bubble memories or holography could perhaps be conducted in universities, but the cost of applied research is very heavy and apart from IBM, which is well known to us, only one firm, the Honeywell Group, can allocate sufficient funds, some 100 million dollars per year, to ensure that the time needed to develop a new generation of products does not exceed the life span of the preceding generation.

For the purpose of stimulating the application of data-processing which the Commission quite rightly emphasizes, the solutions adopted must, I stress, be both open and effective. The Commission must make concrete proposals; I imagine that is its intention.

In common with the Committee on Economic and Monetary Affairs, I regret—and our motion for a resolution underlines this—that, while many of the Commission's intentions are valid, too few are the subject of really concrete proposals.

The Commission's second objective is to promote a European data-processing market. On this point the written report is perfectly clear. With the approval of the Committee on Economic and Monetary Affairs I have dealt with two aspects: the opening up of the market and control of the market.

With regard to opening up the market we have gone into the technical, legal and financial aspects and we do not wish to return to these at such a late hour. We would say simply that standardization, which may be justified when it protects the user, should not be allowed to stand in the way of innovation, which also benefits the user. This field should therefore be approached with the greatest caution after consulting all available qualified opinions. In this field, which is crucial for the opening up of the European data-processing market, the Commission simply states: 'The main need at Community level is to put a few key agreed standards into practice through coordinated procurement.' This attitude is inadequate, for the Community must not commit itself to norms which may appear excellent by virtue of the fact that they are Community norms but which may be a source of trouble if they ultimately turn out to be different from those of the rest of the world.

In this sector—and we cannot emphasize this enough—we are competing with the rest of the world.

Again, the Commission wants there to be for the European firms a genuine policy of recruitment of specialized staff, and we agree; the Committee on Energy, Research and Technology has also recommended the creation of a European Institute of Software Engineering. This is quite right. But what Europe really needs is to institute a general campaign to train a larger number of data-processing specialists. Training in computers is required not only for those using computers and all the peripheral equipment, but also in our opinion for all those with administrative responsibilities, whether in the public or private sector.

With regard to finance the Commission states that financial resources will have to be made available, and it contemplates maintaining present aid on a national basis. We agree with this.

Secondly, the Commission considers the possibility of support for leasing, but this raises an important problem: contracts in the public sector must be awarded on a Community market basis not a national market basis. Our Parliament should know that the Council, which was informed of the Commission's proposals, has not adopted them.

With regard to control of the European data-processing market I should like to say simply that here, as in other areas, despite the need for restructuring, the rules regarding competition must be respected. This is essential to ensure that the support measures do not distort competition and actually harm the interests of

**Coûté**

the consumers which Articles 85, 86 and 87 of the Treaty of Rome were designed to protect.

Finally, Mr President, I will just say that our committee asks the Commission to examine the measures to be taken more thoroughly and to draft appropriate proposals, so that our Parliament may be better able than today to give its opinion on this policy which is so crucial for Europe and for all those who wish the use of computer data to be controlled to protect the individual.

We would stress once again that the protection of individual privacy is a very important matter, one of the key issues in the sphere of data-processing and in the sphere of human liberty, and we shall be dealing with it in greater detail on other occasions. For these reasons we have asked for an annual report to be submitted by the Commission on the action which it takes in response to the need to develop the data-processing industry to meet European and world needs. Such an annual report will enable us to hold some worthwhile discussions which will demonstrate that our Parliament, which is sometimes so ill-used by the Council, has a great deal to say that is worth listening to.

(Applause)

**President.** — I call Lord Mansfield.

**Lord Mansfield**, *draftsman of the opinion of the Legal Affairs Committee.* — The Legal Affairs Committee was invited to deliver an opinion on this matter by virtue of paragraph 39 of the Commission's Communication.

As that paragraph is not in front of the House, because it is not in the report, perhaps I may quote briefly from it because it encapsulates very succinctly and neatly both the legal problems and a possible means by which they might be overcome:

'The creation of data-banks joined increasingly by international links will oblige the Community to establish common measures for protection of the citizen. When police, and tax, and medical records, and the files of hire-purchase companies concerning individuals are held in data-banks, the rules of access to this information become vital. This is a matter on which a wide debate is needed in the Community. In view of its basic constitutional importance, the Commission believes that public 'hearings' on the matter are desirable.'

I agree respectfully with the rapporteur, Mr Coûté: whether, after nearly seven hours of agricultural debate—from 4 p.m. to 1 a.m.—this is a 'wide debate' in any sense of the word may be a matter of doubt.

Parliament has not so many friends in the Community that it can lightly throw away its chances of furthering the democratic principles which all of us in our respective countries hold so dear.

There has, of course, been an oral question by Mr Coûté on this very matter. On that occasion, he received support from every quarter of this Parliament for his plea that the Community must itself take steps to safeguard the privacy of the individual. My colleague, Mr Brewis, on that occasion went so far as to suggest that an attempt should be made to establish a legal Community norm for the concept of what we call 'privacy'. But it is right to point out that what in English is termed 'the right of privacy' cannot be directly translated into French or German. It is, therefore, a matter of some difficulty to define a legal right which cannot even be expressed in all the languages of the Community. However, when tackling the problem individual national attitudes will play a great part, and it is right that they should do so.

But it is right also that there is a case, a strong one, for collective Community action, since the processing of information and, therefore, the possible invasions of privacy which stem therefrom cannot be contained by national or political frontiers. This is one of the fields where, perhaps, the Commission and this Parliament can meet as one with the intention of producing Community legislation by pooling information resources, by pooling expertise and, above all, by making full use of the many talents of the individual Members in this Parliament.

The Legal Affairs Committee was unanimous in welcoming the Commission's suggestion that a parliamentary sub-committee, if I may use that phrase, should be set up with a view to hearing expert evidence about the problems which are arising even now and which will arise in the future as a result of the rapidly widening interest taken in data-processing and also the commercial interest taken in the Community in the collection, storage and interpretation of personal information by automatic means. Throughout the Member States there has been, and continues to be, extensive debate and emphatic expression of public concern in the matter. As I understand it, the German Land of Hesse already has legislation in this field. There are proposals, I understand, for national legislation in the Bundestag. In May, proposals were submitted by an all-party group of members in the Belgian Senate relating to the protection of private life and the personality of the individual. In the United Kingdom, we have had a succession of debates on proposals, none of which has yet acquired the force of law, but one

**Mansfield**

has little doubt that we shall have a new series of proposals, perhaps within the next 12 months.

So it is a matter of very great public concern in the Member States, and it is right that this concern should find its expression in this Parliament, which has its roots in the democratic parliaments of the Nine and should regard itself as champion of the personal rights of the individual citizens in the Community.

This is not a light matter for the individual citizen and his personal rights. We cannot agree this at five minutes to one in the morning and then sweep it under the carpet. This is a continuing difficulty, a continuing danger and a continuing problem which cannot be forgotten.

The policy on data-processing should not be delayed too long while we consider all the side-effects, but equally there must not be any delay in organizing the hearings, in whatever form they take, envisaged by the Commission in paragraph 39, in order that clear guidance may be given by Parliament and the Commission to the legislators of our individual nations so that they can align their proposals for the protection of the individual citizen.

I hope very much that this matter will not be delayed. It is exciting that Parliament can push national law at the human or individual level forward in this way. We are asked to do it, and I emphasize that this is not an opportunity which we should let slip.

*(Applause)*

**President.** — I call Mrs Walz.

**Mrs Walz, draftsman of the opinion of the Committee on Energy, Research and Technology.** — *(D)* Mr President, ladies and gentlemen, the Committee on Energy, Research and Technology is grateful to Mr Cousté for his significant, knowledgeable and accurate report, which we in the main support and also welcome. We would, however, question one aspect, the lack of commitment on the part of the Committee on Economic and Monetary Affairs as regards the prospects of an autonomous, competitive European data-processing industry at the beginning of the 1980's.

The committee welcomes and calls for the regrouping of European industry, but points out the need to favour cooperation agreements with non-European undertakings which do not dominate the market, irrespective of the size of the partner in question, and I emphasize the word 'irrespective'. An example of this is the agreement between ICL and the American company Computer Peripherals Inc. on periph-

peral apparatus for the equipment of all three computer companies in which ICL has a share of 20 million dollars or only one third of the joint capital.

The Commission and Council are aware that cooperation with non-European partners which do not dominate the market is necessary for our survival, but not if there is to be renewed dependence on them. The first step must be the creation of a healthy European industry. Unlike the Cousté report, we consider this step-by-step theory on the part of the Council and Commission necessary. Why is this?

In its introduction, the Commission emphasizes that the data-processing industry already holds third place in the world and that the key technologies involved will be necessary for the future security of jobs in the Community. Industries requiring large numbers staff and using conservative techniques will move to the developing countries, and the industrialized countries of the west will pay for their exports with the products of advanced technology. In air and space travel, especially as regards communications satellites, America is too far ahead for us to catch up, unless the cheap rockets which have just been developed bring advantages to Europe, too, in this field.

Perhaps there is still a chance to catch up in the computer industry, but only if the large European firms do not compete among themselves, which would only weaken them. Community support should coordinate and extend national measures, but should concentrate in particular on supporting basic research and development within the framework of the proposed integration of both European groups.

It is clear that there must be close cooperation with non-European companies which do not dominate the market. The agreement between ICL and Peripherals Inc. is a step in the right direction. In this field, however, which will revolutionize our whole decision-making system, Europe must free itself from its dependent position.

*(Applause)*

**President.** — I call Mr Lange for a procedural motion.

**Mr Lange, chairman of the Committee on Economic and Monetary Affairs.** — *(D)* Mr President, ladies and gentlemen, I would like to speak on a point of order. The report drawn up by Mr Cousté and the opinions of Mrs Walz and Lord Mansfield are based on a Communication from the Commission of the European Commu-

**Lange**

ities to the Council on Community data-processing policy, on which the Council reached a decision on 25 June.

I think that it is Parliament's duty, if only for the sake of its own dignity, not to discuss matters such as this at if nothing at all had happened.

I therefore propose that this item be deleted from the agenda. The problems have been explained by the rapporteur and the draftsmen of the opinions. We as a Parliament must consider whether we wish to take up again on our own initiative this item of economic policy or industrial policy and the protection of the citizen against the misuse of information which reaches various quarters by means of data-processing.

In my view, we cannot afford to pretend that we are in a position to debate the Commission's document at leisure—and the Commission is not altogether blameless. This is the second time that a Commission communication has been dealt with by the Council in the presence of representatives of the Commission and the latter have not pointed out that they set store by the consideration of the European Parliament's opinion. Parliament must be given the opportunity to institute a new procedure with the Council and Commission.

The procedure we are following now is totally pointless. This should therefore be a reason for not holding a debate on this subject now; we should strike it from the agenda and leave it off the agenda for the rest of the part-session.

The optic should be taken up again in Parliament in autumn in a suitable manner—there is already a move towards the protection of the individual against the misuse of processed data. The Commission will probably be unable to avoid submitting directives or regulations to us in accordance with its intentions.

I shall repeat my proposal: this item should now be dropped, there should be no further debate or lengthy statements by the Commission on what the rapporteur has said.

I would be grateful if the House could agree to this proposal.

**President.** — Mr Lange is proposing that the debate be closed and Mr Cousté's report withdrawn from the agenda, with the possibility retained of discussing particular problems such as that of data-processing, the role it plays and the freedom of the individual at a later date.

I put this proposal to the vote.

The proposal is adopted.

#### 16. Agenda for next sitting

**President.** — The next sitting will be held tomorrow, Tuesday, 9 July 1974, with the following agenda:

11 a.m. and 3 p.m.:

- Question Time;
- Debate following Question Time (beef);
- Oral Question with debate by Mr Patijn to the Council on bilateral cooperation agreements;
- Oral Question with debate by Mr Durieux to the Council on simplification of the institutional structure;
- Debate on the state of the European Community.

The sitting is closed.

*(The sitting was closed at 1.10 a.m.)*

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IN THE CHAIR: MR BERKHOUWER

*President*

*(The sitting was opened at 11.05 a.m.)*

**President.** — The sitting is open.

1. *Approval of the minutes*

**President.** — The minutes of proceedings of yesterday's sitting have been distributed.

Are there any comments?

The minutes of proceedings are approved.

2. *Receipt of a petition*

**President.** — I have received a petition paying tribute to Mr Francis Vals from Mr Maury, Mr Feidt, Mr Bruch and others.

This petition has been entered under No 6/74 in the register stipulated in Rule 48 of the Rules of Procedure and referred to the Legal Affairs Committee for consideration.

3. *Organization of the debate on the European Company*

**President.** — As announced yesterday, we held a meeting this morning to discuss practical details and the allocation of speaking time for the debate and vote on Mr Brugger's supplementary report on a Statute for the European Company.

At that meeting, the following arrangements were made in accordance with Rule 28 of the Rules of Procedure:

The general debate will be held on Wednesday, 10 July, from 9 a.m. to 1 p.m. and from 3 p.m. to 7 p.m., a total of 8 hours. Speaking time will be allocated as follows:

**President**

- 30 minutes for the rapporteur of the Legal Affairs Committee;
- 20 minutes for the draughtsman of the opinion of the Committee on Social Affairs and Employment;
- 90 minutes for the speaker for and members of the Christian-Democratic Group;
- 90 minutes for the speaker for and members of the Socialist Group;
- 50 minutes for the speaker for and members of the Liberal and Allies Group;
- 45 minutes for the speaker for and members of the European Conservative Group;
- 45 minutes for the speaker for and members of the Group of European Progressive Democrats;
- 45 minutes for the speaker for and members of the Communist and Allies Group;
- 20 minutes for the non-attached members.

Now that details of the debate and allocation of speaking time have been settled, under no circumstances must these times be exceeded.

The chairmen and secretariats of the political groups should enter the names of all speakers and their groups in the list of speakers of the session service no later than 10 a.m. on Wednesday. No entries will be accepted after that time.

The sitting on Wednesday will be suspended at 7 p.m. and resumed at 9 p.m. for the consideration of amendments. Special arrangements will also be made for this debate: speaking time will be limited and the amendments grouped in sets according to the subjects to which they relate and not the sequence of the articles of the proposal for a regulation.

With a view to grouping the amendments and allocating speaking time for each of the sets and the speaking time for each political group, on the basis of the same criteria as applied to the general debate, a meeting will take place at about 6 p.m. this evening to be attended by the rapporteur, the draftsman of the opinion and the chairman of the Legal Affairs Committee.

If the political groups consider it useful, they can meet on Thursday morning from 9 a.m. to 10 a.m. since we have decided to postpone the meeting of the enlarged Bureau, which will now take place in the form of a working lunch from 1 p.m. to 3 p.m.

The vote will take place on Thursday from 10 a.m. to 1 p.m. Only the author of the amendment and the rapporteur will be entitled to speak, each for 2 minutes. They will also be entitled to speak only once on each set of amendments. I would also point out that the amendments will be voted on in accordance with the provisions of the Rules of Procedure.

As an evening sitting on Wednesday will consequently be unavoidable, Thursday's sitting will last no longer than about 7 p.m. Any items on Thursday's agenda not dealt with that day will be placed on the agenda for Friday's sitting, which it was decided yesterday will take place from 9 a.m. to 1 p.m.

Are there any objections?

That is agreed.

**4. Question Time**

**President.** — The next item is Question Time (Doc. 179/74).

I call Mr Fellermaier for a procedural motion.

**Mr Fellermaier.** — (D) Mr President, before we start on today's agenda, I should like to ask you to clarify a point regarding the Rules of Procedure. On the agenda for Question Time we find Question No 10 by Mr Blumenfeld entitled, 'Contribution by the European Community to the UN Fund for developing countries with few natural resources'. Rule 47A of the Rules of Procedure states, however, that no question may be put during Question Time which relates to an item on the agenda of the current part-session. The supplementary provisions on Question Time also state: 'No Representative may put more than one question at any one Question Time, i.e. either to the Commission or to the Council... Questions shall not relate to any item on the agenda of the current part-session, even where that item concerns only an oral question without debate.'

On this week's agenda we have the report drawn up by Mr Sandri on behalf of the Committee on Development and Cooperation on the communication from the Commission on an attempt to neutralize certain international price movements for the most affected developing countries. That would involve a debate on exactly the same subject as dealt with in Question No 10.

I would ask you, Mr President, to interpret the Rules of Procedure as precisely as laid down in the rules on Question Time.

**President.** — I call Mr Blumenfeld.

**Mr Blumenfeld.** — (D) Mr President, I apologize for arriving late. I did hear Mr Fellermaier say that a debate will be taking place on this subject on Friday.

Mr President, I would draw your attention to the fact that after I had submitted my question by the proper time I was asked by your administration to change it into a question for Question Time. This I willingly did.

I consider it important that this question be answered because of its topicality. There have also been quite a number of precedents, even as regards Question Time. All the questions on agriculture are being debated and in fact were debated yesterday. With all due respect for the Rules of Procedure, I cannot therefore see why I should withdraw my question and wait until Friday to receive an answer from the Commission.

**President.** — I feel that Mr Blumenfeld's question may contain all kinds of elements which may not be dealt with during the debate on the Sandri report. I therefore propose to the Assembly that Mr Blumenfeld's question be left on the agenda.

Are there any objections?

That is agreed.

We begin with the questions put to the Council of the European Communities.

The first is Question No 1 by Lord Chelwood and worded as follows:

Subject: Conference on Security and Cooperation in Europe.

The Council is asked if they will make a progress report on the work of the Conference on security and cooperation in Europe and make a statement on the participation of the Community as such in the future work of the Conference?

I call Mr Destremau to answer this question. I bid him a hearty welcome in view of the fact that he is with us for the first time today.

**Mr Destremau, President-in-Office of the Council of the European Communities.** — (F) Mr President, ladies and gentlemen, the Conference on Security and Cooperation in Europe is an interstate conference, which also deals with economic and trade questions falling within the terms of reference of the Community institutions.

Community guidelines on these questions, drawn up in the spring of 1973, determine the position to be adopted by the Member States and the

Commission's representatives on particular questions dealt with by the sub-committee on commercial exchanges.

The Council will inform the Assembly of the state of discussions on these aspects at the CSCE.

**President.** — I call Lord Chelwood.

**Lord Chelwood.** — May I say to Mr Destremau how pleased his many friends are to see him here answering questions in the absence of Mr Sauvagnargues?

May I ask the President-in-Office, in view of the insignificant concessions made by the Soviet Union under the two key headings of the free flow of people and information and meaningful observation of military movements, and since genuine efforts by the Community to promote more understanding and trust have been matched by mounting hostile Soviet propaganda, what good purpose, if any, would be served by ministerial meetings, as have been suggested, or the setting up of a permanent secretariat?

**President.** — I call Mr Destremau.

**Mr Destremau.** — (F) May I first of all thank Lord Chelwood for his welcome.

In answer to his question, I would not that political cooperation does not, as he knows, fall within the Council's terms of reference.

**President.** — I call Mr Jahn.

**Mr Jahn.** — (D) Mr President, may I ask the President-in-Office whether the Council is prepared in its report to state its views on whether the nine Member States have spoken and will continue to speak with one voice on questions of principle in Geneva as they did in Helsinki and whether it is agreed not to approve the institutionalization of the conference in the future by setting up a permanent secretariat, especially as the Soviet view is that this permanent secretariat should be used as an instrument to thwart the efforts being made to achieve unity in the Community, this to be done in cooperation with a so-called European Parliament, to be established through the Interparliamentary Conference and consisting of eastern and western European parliamentary delegations, as was attempted at the recent meetings of the Conference in Tokyo and the later meetings in Belgrade?

**President.** — I call Mr Destremau.

**Mr Destremau.** — (*F*) To answer the honourable Member I should like to say simply this: when work is being done by the second commission, the representative of the country providing the president will make an oral statement. Subsequently, those entitled to speak will put the Community's point of view where the Community's terms of reference and procedures require this. Coordination will be effected on the spot at the prompting of the President and in the spirit of the Copenhagen meeting. When a matter falls within the Community's terms of reference, the Community's view will be put by the President-in-Office of the Council.

**President.** — I call Mr Cifarelli.

**Mr Cifarelli.** — (*I*) Mr President, I should like to ask whether in fact the Council, and therefore the Community, concerns itself at the Conference solely with economic problems. I should be extremely surprised if that were so.

**President.** — I call Mr Destremau.

**Mr Destremau.** — (*F*) I believe a distinction has to be made; on matters which are covered by the provisions of the Treaty, a single view will be expressed on behalf of the Community; however, for matters, which do not come under the Treaty, there are arrangements for on-the-spot coordination.

**President.** — I call Mr Fellermaier.

**Mr Fellermaier.** — (*D*) The President-in-Office of the Council will have noticed how interested this House is in these questions. I would therefore ask him if he is prepared to attend a confidential meeting of the Political Affairs Committee to discuss all the various questions in greater detail than can apparently be done in this Chamber.

**President.** — I call Mr Destremau.

**Mr Destremau.** — (*F*) The rules on political cooperation provide for the President-in-Office to meet the members of the Political Affairs Committee four times a year.

Members may then put to him all the questions they wish.

**President.** — The next item is Question No 2 by Lord O'Hagan, which is worded as follows:

Subject: Legislative function of the Council.

Will the Council now agree to meet in public when acting as a legislature?

I call Mr Destremau.

**Mr Destremau.** — (*F*) As my predecessors pointed out during Question Time at the Assembly's sittings of 5 April and 12 December 1973, the Council still feels that its deliberations should be of a confidential nature. It is willing to give the Assembly information on the main problems it has discussed, as it has done several times in the past, in accordance with existing procedures and in a spirit of increasingly close contact between our two institutions.

**President.** — I call Lord O'Hagan.

**Lord O'Hagan.** — I, too, welcome the President-in-Office and thank him for hoping that the links between our two institutions will be even closer. Is he, however, aware that one of the best ways for the Council to achieve this object would be to give short, specific and precise answers to short, specific and precise questions? I ask him to look again at my question and answer it specifically, remembering that it bears solely on the legislative aspects of the Council's work. What prevents the Council from doing its legislative work in public?

**President.** — I call Mr Destremau.

**Mr Destremau.** — (*F*) In order to answer your question more specifically, I should like to point out that the role of the Council, which is based on the specific powers conferred on it by the Treaty, cannot be defined by reference to the concepts and categories of national law.

I am therefore very reluctant to speak of the legislative function of the Council; I personally prefer the term 'normative function', and in this respect I would go so far as to remind the honourable Member that to a very great extent, the action taken by the Council in the exercise of its normative function falls, in the majority of the Member States, under what could be called the power to make regulations. These powers rest with the governments, whose deliberations are confidential by definition.

**President.** — I call Sir Derek Walker-Smith.

**Sir Derek Walker-Smith.** — Mr President, is it really wise to persist in this constitutional paradox of legislating in secret? As it is now a year or more since the then President-in-Office of the Council, in answer to my question, said that the Council would seriously consider this matter, is it not time that the Council took a more constructive view and reported some more definite progress to this House?

**President.** — I call Mr Destremau.

**Mr Destremau.** — (*F*) The Council has given close attention to the question raised by the honourable Member, but has decided to maintain the position originally adopted.

**President.** — I call Mr Fellermaier.

**Mr Fellermaier.** — (*D*) Now that the President-in-Office has announced that the Council, probably for subjective legal reasons, maintains its view that Council meetings should not, in principle, be held in public, I would ask him whether he would see anything to prevent the President-in-Office from announcing important decisions of the Council of Ministers in this House and explaining them to the Members?

**President.** — I call Mr Destremau.

**Mr Destremau.** — (*F*) The Council in the person of its President, is always ready to comply with your wishes. It in fact did so recently, following the Council meeting on social affairs.

**President.** — I call Mr Eisma.

**Mr Eisma.** — (*NL*) Does the Council realize that it is the only legislative body in Europe to meet in secret? If it does, can it define for us, if necessary in writing, the difference between the legislative aspects of the decisions taken by the Council and the decisions taken by national parliaments?

**President.** — I call Mr Destremau.

**Mr Destremau.** — (*F*) It will not have escaped your attention that it is not easy to distinguish between what is a legislative matter and what comes under the heading of regulations. The latter are a matter for the individual states. Deliberations are necessarily held in secret in these circumstances.

**President.** — The next item is Question No 3, put by Mr Jahn and worded as follows:

Subject: EEC ad COMECON.

When, and in what context, did the President of the Council forward to the Soviet Union an information document on the EEC and COMECON?

I call Mr Destremau.

**Mr Destremau.** — (*F*) Both the Council and the Commission have been questioned on several occasions on the subject of relations with

COMECON, and I fully understand the interest which this question raises for this Assembly.

I believe it would be useful to remind you that in August 1973 the Secretary-General of COMECON, Mr Fadeyev, unofficially contacted the then Danish President of the Council on possible relations between COMECON and the Community. The Council of the European Communities agreed at a meeting on 20 September 1973 that the President should inform the Secretary-General of COMECON through the Danish Ambassador to Moscow that the Community institutions had noted these unofficial contacts and that if COMECON wished to approach the Community any communication should be forwarded to the Commission.

Subsequently, at a meeting on 7 May 1974, the Council agreed that the President should inform the Secretary-General of COMECON of the following:

'The Council confirms that, as already stated in the answer given by the Danish Ambassador on 27 September 1973, the Community institutions have taken note of the unofficial contacts and that if COMECON wishes to approach the Community, the Commission is prepared to respond to any communication or initiative on the matter.'

The Ambassador of the Federal Republic of Germany to Moscow handed this communication to Mr Fadeyev on 15 May 1974.

**President.** — I call Mr Jahn.

**Mr Jahn.** — (*D*) Mr President, I should like to ask the President-in-Office of the Council the following supplementary question.

When taking this step, was the Council assuming that the EEC and COMECON are neither politically nor economically comparable institutions and that discussions or negotiations may be held with COMECON both multilaterally and bilaterally—that was the unanimous decision reached in the Political Affairs Committee—and that such discussions or negotiations should only be conducted by the Commission as has been usual in the past?

**President.** — I call Mr Scott-Hopkins for a procedural motion.

**Mr Scott-Hopkins.** — While the President-in-Office of the Council is conferring with his advisers, may I, as the Member seeking to ask Question No 12, ask you either to extend Question Time by a quarter of an hour—at this speed we shall not get anywhere near being

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able to put questions to the Commission—or to suggest to the President-in-Office that he might be a little speedier in his speech?

**President.** — I can assure Mr Scott-Hopkins that I shall extend Question Time somewhat.

In addition, we decided yesterday that after Question Time a topical debate lasting one hour should be held on the subject matter of Mr Scott-Hopkins' question.

I call Mr Destremau.

**Mr Destremau.** — (*F*) It was simply a question of a procedure to inform COMECON that the Commission was prepared to receive communications.

**President.** — I call Lord Chelwood.

**Lord Chelwood.** — Can Parliament please have a promise that full account will be taken of the strongly held parliamentary view that no direct or indirect arrangements should be made with COMECON that would restrict the freedom of action of individual COMECON countries that wish to keep their trade and commercial options open with the West, as has in fact been the case ever since the Kremlin prevented them from receiving Marshall Aid?

**President.** — I call Mr Destremau.

**Mr Destremau.** — (*F*) The Community is prepared to enter into trading relations with countries of the Eastern Bloc. This position was taken publicly I think the honourable Member will find there the answer he is seeking.

**President.** — I call Mr Cousté.

**Mr Cousté.** — (*F*) Mr President, even if the question is a procedural one, the basic problems remain. The common commercial policy is a reality. Are we going to have, through the common policy, bilateral policies with each country of the Eastern Bloc, with the Community on the one side and these countries on the other, also favouring progress towards economic co-operation?

**President.** — I call Mr Destremau.

**Mr Destremau.** — (*F*) I should like simply to refer to the decision taken by the Council on 3 May and to read out a few lines which are relevant to it:

'The Council, having held an exchange of views on relations with the state-trading countries, notes that henceforth all trade negotiations must be conducted by the Community. If a state-trading country so requests, the Community is prepared to enter into such negotiations with it.'

This decision was made public and communicated to the press in due course.

**President.** — I call Mr Maigaard.

**Mr Maigaard.** — (*DK*) Is the Council of Ministers aware that Mr Fedayev has never been authorized to negotiate on behalf of the COMECON countries, and that COMECON can never expect authorization to negotiate on behalf of all the member countries, since Roumania, as we know, has an agreement with the Community whereby it always negotiates on its own behalf?

**President.** — I call Mr Destremau.

**Mr Destremau.** — (*F*) The contact referred to could only be of an exploratory nature. An approach was made to the Community by Mr Fedayev, the Community replied and the matter rests there.

**President.** — The next item is Question No 4 by Mr Broeksz and worded as follows:

Subject: Public supply contracts.

When does the Council intend to take a decision on the proposal from the Commission for a directive on the coordination of procedures for placing public supply contracts, on which the European Parliament delivered an opinion on 20 April 1972, and which was amended by the Commission on 4 May 1973, pursuant to Article 149 (2) of the EEC Treaty?

I call Mr Destremau.

**Mr Destremau.** — (*F*) The question raised is especially complex. There are not only economic but also legal aspects.

The Council hopes to begin a study of the question fairly rapidly and to be in a position to act on this between now and the end of the year.

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

**Mr Broeksz.** — (*NL*) Mr President, no one knows better than the President-in-Office of the Council the seriousness of the Council's inability to decide. It is especially evident in the final communiqué issued at the Paris Summit Conference.

**Broeksz**

Does the Council not think it strange that it should need so much time to take a decision on a directive concerning public supply contracts when a decision has already been taken on public works contracts? Public supply contracts and works contracts often go hand in hand, yet a decision has been taken for one category and not for the other. I do not see why this should take so much time.

**President.** — I call Mr Destremau.

**Mr Destremau.** — (*F*) In accordance with commitments entered into in the Council Resolution of 17 December 1973 on industrial policy, the Council intends to act on the directive on co-ordination of procedures for the award of public supply contracts before 1 January 1975. The Council is actively working towards this end.

**President.** — Thank you, Mr Destremau.

We come now to the questions to the Commission.

The first of these questions is Question No 5 by Sir Douglas Dodds-Parker, which is worded as follows:

Subject: Official visits to China.

What action has been taken to follow up proposals made that there should be visits on behalf of the Commission and the European Parliament to China to discuss possible developments of trade?

I call Sir Christopher Soames.

**Sir Christopher Soames, Vice-President of the Commission of the European Communities.** — So far as visits by Members of this House to China are concerned, it is of course not for me to comment; that is a matter for Parliament.

There has been no invitation for a visit to China on behalf of the Commission, but we have been glad to note signs of China's increasing interest in the Community and we are very conscious of the human and economic potential of that vast country. I think that it is still too early to see just how future relations between the EEC and China may develop, but I am convinced that there is scope for strengthening what are at present rather tenuous links between us to our mutual advantage.

**President.** — I call Sir Douglas Dodds-Parker.

**Sir Douglas Dodds-Parker.** — I thank the Commissioner for that reply. Does he appreciate that a number of individual Members who visited China found the attitude of the Chinese authorities very friendly towards the idea of

uniting Europe? If that is so, will he, and, I hope, the parliamentary authorities, favourably consider any invitation to discuss mutual problems of trade and technical training?

**President.** — I call Sir Christopher Soames.

**Sir Christopher Soames.** — Yes, Sir. I am aware of the successful visit by a number of Members of Parliament.

I am asked whether we would favourably consider an invitation. It is difficult to be specific about an invitation that has not been issued. However, I think that my reply showed how open we are to improving and increasing contacts between the EEC and China.

**President.** — I call Mr Jahn.

**Mr Jahn.** — (*D*) I should like to ask Sir Christopher Soames if, over and above what he has said, the People's Republic of China has given the Commission to understand that it is prepared to recognize the EEC? Have discussions along these lines taken place or not?

**President.** — I call Sir Christopher Soames.

**Sir Christopher Soames.** — No, Sir. There have been no formal discussions in this direction, but perhaps formal recognition would not necessarily be the first sign that one would look for.

**President.** — The next question is No 6, put by Mr Cousté and worded as follows:

Subject: Trade negotiations with the United States.

What is the extent of the concessions which the Community has had to grant in its trade negotiations with the United States in relation to the compensation demanded by the latter because of enlargement, and from when do these concessions apply?

I call Sir Christopher Soames.

**Sir Christopher Soames.** — The GATT Article 24 negotiations which the Community has now successfully concluded with most of its main trading partners, although of a bilateral nature, were based on a series of global offers by the Community, designed to meet the Community's obligations to all its negotiating partners. The concessions agreed are granted on a most-favoured-nation basis and therefore profit all suppliers of the products in question.

So far as the United States is concerned, the concessions agreed affect the tariffs charged on various items. In some cases they amount to only

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one or two tariff points; in others they are more substantial. They affect the tariff levels of products which we estimate to account for about 5% of the United States' exports to the Community.

The large majority of the tariff concessions will be implemented on 1 January 1975, but in a number of cases the reductions have been staggered over more than one year and will enter into force progressively on 1 January of subsequent years. In the case of oranges the concession entered into force on 15 June last.

**President.** — I call Mr Cousté.

**Mr Cousté.** — (F) While I am grateful to the Vice-President of the Commission for his answer, I should like him to say specifically whether in his opinion, these tariff reductions are not liable to compromise the activities covered by the Commission's offers to the United States and if this does not constitute a danger, in that these activities will have less protection following the concessions made under Article 24.

**President.** — I call Sir Christopher Soames.

**Sir Christopher Soames.** — I think that the negotiations have been settled satisfactorily. They were difficult. They were designed to compensate one's partners for the enlargement of a customs union and the unbinding of bound tariffs. Therefore, in the nature of things, these have been one-way negotiations, and have not been easy to carry through, as I have found. I know how some Member States feel, not just in relation to the United States but on the global offer to yield on tariff levels of certain products which are fairly sensitive to them; but I believe that on the whole this is a satisfactory outcome to what were not easy negotiations with what amounted to the bulk of GATT members in the rest of the world.

**President.** — The next item is Question No 7 by Mr Härzschel, which is worded as follows:

Subject: Planning and construction of nuclear power stations.

In view of the fact that as a result of the oil crisis the planning and construction of nuclear power stations have been stepped up to ensure adequate energy supplies, could the Commission indicate how many new nuclear power stations are to be built by 1985 in the Member States of the Community, whether fuel supplies are assured up to 1985 and beyond for existing nuclear power stations and those scheduled for construction up to 1985 and what agreements exist on the supply of nuclear fuels from third countries?

I call Mr Simonet.

**Mr Simonet, Vice-President of the Commission of the European Communities.** — (F) Mr President, I should first like to give some figures on the expected construction of nuclear power stations.

There are at present 56 of these power stations, representing a total installed capacity of 11.5 gigawatts.

The investment plans of Community electricity producers indicate that the number of nuclear power stations should reach 119 in 1980 and 217 by the end of 1985.

In terms of power this means 64.9 gigawatts by 1980 and 176.3 gigawatts by the end of 1985.

The target figure of 200 gigawatts referred to in the document on a new energy policy strategy to be considered at this part-session should be seen in the light of these estimates, which reflect the intentions of the electricity producers. The two figures are perfectly compatible.

With regard of natural uranium there is reason to believe that compared with the situation in past years there is some tension on the market. In particular the Community must organize its supply conditions from now on, as it has for the period up to 1980; but it will need to be more careful where the period from 1980 to 1985 is concerned.

There is in fact an imbalance in natural uranium supply and demand.

As for enriched uranium, the two European undertakings URENCO and EURODIF have reached saturation point, which means that the contracts they have already concluded with electricity producers will guarantee the profitability of the two installations from 1982.

With regard to the uranium that these undertakings cannot handle, as you know, European customers of the US Atomic Energy Commission are having some difficulty signing contracts for supplies from 1981 to 1991 that can be renewed over a period of 10 years.

We hope that the American authorities will shortly be able to give us an assurance that these contracts can be signed and supplies secured. If this cannot be done, the Community will have to take a number of measures to enable electricity producers to go ahead with their ambitious power station construction programme.

On the one hand this implies—and it is the Commission's intention—that we should turn to the promoters of the two European processes and ask them to make a concerted effort,

**Simonet**

and on the other, that we should try to obtain supplies from another source, in this case the Soviet Union.

**President.** — I call Mr Härzschel.

**Mr Härzschel.** — (D) Mr President, how does the Commission view the fact that while one Member State of the Community has concluded contracts on the supply of nuclear fuels with third countries, supplies within the Community are not assured, and is it true in this connection that particular difficulties exist with regard to the supply of highly enriched uranium to the Federal Republic?

**President.** — I call Mr Simonet.

**Mr Simonet.** — (F) Mr President, the bargaining to which the honourable Member refers has not, as far as the Commission know, yet led to the signing of a contract on the supply of enriched uranium from a Member State to a third country. This bargaining in any case took place before we had been informed of the inability of the US Atomic Energy Commission to sign the contracts on the date intended, 30 June 1974.

We hope that these contracts can be signed, as I have stated. If they cannot be signed, we will have to make arrangements to protect the interests of customers in the Community.

**President.** — I call Mr Noé.

**Mr Noé.** — (I) Mr President, I should like to ask Mr Simonet whether, in view of what *The Times* was saying on its front page only yesterday about the growing difficulties with uranium supplies and the tendency for uranium-producing countries to carry out the enrichment themselves, it would not be worthwhile to consider a proposal that I put forward, without success, when we were debating uranium enrichment. I suggested that the Community should acquire a share in uranium-enrichment plants in uranium-producing countries, such as Canada. This would offer two advantages: first, low-cost power for the enrichment process from Canadian hydroelectric resources, and secondly, future availability to us of both natural and enriched uranium, due to our having participated in the enrichment process.

**President.** — I call Mr Simonet.

**Mr Simonet.** — (F) Mr President, before considering the possibility of the Community as such participating in joint undertakings with

other countries, such as Canada, I believe we should go back to our previous Commission proposal on the provision of an independent uranium enrichment capacity.

Having heard a number of people express anxiety some months ago about the protectionist policy which could result from the introduction of the two processes, we see today that, far from having been to ambitious with our targets, we were probably too cautious. This leads me to reply to the honourable Member that it would probably be more appropriate to turn, as I said just now, to the promoters of the two European processes and ask them to review their production targets if need be.

It seems to me to be better for the European Community to do this than to turn to third countries and produce enriched uranium with them.

**President.** — I call Lord Bessborough.

**Lord Bessborough.** — In regard to the first part of the question about the number of nuclear stations which it is expected will be built by 1985, can the Commissioner tell me how this calculation has been made, since Her Majesty's Government in the United Kingdom have not yet decided what types of reactor are likely to be ordered in the future, nor, therefore, what their installed capacity is likely to be? I wondered, therefore, how he came to the number of nuclear reactors which he gave us, and also how many gigawatts they would be producing by 1985.

**President.** — I call Mr Simonet.

**Mr Simonet.** — (F) The figures quoted in the answer I gave just now were drawn up in cooperation with the specialist officials of the various Member States.

In giving us these figures the Member States have not prejudged the type of reactor they would use to produce the quantities of nuclear energy planned for the period from 1980 to 1985.

It is true that at present the British government is facing two substantial problems: on the one hand, it has to decide what part is to be played by nuclear power and what part by conventional sources of energy; on the other, it has to decide which nuclear process will be used. The British government nevertheless felt able to provide a number of statistics, and it is from these that we have made our projections.

**President.** — I call Mr Eisma.

**Mr Eisma.** — (NL) Mr President, I understand from Mr Simonet's answer that we shall have 217 nuclear power stations by 1985. Does the Commission believe that the storage and transport of radioactive waste will have been made sufficiently safe by then? If not, does it not consider it irresponsible to encourage the setting up of more nuclear power stations?

**President.** — I call Mr Simonet.

**Mr Simonet.** — (F) We have from now on every reason to believe that this programme can become operative on a Community scale—I do not say on the scale of each Member State taken separately—in adequate conditions of safety and environmental protection. We have in addition begun a study which should enable us to consider overall environmental problems and the impact of energy, or of the energy sector, on the environment, not from the most commonly held point of view of the protection of the environment, but from the point of view of the production of energy.

As our English friends say we cannot have 'the best of both worlds': on the one hand, abundant supplies of energy not too dependent on external sources, because we have seen the inconvenience that can cause in securing supplies, and on the other, the idyllic conditions of existence which are supposed to have prevailed until the 19th century.

**President.** — I call Mr Lenihan.

**Mr Lenihan.** — In the light of what the Commissioner has said, and having regard to what he has stated about the quadrupling of the number of nuclear power stations within the Community by 1985, would he indicate in more precise terms what parallel steps are being taken by the Communities to prepare additional and positive safety measures surrounding the operation of these power stations and to deal with the growing problem of nuclear waste disposal so as to prevent the very real dangers in regard to life, health hazard and abuse of the environment?

In other words, could the Commissioner indicate more precisely what has been done or what is proposed to be done parallel to this development, in respect of the subjects I have mentioned?

**President.** — I call Mr Simonet.

**Mr Simonet.** — (F) I am afraid I did not make myself sufficiently clear in my previous answer.

I therefore repeat that at the present time we are studying at Commission level the implications for the environment of the energy policy programme we are proposing the Member States should adopt on nuclear power station construction.

In other words, as the honourable Member who has asked the question seems to wish, parallel to the proposals we are making on the development of the nuclear sector we are at present studying the implications of this development for the environment.

**President.** — I call Mr Cousté.

**Mr Cousté.** — (F) I am surprised at hearing in Mr Simonet's answer of the difficulties which have arisen in relations between the United States and Europe. What is the nature of these difficulties? Are they to do with quantities, prices or something else? That is what we should like to know.

**President.** — I call Mr Simonet.

**Mr Simonet.** — (F) Initially it was a question of price difficulties, in that at the end of last year the US Atomic Energy Commission informed its European customers that it would have to review the prices which, until the present time, had been charged under the contracts about to expire.

The European supply agency and most of its customers then asked for and were granted time to think; this expired on 30 June. Then, when they expressed their desire to sign contracts, the US Atomic Energy Commission informed us that it wanted an extension, the reason being that it wished to calculate total enriched uranium requirements. It is understood that contracts have just been signed with the US Atomic Energy Commission. Total demand is at present considerably in excess of existing capacity.

I imagine that on the one hand, the United States is reconsidering the conditions under which it can produce enriched uranium since there are a number of technical processes for increasing, for example, plutonium recycling and enrichment capacity, and on the other hand, it is processing the various contracts. At the end of the extension requested by the US Atomic Energy Commission we may be faced with a number of very delicate choices. This risk is not perhaps very great, but it seems to me not to be totally excluded.

**President.** — I call Mr Klepsch.

**Mr Klepsch.** — (D) I should simply like to ask if it is true that there are difficulties with the supply of highly enriched uranium to the Federal Republic of Germany, and, if so, what does the Commission intend to do to ensure supplies?

**President.** — I call Mr Simonet.

**Mr Simonet.** — (F) The Treaty contains formal provisions which we intend to implement as soon as the problem arises, but that is not yet the case. For the moment there is no question of the Americans not accepting all the offers of contracts made by, in particular, German customers, who I suppose are the ones who most concern the honourable Member. We might then have to seek other outside sources, and we could approach the European promoters of the two processes to ensure that they met the requirements of European customers.

**President.** — I call Mr Aigner.

**Mr Aigner.** — (D) I should like to ask the Commission how it views the intention of a Member State to conclude an agreement with the Soviet Union on the construction of nuclear power stations, and at the same time an agreement to buy electricity produced at those power stations? I should like to know how this fits in with the Community's energy policy and whether the Commission has already been confronted with this plan.

**President.** — I call Mr Simonet.

**Mr Simonet.** — (F) I am sorry, but I am not sure I have understood. Would this mean concluding contracts with the Soviet Union to build power stations in that country with the opportunity of buying the electricity they produce?

I am unable to answer the question because I do not know what it is about. Mr Fellermaier can perhaps enlighten us.

**President.** — I call Mrs Walz.

**Mrs Walz.** — (D) Does Mr Simonet believe that the nuclear power stations he is planning can be financed up to 1985 in view of the austerity course which we have had to steer in the last few years, seeing that the investments in the petroleum and petroleum substitutes sectors will have to be not as high?

**President.** — I call Mr Simonet.

**Mr Simonet.** — (F) An objective as ambitious as the one submitted to you, or on which certain Member States have a favourable opinion at least, since they themselves have taken major decisions on this, certainly implies considerable investment, and this may be one of the choices in economic and financial policy that will have to be made by the governments concerned. If they wish to develop relative independence of sources outside the Community in the case of petroleum, for example, and thus give priority to the development of nuclear energy, they must face the financial consequences.

With regard to investment in the petroleum sector, I have always understood that the basic justification the oil companies, particularly the multinationals, gave for the increased prices which they passed on to the consumer countries was that they had to develop new sources of petroleum and meet their considerable investment requirements.

In other words, I believe that in both cases the costs will have to be borne by the public; on the one hand, directly through the budget in most countries; on the other, at consumer level. I believe that, whatever the solution, the financial burden will be heavy; it will have by no means negligible effects on purchasing power. This will probably be one of the features of the years to come.

We must in fact get used to possibly less affluent consumption patterns than those we have been accustomed to in the last ten years.

**President.** — I call Mr Fellermaier.

**Mr Fellermaier.** — (D) Does the Commissioner share my view that the question of the construction of power stations in the Soviet Union within the framework of an existing trade agreement between the Federal Republic of Germany and the Soviet Union in no way falls within the terms of reference of the Commission?

**President.** — I call Mr Simonet.

**Mr Simonet.** — (F) Although I am not an expert on the Treaty establishing the European Atomic Energy Community, or what is left of it, I would say that as far as I know, it relates mainly to fissile materials and not industrial installations, and that power stations of the type Mr Fellermaier mentions can quite easily be provided under the terms of a trade agreement such as the one to which he refers. I say 'as far as I know', but I must admit that I am answering without having re-read the relevant parts of the Treaty.

**President.** — Thank you, Sir Christopher and Mr Simonet.

Question Time is closed.<sup>1</sup>

5. *Debate immediately after Question Time*

**President.** — The next item is the topical debate on Question No 12 by Mr Scott-Hopkins on safeguarding the beef producer's income and estimates of milk supplies during the second half of 1974. The question is worded as follows:

What arrangements are being made to safeguard the beef-producer's income during the last six months of 1974 and what are the latest estimates of the supplies of milk during the second half of 1974?

I call Mr Lardinois.

**Mr Lardinois**, *member of the Commission of the European Communities.* — (NL) Mr President, I already gave a comprehensive answer to the first part of Mr Scott-Hopkins's question in the statement which I made yesterday, and which we shall be debating shortly.

With regard to the second part of his question, I should like to say the following.

During the first six months of this year, milk production in the Community rose by about 1.5% in relation to the same period in 1973. I estimate that the increase in milk production for the whole of 1974 will be about 1.5% or 2% in relation to 1973.

Milk production in 1973 totalled approximately 88.5 million tonnes, of which some 7 million tonnes were retained on the farms for a variety of purposes.

IN THE CHAIR: MR DALSAGER

*Vice-President*

**President.** — I call Mr Scott-Hopkins.

**Mr Scott-Hopkins.** — I am grateful to the Commissioner for answering the second part of the question. We have at our disposal only a short time and so I shall be brief and confine myself to the main statement that the Commissioner was kind enough to make yesterday about the beef situation.

I should like to take this opportunity quickly to thank him for coming to Parliament so

promptly yesterday after the decision of the Commission had been taken and announcing it to us at the earliest opportunity. Parliament finds itself in a most satisfactory situation in this respect.

There were seven major points in the statement yesterday. I should like to comment on them in an interrogatory fashion so that I may obtain more information.

The first concerned the special subsidy for the socially weak and for various institutions, schools and so on. I understand that the subsidy is to be 25% from national funds and 25% from the EAGGF for the disposal of beef and veal from cold stores and intervention stocks throughout the Community. Presumably this will mean that even in the United Kingdom, for instance, consumers will be able to buy specially cheap beef from Community cold stores. As the Commissioner will know, there is hardly any intervention stock in the United Kingdom. Can he tell the House whether there is a fairly good variety of choice of beef in intervention stocks? Is it all rather poorer-quality forequarters, or will a whole range be on offer?

The second point concerns the tax. That is acceptable; indeed, it is welcomed.

The third concerns the 5 million units of account to be used for publicity. I should like to know a little more about this. Is the publicity campaign to be, "Eat more beef", or "Eat more meat", or is the money to be spent in some other way? Is it to be spent encouraging the farmer, or encouraging the housewife to buy more meat? In either case, what will be the basis of the policy?

The fourth subject is a little more controversial. It concerns the cost of processing and marketing and, the fifth point, canning a fair amount of the stocks now in intervention. Anything that can be done to improve the marketing of beef is naturally to be welcomed. However, this is a fundamental issue and I should like to hear from the Commissioner exactly what he means.

He said that processing and canning of some supplies would be useful in connection with food aid. If that is just designed to get rid of a certain amount, thereby releasing storage space throughout the Community, that storage space will immediately be taken up by more intervention stocks. Thus the problem will not be dealt with and all that will happen will be that more room will be made for more beef to go into intervention. That will not get at the root of the problem.

Perhaps the most important point is that concerning the 400,000 cattle that the Commissioner

<sup>1</sup> Annex: Oral Questions, which could not be answered during Question Time, with written answers.

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hopes will be kept over the winter. Extra payments are to be made in February and March 1975 to farmers who keep their cattle during those winter months and 100 units of account are to be paid for each beast that is kept. I hope the Commissioner realizes that this will not be satisfactory. One reason is that farmers will have to pay high feeding costs during the winter months. Certainly in my country, and I believe throughout the Community, farmers are being pressed by the banks, and credit is very tight. Therefore, farmers will need some form of help during the winter months if they are to keep their animals through the winter and to feed them properly. Giving them a payment in February or March will not suffice. There must be a further arrangement, which could no doubt be negotiated, to help them during those months.

In that context I should like the Commissioner to say something about the proposals by the United Kingdom Minister of Agriculture for a slaughtering premium of up to £18, that is, the difference between the market price when it is below £18 and that figure, the money being paid by the United Kingdom government. What is the position now following the introduction of the Commissioner's proposals? He seems to be preempting the request by the United Kingdom Minister, but I should like to be clear exactly where the Commission stands.

The basic issue is whether we are to accept this method of giving 100 units of account and whether it will be sufficient to help beef farmers keep their stock from the market without having yet another absolute collapse of the beef market in the autumn. I understand, incidentally, that the Community imports about 150,000 tonnes of beef from Iron Curtain countries, Russia and elsewhere. Is not that extraordinary, if not lunacy, when we have a beef surplus within the Community?

At the same time—and this was mentioned by Mr Martens yesterday—I hope that we shall be able to sell to the Soviet Union on commercial terms a certain amount of beef from the intervention stocks. Is the United States competing for this contract at ordinary world market prices? Is the Commissioner at a disadvantage because he is not allowed to offer normal terms of credit, or even improved terms of credit, even though he is trying to sell at world market prices?

If the Commissioner can get round this problem and sell, surely it will ease the situation considerably. For my part, I would have thought that he ought to look carefully at the import from the Soviet Union of 150,000 tonnes and say that it is not acceptable. Secondly, we should

say to ourselves that if we can sell at world market prices, even giving favourable credit terms, to the Soviet Union, we ought to do so.

What the Commission has been proposing is satisfactory as far as it goes, but we should like further information about it. The situation of beef producers throughout the Community is parlous, and I do not think that what has been proposed by the Commission will in itself be entirely sufficient. I congratulate Mr Lardinois on having been able to go as far as this, and I hope that he will be able to go further in the intervening months between now and Christmas.

**President.** — I call Mr Frehsee to speak on behalf of the Socialist Group.

**Mr Frehsee.** — (D) Mr President, the Socialist Group, too, welcomes the fact that Parliament was informed the day after the Commission had taken its decision on the measures that are necessary—this is also my group's view—to overcome the problems in the beef sector.

We feel that the European Parliament naturally bears some of the responsibility for the development of the beef market and for increasing production. In the past we have on several occasions delivered opinions and taken decisions aimed at encouraging farmers to produce more meat. We all remember that in the autumn of last year there was an acute shortage and that in view of our responsibility for the people we represent we called for measures to increase beef production when it was discovered that the beef required could not be imported, either. We are all surprised at what has happened in the meantime. We must now seek reasonable means for meeting the new situation.

I would say, however, Mr President, that the scepticism we expressed eleven days ago in Luxembourg was obviously justified and appropriate, and we regret our hopes were not fulfilled. We now hope that the optimism demonstrated by the Commission in Luxembourg was justified. It seemed to us at the time that the situation was being played down a little. We therefore particularly welcome the list of measures of which the Commission, very much aware of its responsibility, has told us today.

Generally speaking, I would say that these measures seem likely to put the surplus beef in the consumer's hands in a sensible way. This would also appear to us to be the solution to the problem. The consumer must be encouraged to consume more. By increasing consumption, we will eliminate, we feel, the beef mountain we now have, and to this extent we are opti-

**Frehsee**

mistic, Mr Lardinois. Increasing consumption is more likely than any other measure to solve the problem, and perhaps relatively quickly, too.

As regards individual measures, you first spoke of cheap sales to social institutions, old peoples' homes and so on. We approve such measures. Selling to the socially weak at a price reduced to 50% gives rise to problems, to which we have pointed on several occasions in this context. The problems are not only technical but also psychological. The Socialists would not like to see discriminatory measures being taken, however effective they might be if taken properly. In my country, Mr Lardinois it works: we have a satisfactory system of distributing butter to the socially weak. But I hear from friends that this is not done completely without discrimination in other countries. I therefore call on the Commission to make every effort to ensure that discrimination is not practised in those countries.

But one thing is certain: there is considerable demand in these socially weak strata of society; they represent a considerable reserve. If, then, you offer them beef at half price, the problem will undoubtedly be solved quickly.

The next problem is that of the consumer concessions that you have likewise proposed and which are also to be welcomed. The problem, as we see it, consists in getting these concessions—whether in the form of eliminating taxes or other charges or reducing value added tax—to the consumer. All these matters can be discussed. They will definitely cause some difficulty during the talks in the Council of Ministers. But that, Mr President, seems to us to be a particular difficulty: how do we pass the concessions on to the consumer?

We may be able to use the advertising campaign which you have proposed and which we also welcome. You doubtlessly do not intend to hang up in every retail shop posters which simply say: 'Eat more meat because meat is good for you.' Surely not. You will undoubtedly want to inform housewives of the market trend, in other words describe how producer prices have developed and how consumer prices should really develop and how they have actually developed, and thus help the consumer to become critically aware of prices.

Mr President, something should be said about the quality of canned meat. It cannot be disputed that the quality is good, but it is not exactly popular, because it does not taste quite as good as fresh meat. Perhaps the Commission will come up with something as part of its measures to make canned meat somewhat more palatable, perhaps by means of posters in retail

shops. Canned meat is to be seen in every shop window but I notice that it is bought in only small quantities. You have assured us that the intervention system will be looked into. Although I share your doubt whether very much can be done to improve it, it should nevertheless be looked into. We will therefore await the outcome of this investigation before taking decisions on the next financial year, which begins in April 1975.

You intend extending the jumelage system to all products, and rightly so, because that is necessary and will undoubtedly be a great help in eliminating the beef surplus.

And then you have this wonderful plan of introducing a non-slaughtering premium. The European agricultural policy is sometimes quite funny: we recently had a slaughtering premium for dairy cattle. Now a non-slaughtering premium is to be introduced for beef cattle. We are not against this; in fact we expect it to have a considerable psychologically calming effect in view of the unrest on the land. As regards the import restrictions and difficulties placed in the way of importing beef, we assume that the Commission will take account of and bear in mind the necessary, indeed vital trade policy aspects.

Mr Lardinois, one thing is not clear to me. Why do you want to stop imports of beef and pig meat in inward processing traffic? Perhaps I am right in assuming that you suspect shady deals in this sector. Perhaps you could answer this question as well.

On the whole, however, this is a well balanced and necessary programme.

*(Applause)*

**President.** — I call Mr Bourges to speak on behalf of the group of European Progressive Democrats.

**Mr Bourges.** — *(F)* Mr President, yesterday our group listened with great interest to what Mr Lardinois said and noted the action the Commission intends to take on this matter, which, as we are aware, constitutes a serious problem.

I must say straightaway to Mr Lardinois that, although on the one hand we understand the measures he is advocating and do not disapprove of them, nevertheless the Commission, as far as agricultural policy is concerned, is once again pursuing a policy that does not really meet the requirements of the economic situation in the Community. Let me explain: the Commission's proposals are sound, but essentially the measures proposed will prevent

**Bourges**

the situation deteriorating rather than actually rectifying it.

In fact, Mr Lardinois, you are proposing measures that will encourage the release of stocks which have been accumulated in a senseless and thoughtless manner, and the Commission's policy is directly responsible for this.

I should point out that last January our group was already calling for a ban on exports which were unjustified and were using up the currency the Community needed to obtain the products it had to import from third countries.

Farmers are to be granted a non-slaughtering premium for 400 000 bulls or bullocks. The object of this premium is to enable farmers to keep these animals for another 4 or 6 months, and to receive a subsidy for this purpose, and we consider this a laudable aim. We also approve of the policy you are advocating to encourage meat canning. As for the question of selling at a reduced price to particular sections of the population, this is dictated by necessity and we must resign ourselves to it, although I agree with the speaker from the Socialist Group that it does not seem an ideal solution because of the difficulty of implementing it. However, we approve the measures, although we hope that its implementation will not present too many problems and create a group of second-class consumers; that is what we are concerned about.

We hope, also, that the appeal you are making to the governments to reduce taxes in order to encourage home consumption will be heeded.

But ultimately all these measures will only serve to reduce stocks. If we really want the stocks to be disposed of altogether, the Community must export. Also, and above all, it must discourage imports.

You said yesterday, Mr Lardinois, that between now and 12 July imports would be suspended and a new policy would be introduced on that date. We feel that imports should be discontinued completely until there is a real improvement in the situation, and I would ask you to define the principles on which the new system of imports into the Community will be based, if you carry out your intention. Today is 9 July. The new system is therefore to be introduced in 48 hours. I assume that by then you will be able to let us know your intentions and enlighten us on the principles you are going to apply.

Finally, I come to the real problem, which you did not mention at all yesterday: Community agricultural prices. Community agricultural prices must be reviewed, as a matter of urgency. Why? Because, as a result of increases in the

prices of fuel, animal foodstuffs, agricultural equipment and fertilizers, farmers now bear much heavier costs. This increase has occurred in all the Community Member States, where the farmers are the only section of the population to have suffered a drop in income over the past twelve months.

This increase in farming costs must be taken into account and agricultural prices reviewed. Our group is hoping that the Commission will express its intentions and explain when it intends to review prices, and on the basis of what criteria.

I should add that we consider it would be better, from the point of view of administration, for European agriculture to operate on the basis of target prices rather than intervention prices, thus, avoiding a pessimistic concept of economic management. Finally, we wish to express reservations about the real value of the proposed publicity campaign which it is estimated will cost 5 million units of account, and we feel that you—that we—could perhaps make better use of the Community's money than spending it on a publicity campaign which will not have much effect.

I should like to put one final question to the Commissioner. You say, Mr Lardinois, that the Commission is going to review the long-term intervention policy of the EAGGF. Could you give us further information on this?

*(Applause)*

**President.** — I call Mr Martens.

**Mr Martens.** — *(NL)* Mr President, I took the opportunity yesterday of congratulating Mr Lardinois on the new measures proposed in addition to the 15 already in existence. I very much appreciate the fact that the Commission shows so much concern about the situation which we are discussing today. I should like to dwell briefly on some of the measures proposed.

To begin with, I should like to say something about the price reductions to be implemented in favour of the socially or economically weak. My objection is that it will be very difficult to draw the line between those who are economically weak and those who are not. This is a problem which will have to be solved. We have in the past applied a system of this kind to public institutions such as schools and hospitals, and it worked quite well.

Secondly, I have a few reservations as regards the 5 million units of account earmarked for publicity campaigns. Personally, I am always in favour of such campaigns. The problem here,

**Martens**

however, is the way in which the money is to be used. In my opinion, it should be used primarily to inform and educate housewives. If I become a little technical, I hope you will forgive me. Of a bull weighing 500 kilogrammes, 55%, or about 275 kilogrammes, consists of carcass. The total amount of boneless meat on this bull is thus 165 kilogrammes, of which 75 kilogrammes is prime beef, which leaves 90 kilogrammes of non-prime meat. The trouble with these 90 kilogrammes of non-prime meat is that it does not sell well in the meat trade. However, if it were possible to persuade the public to buy this type of meat, too, the price of prime beef could, in my opinion, also be reduced. I think that a great effort will have to be made to make consumers realize that there are only 75 kilos of prime beef on a 500 kilogrammes bull.

I should add that I find the beef distribution chain, starting with the animal on the hoof and finishing at the butcher's, far too circuitous. A survey was carried out in Belgium by Professor De Keyzer of Ghent, who found that between the farm and the butcher's, some 15 to 20 persons were involved in the distribution process. It would be interesting to carry out a survey throughout the Community on beef distribution chains. The chain has been shortened considerably in the field of pork distribution, and excellent results have been obtained. Last year, with prices for pigs and cattle the same, prime cuts of pork were sold for 100 francs less per kilogramme than prime cuts of beef. This is clearly attributable to the difference in distribution systems.

Is it not possible to find a solution to this problem? I should also be particularly pleased if the Commission were to give priority to investments aimed at reducing the cost of canning meat. This is very important, not only in view of the present situation, but in general to maintain a healthy canning industry, which will always be needed if we are to provide reliable and durable outlets for the Community's large meat production.

That is all I have to say, Mr Lardinois. I believe that the measures proposed by the Commission will be very useful. We shall have to wait a little to assess the practical consequences, but in the meantime they have made a very favourable impression, at least on me.

**President.** — I call Mr Vetrone.

**Mr Vetrone.** — (I) Mr President, I cannot disguise the difficulty in which I find myself in trying to express a balanced judgment on the proposals announced by Mr Lardinois, whom

we ought to thank for the fact that, this time, Parliament has been informed of some of the Commission's decisions in advance.

I am in difficulty, because I come from a country where the problem is that of a scarcity of beef, whereas the proposed measures are designed to deal with the problem of a beef surplus. This puts me in mind of the measure which introduced slaughtering premiums precisely at a time when in my country we were introducing premiums to encourage stock-breeding.

I ask myself, therefore, to what extent the measures explained by Mr Lardinois could be of interest to my country. Even the publicity campaigns are of no interest to Italy, unless the Commission would consider allowing Italy to use the 5 million units of account to carry out a campaign, not to encourage beef consumption, but to discourage it.

As regards tax reductions, these do not apply to Italy, as Mr Lardinois made very clear. It would, in fact, be unthinkable to reduce taxes, when only the other day VAT on sales of beef was increased in Italy from 6 to 18%.

As regards long-term investment guidance, I am not clear whether these are investments described in Article 10 of Directive No 159 or whether they are provisions proposed under another heading.

What I should like to know is whether Italy, where a 3 000 million lire cattle-breeding plan has just been passed, or is being passed, by Parliament, will be able to benefit immediately, following the Community decisions, from these long-term investments in cattle-raising that the Commission proposes.

Mr Lardinois, yesterday you said that the decisions to be taken by the Commission on the distillation of wines could not apply to Italy because that country had decided the matter for itself at national level. I am now beginning to wonder whether Italy, because it has worked out a stock-raising plan which includes long-term investment, might, not be deprived in the future of benefiting under these Community provisions.

You also spoke of the need to change the intervention system completely. That was all you said, but I should like to know whether these changes are to be in the direction of greater liberality or parsimony. It is a matter of great importance.

As for the non-slaughtering premium, which would seem advantageous to Italy, I must confess that I do not quite see why there is no

**Vetrone**

mention of such a premium for 18-month-old bullocks and oxen. I am not an expert, but according to the information I have, the weight of the animal at one and half years is about 500 kilogrammes. I would think that a 500-kilogramme animal could be slaughtered; in fact, according to the experts, if they are kept over winter, not only their weight but the fat content increases, and the quality of the meat deteriorates. Either way, this is another provision that does not seem to me to be beneficial to my country, given that the trend in Italy is not towards a surplus, but rather towards a shortage of beef.

The arguments advanced so far have been concerned with the domestic market. I see that, as regards the external market, you envisage suspending imports even of frozen meat. Now, that measure undoubtedly would affect my country.

And finally, Mr Lardinois, I must put to you a question which occurred to me when the provision on what I would call 'twinning' was adopted, whereby for every quantity of imported beef the same quantity must be bought from intervention. In the case of Italy, where, because of the shortage, the dealer will not find any meat in intervention, he is allowed to buy it from the intervention stocks of another Community country; he might thus turn to France or Germany.

But when the Italian dealer collects this meat in order to bring it into Italy, he becomes an importer as far as his own country is concerned, and just like a German dealer becomes entitled to the compensatory monetary amount. But then, I imagine, he will come up against a new obstacle in the shape of the obligatory 25% import deposit, which, according to the latest consensus the Community seems disposed to maintain for beef.

These are the questions that I would like to put to Mr Lardinois. Obviously, much more needs to be said on these problems; however, since the last sitting ended at 1.30 in the morning, I do not think that we have enough time to go into details of this sort. I think no-one has had such an opportunity this time.

**President.** — I call Mr Laban to speak on behalf of the Socialist Group.

**Mr Laban.** — (NL) Mr President, I should like to refer briefly to the remarks made by Mr Scott-Hopkins on transactions with the Soviet Union.

Is it true that the Soviet Union asked to buy 50 000 tonnes of meat and livestock from the

EEC at the world market price, and for interest-free credit for a period of 13 months? If this is true, were no efforts made to discuss with the Soviet Union the possibility of paying interest in full or in part? After all, we do import considerable quantities of meat from the state-trading countries.

Would we, in spite of the loss of interest for the EEC, be financially appreciably better off than with the present system? If this transaction were entered into, what would the saving be on the 400 million units of account which must now be paid from the EAGGF in the beef sector? I sympathize that the Commissioner can only give a general answer to this question.

Can the Commissioner confirm that the Commission has in the meantime already decided not to enter into such a transaction with the Soviet Union? If this is the case, what were the Commission's motives? In my opinion, such a transaction is an entirely different matter from the butter deal recently concluded with Russia. Although this deal caused quite a stir at the time, the ultimate financial results were not unfavourable. From the point of view of *détente* and having regard to commercial considerations, I personally would have no objections to such a transaction, provided it did offer certain advantages. I hope that the Commissioner can provide us with answers to these questions.

A final question on a different point. Does the Commissioner really expect the Member States to abolish VAT on beef on the recommendation of the Commission or the Council? In many cases this would only compel them to seek new sources of revenue, as a result of which they would impose new levies on their citizens. It really would serve little purpose since ultimately it is always the consumer who has to pay, even if it is a different category of consumer from that affected under the present system. I very much doubt whether the Member States would agree to this, as they would only have to look for other sources of revenue.

(Applause)

**President.** — I call Mr Gibbons.

**Mr Gibbons.** — First, I commend Mr Lardinois upon his very long service with us here in this House, last night to a very late hour and again this morning, and upon his answers to the various questions that have been put to him so far.

Any measure that reduces the acute pressure on the beef producers of Europe at the present time is welcome; but I must also say that I think

**Gibbons**

that the measures that have been taken appear to be of a very tactical nature and do not in any way assail the real source of the problem. It is good to see that types of person qualifying for social welfare will under this scheme benefit by getting meat at cheaper rates than they ordinarily would do, and I suppose that, consequently, they will get more of it. But when I examine the Commissioner's proposals they strike me as being a rather desperate effort to shift large quantities of a commodity that appears to be in over-supply. I suggest, with the greatest respect, that surely the way to assail this problem of over-supply is to look at the sources from which that supply is coming. It seems absolutely crystal-clear to me that this critical situation in the beef sector will continue as long as third country imports are permitted in a more or less unrestrained way.

Earlier in the debate, Mr Scott-Hopkins pointed to the peculiar anomaly of the importation of 150,000 tonnes of USSR beef while at the same time the notion of selling intervention beef to the Soviet Union is being discussed. It seems so peculiar...

**Mr Lardinois.** — To Eastern European countries!

**Mr Gibbons.** — ... I used the expression 'the Soviet Union' generically, meaning Eastern Europe. I thank the Commissioner for his correction. The substance of what I am saying is not affected by the Commissioner's interjection.

It appears to me at any rate—this must be said—that it is certain that there is no overall plan for the development of the Community beef herd and for the development of Community pasture in accordance with the Treaty of Rome, which envisaged preferential treatment for Community producers. The fact is that the Community producers at the present time are being forced to the wall, and many of them are being driven to desperation. I am sure that the Commissioner will admit that.

The premium to be paid on 400,000 cattle for over-wintering is welcome, too. I hope that the Commissioner, when replying, will tell us in what way this premium will be allocated and in what position people who over-winter cattle will find themselves in regard to it.

The number of cattle which will be over-wintered this winter or any other winter—I speak with some knowledge about this because I am in the business—depends totally on the available fodder that there is for the cattle; if the cattle are properly treated they will continue to gain weight and we shall be shifting the

problem from one place to another. I accept that the autumn glut is an annual feature of the beef trade and that it is helpful to knock the bulge off in that period of the year, but it is in no way reducing the—mis-called—over-supply position. There is not an over-supply. Over-supply conditions are created artificially, and will continue to be created artificially as long as imports of meat from third countries go on unabated.

*(Applause)*

**President.** — I call Mr Brøndlund Nielsen.

**Mr Brøndlund Nielsen.** — *(DK)* I would like to put a few questions in connection with this debate.

I shall first say that in Denmark we are at the moment holding cattle shows, which usually indicates that farmers are beginning to take stock of the situation. During the past two years the speeches made on such occasions have reflected great optimism as a result of firstly imminent and then actual membership of the European Communities and the possibilities it would open up for efficient agricultural producers. This year, talks given by various representatives of the trade as well as by farmers themselves have been very pessimistic about developments. They feel that production costs are out of step with the prices they receive, and they are therefore considering the possibility of stopping production.

Mr Lardinois mentioned some arrangements yesterday that might help to solve the problem. I would, however, like to know what information the Commission can give on the balance between production and consumption.

As has been mentioned several times, the Community until a short time ago encouraged meat production, but we have now reached the stage of overproduction, and a campaign is therefore to be started to increase demand. That will obviously affect the situation, but what are the prospects for the future? The crucial question is: How will increased prices affect demand?

There is also another question that I would like to ask. Several others, including Mr Martens, have also asked it: What can the Community authorities do to ensure that producers reap the greatest possible benefit from intervention prices? Yesterday's discussion of a question put by my group showed that current intervention prices, are, for producers critically low. The problem becomes even more serious when producers simply do not get the price. It disappears in a series of intermediate stages. Unfortunately, that also affects confidence and trust in the Community, and especially Denmark. We were

**Nielsen**

depending on those intervention prices and now, time after time we are asked at meetings: Why do we not benefit from them? What happens to the money?

I wanted to put these questions as a follow-up to what has been said by previous speakers. I hope that the Commission will continue its efforts to sustain—or perhaps I should say restore—the confidence of food producers.

**President.** — I call Mr Brewis.

**Mr Brewis.** — I will be brief because most of the points have already been made. The price of food is a very sensitive matter in my country and, no doubt, in other Member States of the Community. I hope that we shall not see with beef a repetition of the unfortunate impression associated with the butter mountain and that we will seek to cut off imports from behind the Iron Curtain rather than sell meat at slightly subsidized prices to those countries.

The problem is to get the housewife to buy more beef. Unfortunately, she has the impression that it is too expensive. I welcome what the Commissioner is doing about publicity, and I hope that he will study urgently the question of profit margins in general in distribution.

I am a little worried about the Commissioner's non-slaughtering premium. This will surely distort market conditions. What will happen next year? Shall we not have too many beasts next year as well? In general it is better to interfere as little as possible with market forces, and therefore, with a certain humility, I suggest that the deficiency payment per head adopted in the United Kingdom is perhaps a better way to achieve what Mr Lardinois has in mind.

As a Community, surely we must look after the interests of some countries in the Third World which supply us with beef and depend on these exports heavily. I am thinking in particular of Argentina. Has the Commissioner considered what effects his measures may have on world trade?

The situation with regard to pigmeat seems to be getting very serious. Can Mr Lardinois say something about what is to happen about pigmeat?

**President.** — I call Mr Houdet.

**Mr Houdet.** — (*F*) Mr President, you would find it surprising if the Chairman of the Committee on Agriculture did not take part in this debate, if only to thank Mr Lardinois for having notified us the same day of the decisions taken by the Commission.

The Committee on Agriculture has not been able to meet to discuss these proposals. Consequently, what I say is only a personal opinion; when the committee is consulted on the texts it will express its opinion through its rapporteur.

Undoubtedly the economic situation calls for urgent measures, which should ensure that stock breeders receive the prices laid down last March for the present year, but the structural situation in the beef and veal market in the industrialized states calls for long-term measures, to be taken immediately, because the production cycle is long. That is why I think a policy for beef and veal production should be evolved as soon as possible.

But I admit that the difficulty lies in the fact that short-term measures may not be complementary to the long-term measures required and may even be contradictory to them. In the nine Member States, the general rise in the standard of living should promote the consumption of beef and veal. And yet the reverse has proved true. However, the producers cannot be accused of charging inflated prices since production prices are lower than target prices at present, and even lower than world prices, which is even more serious. This should constitute a natural barrier to imports from third countries, whereas this is not in fact the case.

Why? The effect of inflation means that consumers' resources are directed much more towards accommodation and leisure requirements than the quality of their food, and I do not think an information campaign would have any effect. Our housewives are well aware of the difference between producer and consumer prices. But they have no way of protecting themselves against it. I think it would be a good idea for the Commission to provide them with a way of protecting themselves, by a detailed study—as Mr Martens suggested—of problems connected with the movement, marketing and processing of beef and veal from their origins to the consumption stage.

I do not therefore feel that an information campaign would be of any use unless the housewife is provided with means of protection at the same time.

If I may express a personal opinion, among the most important and effective short-term measures, I believe in—and have always believed in—permanent market intervention. We are all agreed on the principle, but opinions differ as to how this intervention should be carried out. As Mr Cointat said yesterday, there is one law that applies to all political systems, whether liberal or state-controlled, and that is the King law.

**Houdet**

On the meat market we have been applying this law for many years now in France, ever since 1953 when, as Minister of Agriculture I introduced SIBEV, which helped at the time to deal with the meat surpluses resulting from the foot-and-mouth epidemic that had afflicted French livestock.

But I appreciate, Mr Lardinois, that intervention and storage are costly, first because storage is inherently expensive, and also because it is impossible to dispose of stocks quickly at a reasonable price. We succeeded in France in the 1950s, but the world economic situation was very different in those days.

On this point, I agree that your proposal to extend the *jumelage* system is very interesting. This will be a way of counterbalancing imports by the export of meat as an intervention measure. I therefore approve of the idea of extending this *jumelage* system not only to imported frozen meat but to all imported meat.

On the other hand, like many Members I have reservations about selling beef at reduced prices to social institutions. From a social point of view it is a good idea. But economically it will be very difficult to implement, as we have seen in the case of butter; it merely causes a shift in the volume of consumption possibilities.

There is one measure on which we are all agreed: the ban on imports from third countries. Certainly this raises serious political problems, of which I am not unaware, but in certain circumstances it is essential. I am afraid that the suspension of import licences for three days, until 12 July, will not really remedy the situation.

Finally, there is one measure which I fully support, the granting of a premium of 100 units of account per head of male cattle if their slaughter is postponed by 4 to 6 months. In certain countries—I am thinking particularly of France and Britain—we have undergone periods of drought as a result of which a large number of animals would come on to the market at a particular time. In my area, on the other hand, the weather conditions have been such that these animals can be put on the market at a latter date, on condition that we compensate those who agree not to slaughter them for another four or six months for the additional costs entailed by all aspects of agriculture, as Mr Bourges has said.

To conclude, Mr President, I must express my regret to the Commissioner at the inadequacy of these measures. It seems that everyone agrees with me on this. But above all I regret that no proposals have been submitted in regard to structure.

It is time we defined our policy on livestock production, and in particular the production of beef and veal, because the situation may be reversed much sooner than we think. In view of the production cycle for beef and veal, and the weather conditions, we may in future be faced with a problem which is exactly the reverse of the one we face today.

Do not forget, ladies and gentlemen, that livestock production is not only an economic problem for farmers, but also, and above all, a social problem for the farmers themselves, for their families and for agricultural workers.

(Applause)

**President.** — I call Mr Lardinois.

**Mr Lardinois, member of the Commission of the European Communities.** — (NL) Mr President, thank you for giving me the opportunity to answer these questions directly. I shall try to be as brief as possible, and hope that you will bear with me for the next quarter of an hour.

I shall start with Mr Scott-Hopkins' question. I believe that some misunderstanding has arisen in connection with beef for people with a small income. It is not intended that these people should buy cheap beef through the intervention agencies. This applies only to institutes, hospitals and the like; we do not intend to make intervention meat available to individuals. They must be able to buy a normal quality in the shops in the same way as they can buy the normal quality of butter. This is certainly not how we intend to proceed. We have no intention of placing people with low incomes in a category in which they are obliged to buy from special agencies meat which is different from that to which they are accustomed and which they in any case prefer.

I would prefer to talk in terms of 'information' rather than 'publicity'. It is very important that every housewife in Europe should know that pork has become 30% cheaper than it was five months ago, and that beef has become 20% cheaper than it was five months ago. Everyone should know that meat is not as expensive as they think it is. Of course, meat is expensive by the housewife's standards. However, if we compare the price of meat to the price of labour expressed in terms of one man-hour 5, 10 or 15 years ago, we find that meat prices have done nothing but drop. Consumer habits, too, have changed. Ten years ago, the average skilled worker, at least in most of Europe, had no car. If he did, the running costs were a third of what they are now. Consumer habits in general are changing and everyone is at liberty to change his own. But it is not fair to say that agricultural

### Lardinois

products are constantly increasing in price. On the basis of whatever objective yardstick one wishes to use to determine how much one may earn for a certain period of work, it is evident that, relatively speaking, the prices of all agricultural products are falling.

It is only right that people throughout the Community should know exactly what the situation is. They should know that in Europe approximately 15% to 20% of the price which the farmer receives for his stock is ultimately paid by the consumer in the form of taxes and levies. This explains to a considerable extent the large difference between producer and consumer prices. Levies for inspection services and government institutions mean an extra increase in VAT. They are a tax on a tax, and this people should know. People have a right to know about it. It is in the interests of agriculture that people everywhere should be kept fully and clearly informed. But we cannot do this alone. It is politically imperative that this aim be achieved. Objective research institutes must collect the necessary data and publicize them in the clearest form on the widest possible scale. Not only agriculture, but the consumer, too, deserves this, if only in his capacity as a voter in a democratic society.

Mr President, we can keep the meat in cans until a period of relative shortage occurs on the market, as will undoubtedly be the case. We can then sell it to the housewife in the same way as is done in Germany, for instance. In Berlin, people use it to lay in reserve stocks. It can also be used as food aid or put on the market in the ordinary way. Meat can be stored like this at virtually no cost at all, while the present system of cold-storing meat is extremely expensive. Moreover, meat can only be kept in cold storage for up to one year.

We shall investigate Mr Scott-Hopkins' suggestion with regard to the postponement of slaughter. In principle, I do not object to payment in two stages, if six months is too long a period, particularly in winter. In this connection I should like to leave the national governments a certain amount of latitude. It is quite possible that some countries can cope administratively with such a system, while others cannot.

As far as we are concerned, I hope that these payments need only be made after 1 January and not before, as I am making every effort to ensure that we do not exceed the EAGGF budget for this year.

And now we come to the guarantees for Great Britain. To my surprise, I read in the British morning papers that our measure was interpreted as a rejection of the British system. It

is in fact a different system; Mr Peart spoke about it only three weeks ago in the Council. Under this system, a sort of deficiency payment is made, as a result of which the market price drops.

In this connection I should like to emphasize the following. As yet, the Commission has adopted neither a positive nor a negative stand on this matter. Yesterday I said that we should consider before the following marketing year whether the present system needed to be changed and if so, in what way. Of course the greatest consideration will be given to Mr Peart's alternative proposal. When he submitted his plan a month ago, Mr Peart announced that such a system could not of course be introduced during a marketing year and that he had intended it for the coming marketing year.

Of course, the Commission does not consider our present system the acme of human achievement. We are perfectly willing to consider any alternatives. Anyone taking a good look at our proposals must admit that they do contain new elements. We are not a bunch of fools trying to convert instruments into principles. We want to organize and adapt things as sensibly as possible taking into account how much the governments must pay, how much citizens must pay and how much consumers must obtain in return, relations with third countries and of course the justified interests of producers in the Community.

With regard to imports from Eastern Europe, I would point out the following. In the first half of 1974, these imports totalled 85,000 tonnes of beef. If we deduct imports from Yugoslavia, we are left with 75 000 tonnes. Annually, this works out a approximately 150 000 tonnes, not including imports from Yugoslavia. This year we did not receive much beef from the Soviet Union; most of it came from the East European countries. The Commission has no objections whatever to our exporting, provided we do so at prices which are comparable to the world market price. These exports generally involve other products and other qualities. We tend to import livestock from Eastern Europe rather than meat. What we must decide, particularly when large quantities are involved, is whether we are prepared to adhere strictly to the world market price.

I can honestly tell you that we have certain doubts as regards this last point, arising above all from the fear that this factor could be politically exploited. I am convinced that the demand existing in the Soviet Union, which would like to import at very low prices, will probably be met by others, that is those who are prepared to grant credit over a long period. There are

**Lardinois**

rumours that the United States and the Soviet Union have already discussed the possibility of a five-year loan at 3% interest. In such a case, the price can of course be considerably higher than without or with only a one-year loan. I presume that this question will be brought before the Council at some time or other, albeit not by the Commission. The Commission is still prepared, in accordance with its usual system, to export to countries which are willing to pay the world market price, that is, the same price as that which we pay for meat of similar quality which we import.

There is no question of drawing a comparison with the sale of butter mentioned earlier. I am grateful to Mr Laban for saying that from a commercial point of view, we are still waiting for an alternative to such a transaction...

**Mr Laban.** — (NL) Would you please tell us what savings this transaction with the Soviet Union would bring for the EAGGF?

**Mr Lardinois.** — ... Talks have been held with the Soviet Union, I believe they are even still in progress. If certain agreements are to be concluded, our cooperation is required, particularly as regards the granting of credit. We can expect political disapproval of such a transaction from quite a large part of Europe. This is why the Commission feels that it should not commit itself at this stage. From a commercial point of view a transaction of this kind, compared with all sorts of other measures, would easily be the best solution to the problem. Any alternative, even the one that we have chosen, would cost much more money. We would be able to export meat at a price only slightly lower than the price at which we import it. However, we would be dealing with other qualities and other markets. It would remain possible for us to have an increasing share in international trade, whereas now we are gradually having to curtail our foreign trade far more severely.

Let me give you an idea of this. During the first half of this year, we imported approximately 60% of the amount imported last year. I estimate that during the second half of this year we shall import 25 to 30% of the amount imported last year, mainly due to application of the so-called *jumelage* system, which we applied in recent months to frozen meat. Little was imported in this form since there were opportunities to switch over to chilled meat, for which this system was not valid.

Considering the present situation, we felt that the importing countries, too, should pay a high price. However, the Commission holds the view

that it should above all do nothing to impede imports enjoying preferential treatment within the framework of the GATT quotas. From an international point of view, it would not be right, either, for the Community as a whole to stop importing. We want to keep imports going. This is why I feel that we are also entitled to keep exports going.

Mr President, I shall try and answer the other questions as briefly as possible.

We intend to devote special attention to the quality of canned meat.

Mr Frehsee asked me for an explanation of the prohibition with regard to inward processing traffic. It has to do in particular with our *jumelage* system. We feel we should remove the temptation to import meat free of duty in the hope that the *jumelage* system would then disappear and this meat could be placed on the market free of duty. This could also result in speculation. In brief, the main purpose of this prohibition is to prevent circumvention of the so-called *jumelage* system.

Mr Frehsee and others have asked for information on 'social beef'. It is not a simple matter, but we have had some experience, and I hope Mr Martens is listening, with supplying butter to individuals. We supplied this butter to some 8 million consumers at reduced prices. We could apply more or less the same system to beef, although I would point out that it is a simpler matter when dealing with butter than with beef. However, we feel, even from a political point of view, that we should set aside some of these surpluses, in particular for those among us who are generally far from spoilt, especially when the market is tight.

Mr Bourges mentioned agricultural prices in general. I spoke at length on this subject yesterday evening and I would ask him to read what I said in connection with the statement and question by Mr Durieux. I spoke also of the possibility of discontinuing importation. This we do not intend to do, but we shall have to take certain measures in the imports sphere in order to solve some of our problems. We do feel that we should maintain at least a minimum of trade relations with all exporters to the Community.

The new import system, the *jumelage* system, will come into effect on 12 July, that is, in three days.

I have already told the House about the changes in the system for beef. I should like to assure Mr Martens that his suggestions that certain publicity campaigns should be concentrated on specific types of meat will be examined very thoroughly.

**Lardinois**

Mr Vetrone asked whether Italy stood to gain anything. Of course these measures are intended for the entire Community. The fact that we had to take such stringent measures is partly due to the difficulties which we have experienced over the last three months as a result of the inadequate functioning of our system in Italy, the import deposit scheme and various other circumstances.

Let me say once again that I do appreciate the special situation in which Italy finds itself. Undoubtedly, many of the measures will benefit Italy in one way or another, but they are not intended solely for Italy, even though they have become more necessary as a result of that country's internal policy.

I have already answered Mr Laban. The Council will not decide on VAT. The matter will be discussed, but ultimately it will be up to the national governments to decide whether they wish to use this instrument or not. I hope, however, that people will recognize this as an important factor. Last year, when prices rose to their highest level, some governments abdishead VAT to the advantage of consumers; this year there will also be governments which, when prices have dropped to their lowest level, will encourage consumption to the advantage of producers. It would not be the first time that VAT had been used for such a purpose.

I have already answered Mr Gibbons' question concerning imports.

I thank Mr Houdet for his positive reaction to the measures. As regards imports, I have answered him, too.

Mr Nielsen and some other Members asked whether the 400,000 head of cattle would be put on the market later than the coming autumn. In my opinion, this is merely carrying the problem over from this autumn to the following spring, when we would normally have far fewer supplies coming in. If the national governments can implement such measures from an administrative point of view, they will have a positive effect on the equilibrium of the market.

We shall not be taking such measures for pigmeat. We gave absolute priority to pigmeat for the abolition of the import deposit scheme in Italy. Yesterday Parliament adopted a resolution concerning possibilities of private storage. Pigmeat is also affected by the suspension of inward processing traffic. There are other measures proposed, but in principle, pigmeat will be treated differently from beef and veal, mainly because its production, which has a much shorter cycle than beef production, can be adapted to circumstances more quickly.

Mr President, I thank Parliament for the generally favourable reception given to our proposals. We shall be submitting a few more proposals to Parliament, among others one on 'social beef'. I hope that in this respect we shall not encounter any difficulties as regards the deadline for implementing these measures. From a purely legal point of view, we are not required to consult Parliament, but I feel that for political reasons Parliament has every right to be consulted. And we shall do so. Since, however, Parliament will shortly be going into recess, we might have to incorporate some of the conclusions reached in this debate retroactively, particularly as regards the financial responsibilities of the Community.

**President.** — Thank you, Mr Lardinois.

The topical debate is closed.

The proceedings will now be suspended until 3 p.m.

The House will rise.

*(The sitting was suspended at 1.40 p.m. and resumed at 3.10 p.m.)*

IN THE CHAIR: MR MARTENS

*Vice-President*

**President.** — The sitting is resumed.

*6. Oral Question with debate: Economic, industrial and technological cooperation agreements*

**President.** — The next item is the Oral Question with debate put by Mr Patijn on behalf of the Socialist Group to the Council of the European Communities (Doc. 144/74). The question is worded as follows:

Subject: Bilateral economic, industrial and technological cooperation agreements.

In reply to Written Question No 300/73 the Commission stated that the Federal Republic of Germany had indeed kept it informed and consulted it in connection with cooperation agreements with state-trading countries, but that France had not.

In its replies to Oral Questions Nos 749/73 and 756/73 the Commission disclosed that it had received no information or documents at all relating to cooperation agreements concluded between Member States and oil-producing countries.

In connection with the above the Council is requested to answer the following questions:

**President**

1. What progress has the Council made in discussions on a decision relating to cooperation agreements between Member States and third countries?
2. Does the Council agree with the questioner that cooperation agreements with oil-producing countries should evidently be fully covered by a decision as proposed by the Commission, in the same way as cooperation agreements with statetrading countries? If not, why not?
3. What progress has the Council made in discussions of the Commission's Memorandum of 8 February 1974 on relations between the Community and energy-producing countries? What instructions has the Council already issued, or is about to issue, to the Commission in response to this Memorandum?

The questioner may this time speak to the question for up to ten minutes and, after the institution concerned has answered, Members may speak for not more than five minutes and only once. Finally, the questioner may, at his request, briefly comment on the answer given.

I call Mr Patijn to present this question.

**Mr Patijn.** — (NL) Mr President, the Community's commercial policy is not accurately defined. Article 113 of the Treaty lays down that after the transitional period, the commercial policy shall be based on uniform principles. This applies not only to tariffs and quotas, but to all measures by states which might affect Community trade. But the EEC Treaty was drawn up in 1957. How commercial policy would have to be pursued in 1974 could not be foreseen at that time. Who could have predicted in 1957 that ten-year agreements might be concluded, and might cover such a broad range of subjects as the present cooperation agreements?

In talking about cooperation agreements, I should like to make one thing quite clear on behalf of my group. I am talking about agreements with all sorts of countries, not only agreements with countries in Eastern Europe. To be precise, I am talking about cooperation agreements between the Member States and other states, including oil-producing states.

Our group shares here the view of the Commission, which stated in reply to a question from me on this point that all agreements between Member States and oil-producing countries fall in principle under the measures it has proposed.

What are these measures? Their aim is to have these cooperation agreements notified and to bring them under the contact and correction arrangements provided for in the EEC Treaty and the Commission decision based on it. If we took a different view of cooperation agreements, if Parliament, the Council or the Commission were to say, 'We have a different name for it;

it is not a commercial agreement', this would in fact lead very shortly to a position where every agreement concluded by a Member State would be called a cooperation agreement, since it would then form part of foreign policy, a field in which the Member States still wish to retain some freedom.

In the case of cooperation agreements the question at issue is what form relations with third countries—Community relations, not those of the Member States—are to take. Which has priority, absolute bilateralism or the common policy?

I do not have to answer this question. It should be clear from the question I have put to the Council and from my position that I completely reject this sort of bilateralism.

In the Committee on External Economic Relations we are working out how far the external powers of the Community stretch, where the limits are.

Despite this general position, which I think is shared by the European Parliament and also by the Commission, we are in a situation where Germany and France—and, I readily admit, other countries, but a number of questions concerning these two countries have been answered by the Commission—have concluded agreements with oil-producing countries and with countries in the Eastern Bloc, of which the Commission has not been notified at all. The Federal Republic sometimes gives notice of an agreement; France has hitherto not done so. This is a totally unsatisfactory situation. The point is not whether the agreement now has a different name, or perhaps a different scope, covering industrial policy, technical cooperation, financial cooperation or whatever, with the country concerned. The point is whether the Community, in this case the Commission, can check such an agreement against the common policy. If such agreements are to be checked, they must be notified, if an evaluation procedure of this type is proposed.

I should like to take advantage of the fact that we have a French Secretary of State in our midst to ask the reason why, for instance, France has not given notification of a single agreement with an oil-producing country. Do they have something to hide? Is there something we should not know, or are they in fact matters of commercial policy of which they are ashamed, since the agreements have been entered into bilaterally and not through the Community?

I am only asking. My ignorance of this only strengthens my misgivings. The point about

**Patijn**

Community cooperation in the area of commercial policy is not the way in which a Member State becomes linked with a third country—through a tariff agreement, a trade agreement or a cooperation agreement—the point is the actual content. Is it only out of curiosity that the Community is interested in the contents of an agreement? Is it just wanting to interfere in the Member States' affairs? Not at all. Why is it then interested? Because of the effect such agreements can have on Community policy.

Let me give an example. What effect might a bilateral cooperation agreement covering the purchase of oil, a commercial matter, at very inflationary prices, have on the balance of payments of one of the countries? What effect does a deficit on the balance of payments in one of the Member States have on the movement of goods? There is a very obvious relationship between a cooperation agreement concluded by a Member State and Community policy in, for instance, the area of free movement of goods.

A cooperation agreement may be connected with the uniform application of provisions concerning customs union, with the free movement of goods. I have already pointed this out once. A bilateral cooperation agreement may cause problems for energy policy in the Community, however embryonic that may be at the moment.

My conclusion is that there is only one solution. Every agreement between Member States and third countries relating to any aspect of common policy—I mean by this commercial policy, energy policy and Community policy in other sectors—must be checked against the provisions of the common policy.

Such a check might well show that an agreement caused no difficulties for the common policy. This would be so in many cases, but notification is necessary if the check is to be carried out. That is why I have asked the Council to take its decision quickly and not to hold it up. We have had a number of problems which have caused an internal crisis in the Community; these might have led to collapse of the customs union and of the common agricultural policy.

We must not now get into a situation where bilateral agreements concluded by Member States, even in the area of external relations, might lead to the collapse of the Community.

These are the reasons why I have put my questions. I sincerely hope that the Council can set my mind at rest by stating that a decision will soon be taken on the notification procedure, so that Community control over the common commercial policy will be safeguarded.

**President.** — I call Mr Destremau.

**Mr Destremau, President-in-Office of the Council of the European Communities.** — (F) Mr President, I think we should be grateful to Mr Patijn for raising this question, which is a very topical one. May I point out that, at its meeting on 20 June 1974, the Council agreed in principle on the decision to institute a consultation procedure for cooperation agreements between Member States and third countries.

The Permanent Representatives Committee was instructed to draw up the final text of this decision, which is to be submitted to the Council for formal approval at its meeting of 22 July.

This consultation procedure will apply under the same conditions both to agreements between Member States and oil-producing countries and agreements with state-trading countries; the Council agreed with the Commission on this point.

Mr Patijn quite rightly raises the question of the scope of Article 113 regarding the common commercial policy and the relationship between this policy and cooperation policy. On this point I can say that the first objective of the consultation procedure is to ensure that the agreements and commitments and the measures taken in implementation of these agreements by the governments are in accordance with the common policies, in particular the common commercial policy. The importance of this objective can be appreciated, since it ensures that a category of agreements which, although it does not, strictly speaking, form part of the common commercial policy as such, can nevertheless have considerable repercussions on this policy, does not affect it.

The second objective of the procedure is to identify problems of mutual interest, by promoting the exchange of information between Member States, and thus enabling them to coordinate their activities in regard to the third countries concerned.

In this way we hope to avoid Member States' bilateral negotiations from becoming too fragmented and ultimately weakening the position of the third countries concerned.

Mr Patijn also refers to the cooperation agreements concluded by certain Member States without any notification or consultation. My reply is that if these Member States—among them France—did not apply the relevant procedures, it is because they had not yet entered into force.

I have every hope that they will soon. We all hope, too, that what is decided on 22 July will

**Destremau**

satisfy all the Member States and that after that date the procedures laid down will be followed. I should add that it is merely a matter of weeks.

The question put by Mr Patijn was extremely topical, and I think that before very long—France, of course, will not oppose this—the coordination procedure will work to everyone's satisfaction.

**President.** — I call Mr Jahn to speak on behalf of the Christian-Democratic Group.

**Mr Jahn.** — (*D*) Mr President, honourable Members, on behalf of my political colleagues I should like to thank Mr Patijn and the Socialist Group very much for putting this question on bilateral economic, industrial and technological cooperation agreements.

This is a serious problem, a Community problem which this House has discussed on several occasions and on which it adopted a resolution in February. We have just heard from the President-in-Office of the Council—and we should like to thank him very much—that the Council decided on 20 June to give a positive answer to the resolution we adopted on the problem of cooperation agreements, i.e. on the Commission's proposal, and that it is now to be decided on 22 July what consultation procedure is to be applied in the case of these cooperation agreements.

Cooperation—and I feel we agree with the Council on this—is not only an economic component of external trade relations but also a political instrument. In most Member States the view is therefore held that this instrument should not be misused to satisfy national egoism. We had suspected for a time, and also found confirmation here and there, that national egoism was being pushed into the foreground and the whole Community thus being jeopardized in the long term.

This above all concerns tendencies to undermine the common commercial policy and to extend bilateral trade between the Member State concerned and third countries under the guise of cooperation agreements. Continuation of national trade policy by these means is in contravention—and I feel that here again we are in agreement with the Council—of the provisions of the Treaties of Rome. In this respect the Commission must be reminded of its task as the guardian of the Treaties on which the Community is based so that it may take appropriate steps in the case of Treaty infringements pursuant to Article 169 of the EEC Treaty.

Mr Patijn rightly asks whether the consultation procedure has been observed. The introduction

of the consultation procedure unanimously adopted here and submitted to the Council in February had, it was stated, the following as its aims:

1. To facilitate mutual information and exchanges of views;
2. To verify that the agreements and the measures proposed by the intergovernmental committees are consistent with the provisions of the common commercial policy;
3. To harmonize measures proposed regarding imports of goods produced by cooperation activities;
4. To harmonize the terms and duration of export credits.

To sum up, Mr President, we all said in this House at that time that we regarded cooperation through cooperation agreements with third countries as a contribution to an international division of labour, to the encouragement of trade and to the world-wide efforts to achieve *détente* and that we were aiming at greater application of the policy of cooperation with third countries, particularly on joint projects at world level aimed at securing supplies of energy and other raw materials for Member States. We pointed out that we wanted to apply cooperation agreements above all to competition, employment and the whole of the common external trade policy of the EEC. We warned emphatically against the danger of certain bilateral cooperation agreements jeopardizing the common commercial policy.

Mr President, honourable Members, what we felt was important at that time was that cooperation agreements should be governed by Community policy, and for that reason it was very significant to hear the President-in-Office of the Council giving a clear answer to a question put by Mr Patijn on cooperation agreements concluded by France. We hope that all cooperation agreements concluded by all the Member States will be submitted to Brussels so that the external trade policy, covered by the decision of 1 January 1973, will be extended to include cooperation agreements and so that we then have a single entity.

(*Applause*)

**President.** — I call Mr Cousté.

**Mr Cousté.** — (*F*) Mr President, the Council representative's answer is very interesting and I thank him for it, and at the same time I must thank the author of the question.

**Coûté**

From the answer, it is clear that the Council will be taking a decision in the next few days, but that this decision will relate to a consultation procedure: in other words, negotiations will always be between Member States of the Community and the other states concerned, state-trading countries or oil-producing countries.

I must stress the fundamental difference in relation to the provisions of Article 113, which committed the Community to a common commercial policy. This means that the Council, in its decision of 22 July, will have to recognize one fact, the link between cooperation policy and the foreign policy of each state. Consequently, if it is eminently desirable for the policies of each of the nine Member States to express more and more solidarity with the rest of the world—and this is what we are hoping for—in other words for political cooperation to become increasingly fruitful and organized, agreement will have to be reached at Council level.

My question therefore is: will consultation with each Member State on cooperation agreements negotiated or to be negotiated take place in the Council or in another body? That is fundamental practical point because in my opinion, as the foreign policies of our Member States are being aligned and a European identity is actually becoming a reality, the Nine should show evidence of greater and greater solidarity towards the rest of the world, not as a primary objective but as a culmination and a consequence.

To conclude, Mr President, I will answer Mr Patijn's very timely question by saying that in our view the conference between the European states and the Arab countries, decided on in a spirit of European unity, should be a good opportunity to assess how genuine each of the Member States is in its determination to show more solidarity in regard to foreign policy, and consequently in regard to economic cooperation.

Everyone here is aware—we are very well-informed on the matters on which we are consulted—of the close links between trade and cooperation, and the even closer links between cooperation, which often involves mutual financial assistance and extremely long-term commitments, and foreign policy. This is why, although I am certainly in favour of consultation, I am asking in what sense, according to what procedures and at what level it is to be envisaged. These are the matters that concern us.

**President.** — I call Mr Patijn.

**Mr Patijn.** — (NL) Mr President, I would particularly like to thank the President-in-Office of the Council for his answer. There are two reasons why I am very pleased with this debate, which is being held just before the summer recess: firstly, because of the promise that the Council will take a decision within a month, and secondly because of the statement by the President-in-Office that the Council is unanimously of the opinion that the scope of the Commission's draft decision is very broad, and also covers oil-producing countries. I was also pleased to be able to agree with the President-in-Office of the Council in his evaluation of Article 113.

I have, however, three questions. The first is this: What happens to agreements which have already been concluded as cooperation agreements but not notified? When the President-in-Office of the Council was speaking about the notification and consideration of agreements, I heard him say *à partir de cette date*. That seems to cover everyone guilty of bad behaviour in the past. But that is not enough for me. I should like the Council to give the Commission the chance to evaluate the agreements from the past as well, since they form the basis for the agreements to be concluded in the future. If we only evaluate agreements concluded in the future, we shall only be able to see part of the picture of the overall common commercial policy and not get at the roots of the matter.

Secondly, I should like to ask the President-in-Office of the Council if I understood him correctly to say the Council is agreed that the decision will cover all cooperation agreements, whether with Eastern European countries or with oil-producing countries and other developing countries?

Thirdly, I would ask the President-in-Office of the Council if he shares my opinion that bilateralism in the area of cooperation agreements is fundamentally wrong? Should not such cooperation agreements be concluded by the Community and its institutions? In view of the many aspects of these agreements in the area of Community policy, such as energy policy, the customs union, commercial policy and the agricultural policy, it is really an anachronism for such agreements to be concluded bilaterally, then checked and put right if something is wrong, while the Community policy as it is at present, or will be in the future, is not fully involved.

For this reason, this notification procedure is for me a first step. The next step must be for cooperation agreements with third countries to be

**Patijn**

concluded by the Community as such. I know that this is still somewhat premature and not on the agenda, but I would nevertheless like an assurance from the President-in-Office of the Council that in the Council's opinion—based on a positive evaluation of the present common policy—the conclusion of cooperation agreements with third countries will go in that direction, and that he will say what Institutions ought to conclude these agreements.

In conclusion, I would once more thank the President-in-Office of the Council sincerely for his particularly positive answers.

**President.** — I call Mr Maigaard.

**Mr Maigaard.** — (DK) After the speeches we have just heard, I should like to stress that what we are discussing is the question of the Communities being informed and consulted.

I should like to ask the President-in-Office to confirm that it is not a question of the Communities concluding such industrial cooperation agreements but simply of their being informed and consulted.

What Mr Patijn has just said could be interpreted to mean that the Communities should eventually conclude such agreements, but that is not the point. It is a question of information and consultation, which is quite different from the Communities concluding agreements.

My second question concerns current industrial cooperation agreements. I should like to ask the President-in-Office to confirm that existing agreements cannot be altered. If one country has an industrial cooperation agreement, a bilateral agreement, with another country, that agreement cannot be terminated or come under the jurisdiction of the Communities before it expires under the terms of the agreement.

The conclusion must be that Community countries that have bilateral agreements must fulfil their commitments to other countries and that the Communities cannot break those agreements, but must respect them until they expire.

**President.** — I call Mr Destremau.

**Mr Destremau.** — (F) Mr President, this debate seems to me to have been not only interesting but also useful, because it has drawn attention to certain important factors.

Parliament and the Council agree with the Commission that there should be a procedure for information and consultation on cooperation agreements within the Council.

We also agree that the scope of this procedure should be as wide as possible in regard to both the concept of cooperation and also the geographical area concerned.

We note also that certain questions are still unresolved, and we must give the matter further consideration.

Mr Patijn asks what will happen in the case of existing agreements, in other words to what extent the procedure will be retroactive. We must agree on this and discuss it in the Council. We shall bear this question in mind.

**President.** — Thank you, Mr Destremau.

Does anyone else wish to speak?

The general debate is closed.

7. *Oral Question with debate: Simplification of the institutional structure*

**President.** — The next item is the Oral Question with debate put by Mr Durieux on behalf of the Liberal and Allies Group to the Council of the European Communities (Doc. 143/74). The question is worded as follows:

Subject: Simplification of the institutional structure.

The Conference of Foreign Ministers, introduced by the Davignon Report, has the same membership and the same chairman as the Council of Ministers of the European Communities.

Could this fiction not be brought to an end by formally instructing the Council and the bodies by which it is normally assisted to look after political cooperation between the nine Member States?

I call Mr Durieux to present his question.

**Mr Durieux.** — (F) It will not be necessary for me to use the full ten minutes allocated to me. Before introducing the subject of the debate, I should like to point out that it is not very different from what we discussed on 24 April, the Council's decision-making procedure. We noticed then that our Ministers were disregarding Article 189 which lays down standards that are binding to varying degrees but always specific, in preference for a whole series of acts with strange titles whose only common factors were general vagueness and lack of precision in both form and effect.

The purpose of our remarks was to stress that these practices reduced responsibilities in the Communities, made the procedure cumbersome, violated the principles expressed in the Treaty, particularly the Commission's right of initiative

**Durieux**

and its duty to take the initiative, and, finally, violated the basic principles that are common to the Nine and thus the basic principles of Community law. I am thinking in particular of parliamentary and legal control of the acts done by the executive power.

These are exactly the accusations we want to raise against the machinery introduced by the Davignon Report. We claim that the way in which external political cooperation is organized between our nine governments is a fiction and prevents any progress towards integration.

First of all, it is a fiction in that the Conference of Foreign Ministers set up by the Davignon Report is nothing other than the Council of Ministers of the Communities, not only in its composition but also in the role it has and the objective assigned to it.

Its composition is obvious: our nine ministers have the same President as the Council. Its role and objectives are the same as those of the governmental agency in the normal and legitimate development of our Community.

Political union is an essential part of the integration process of our countries. The vague cooperation we are experiencing is in no way a concession to the aspirations of the people of Europe, its Parliament or the Commission as is being suggested. Economic integration makes it necessary but the trend also has its roots in the Treaty, which we agreed long ago should bring us into ever closer and ever more basic alignment. Do I have to repeat the preliminary provisions? Do I have to remind you that, like the preamble to a constitution, they should show how the Treaty is to be interpreted and the directions in which the institution it refers to should develop? Do I have to remind you that the Treaty itself lays down a series of procedures that enable and require developments to be made?

Why have they not been used? Can we say that the adoption procedure of the Luxembourg Agreement—yet another whose originality borders on the fantastic—gives it a more solid legal basis that is more consonant with democracy than a procedure for reviewing the Treaty? This process, which reminds us of the creative exuberance of our ministers where acts are concerned, is further proof of the reaction of the state to the integration process started in Europe's greatest hours.

Such 'revisionism' has no other aim than to masquerade as action, disagreement and inability to act, and to supplant the control of Parliament and the Court of Justice and the Commission's right of initiative as laid down in the

Treaty. And the same gap is being created as in financial matters: instead of seeing control of their action tightening, governments that are no longer acting within the narrow confines of the state, but at the level of a vast Community, are seeing it disappear. It is not the talks between the President of the Conference and the Political Affairs Committee that enable the European Parliament to exercise its control. The tone of these talks in fact rarely rises above the level of a press conference.

Nor is it the vague participation of the Commission that enables Community interests to be respected. Nor is it the President's annual communication to the European Parliament that enables the voice of the people of Europe to make itself heard.

As for the usefulness of such cooperation, daily events indicate that were it not for the reawakening of the political will of our governments, we would still expect the Davignon procedure to set the intricate Community machinery in motion. On the other hand, we owe it some unprecedented debates in our Parliament, such as that of 18 September last year: our ministers, after meeting at the conference in Copenhagen on the morning of 23 July, were carried away by childish red tape and flew in a group to Brussels for a Council meeting, thus rousing the indignation of the whole of Parliament.

And we need not mention the game the President of the Council has to indulge in to find out if he is acting in accordance with the REC Treaty or the Luxembourg Agreement.

Our criticism is harsh, but it concerns, I hope, past events. We are faced with new men now and, strengthened by the hopes they gave us on 10 and 11 June, we ask them to put an end to the confusion.

We do not ask them to start all over again or to launch into complicated procedures, but to prune, to simplify and to act in accordance with the Community legal system, so that our renewed cohesion can strengthen us in the face of external attempts, and to show a genuine and sincere desire to act without irritating hair-splitting.

In conclusion, I cannot be more eloquent than Mr Ortoli who, at the meeting of the Political Affairs Committee last Thursday, said: 'Genuine development of Europe calls for a combination of strong machinery, common action and cooperation since our states will and must retain a large share of the action that is theirs alone. I am therefore not opposed to cooperation as one of the instruments for European progress, but I am opposed to a noticeable and disturbing

**Durieux**

tendency to transform all our relations into co-operation. Such a Europe does not interest me. Such a Europe is a Europe without a future. Such a Europe is a restricted OECD of no interest to any of us.'

(Applause)

**President.** — I call Mr Destremau.

**Mr Destremau.** — (F) Mr President, honourable Members, I should like to cheer Mr Durieux up a little by answering the specific questions he has raised. First of all, as the Council has said on several occasions, political cooperation does not fall within its terms of reference.

Secondly, Parliament and its Political Affairs Committee have been kept regularly informed by the President of the Conference of Foreign Ministers of the procedure followed for such cooperation as well as of the problems discussed.

In my opinion, changes can be expected in the present situation but only in the framework of work carried out by all the institutions with a view to establishing European Union, the objective of which, as stated in paragraph 16 of the communiqué issued at the Conference of Heads of State or Government in Paris, was to transform the whole complex of the relations between Member States. I should like to add a few personal comments to the official answer I read on behalf of the Council in reply to Mr Durieux's speech.

His criticism is rather harsh. He is sure that if our Member States chose less restrictive procedures than those laid down in the Treaty of Rome when entering into political cooperation, it was because they were all against any further development in foreign policy at that stage.

You know that political union can in fact be the climax, but certainly not the starting point of the task of constructing Europe.

Without disregarding the long-term political aspirations of the authors of the Treaties of Paris and Rome embodied in the preamble, I think I should remind the honourable Member that a legal characteristic of the Treaties is the fact that the powers of the Community institutions are powers that are conferred, as stated clearly in Article 4 of the Treaty of Rome. Even if, as the honourable Member States, the Treaty provides for procedures for adaptation—and here I am thinking of Article 235, which the Council has referred to on several occasions and examined in some detail—those procedure form part of the objectives of the Treaty as defined in Articles 2 and 3.

I understand your concern to see political co-operation integrated as soon as possible into the construction of the Community. I think that it is precisely one of the problems we should discuss when creating European Union.

**President.** — I call Mr Patijn to speak on behalf of the Socialist Group.

**Mr Patijn.** — (NL) Mr President, we are talking here not about the desirability, the current importance or the place of political cooperation, in it. I should like to say to Mr Durieux directly that, like him, our group emphasizes the undesirability of a separate secretariat. This is absolutely undesirable, wherever in Europe it might be set up.

If foreign policy is carried out in Europe, by the Nine, this is a matter for the institutions of the Nine. The Council, whether it receives its instructions from government representatives or from the Summit Conferences—Mr Durieux has emphasized this—is and remains the same. Mr Ortoli is present at the meetings not because people find him so congenial, but because he is the President of the Commission, the President of a community institution.

The European Parliament is also involved in the Davignon procedure, to a limited extent admittedly, but it does play a part. This is understandable. There are no institutions in Europe capable of translating political cooperation into concrete measures other than the Community institutions.

The careful division of subjects into political cooperation and topics dealt with by the EEC also looks somewhat artificial. I am thinking of the cooperation between the EEC and the Arab countries. The policy to be pursued was carefully prepared in a remote castle, and then the Council instructed the Commission to implement this policy and arrange exploratory talks. One wonders what this somewhat comic division actually means. All in all, the division between the Council and the Conference of Foreign Ministers introduced under the Davignon procedure is more a pretence than a reality. We therefore feel that it would be better for the Council to be formally entrusted with political cooperation; this might lead to actual unity.

I should like to make a further observation on what the President-in-Office of the Council said on his own behalf. He spoke about *compétences d'attribution* following from Article 4 of the Treaty of Rome. I should like to remind him of the debate which we had five minutes ago on cooperation agreements. I heard a quite different tone then. In that debate, the commercial policy and external policy of the Community were weighed

**Patijn**

broadly against the interest of the Community, an opinion, indeed, shared by the Council, in view of the fact that a decision will be taken on this on 22 July. But now we are suddenly brought back to the provisions of the Treaty, to the *compétences d'attribution*. Although I am a lawyer, I can deduce many powers from the Treaty, but not from Article 4. It merely enumerates the institutions which are to carry out the tasks entrusted to the Community. These are the Court of Justice, the Commission, the Council and the Assembly. It is from the whole of the Treaty that one must deduce what is possible. Finding a basis in the Treaty for extending the tasks of the Community is not merely a matter of legal inventiveness, but also of political necessity, since the Community must continue to exist and evolve.

It is therefore fortunate that the Treaty includes Article 235, but even without that article, the Council would, in my opinion, have found a possibility of continuing the policy and allowing it to evolve.

As the Treaty itself points to the necessity for the further development of the Community, in the activities of the Member States of the Community, I find the formal standpoint which the President-in-Office of the Council has adopted inadequate.

I understand, of course, that I cannot expect him, at this moment, suddenly to abandon this position, but in fact the Council acts where it considers necessary—we need merely think of the regional policy and other situations where it has considered it necessary to act—but this action comes to a sudden halt at foreign policy. I cannot find this anywhere in the Treaty.

Mr President, I will leave it at that. This has been a cry from the heart. In this respect, I should like formalism to be kept in the background and the current political necessity to be considered. Current political necessity means that the Council must act, in the Community's interests and the interests of the Member States united in the Community. In my opinion, it is formalism to appeal to these *compétences d'attribution*. There are at the moment more important problems to deal with in developing the Community's policy than the question of whether the Council is or is not competent. In the past fifteen years, whenever the Council has considered a particular policy necessary, it has been decided on. I hope that the Council will show a great deal of inventiveness in the coming months and years.

**President.** — I call Mr Alfred Bertrand to speak on behalf of the Christian-Democratic Group.

**Mr Bertrand.** — (NL) Mr President, the Christian-Democratic Group cannot, of course, but agree with the contents of Mr Durieux's question. We merely wonder whether it was advisable from a political and tactical point of view to put such questions to the Council at this moment, knowing that, in the context of the political cooperation which has been set up on an intergovernmental basis outside the Treaty of Rome as such, a slow and gradual evolution towards bringing foreign policy within the Community's terms of reference should be encouraged. Now that there is a form of political cooperation in foreign policy at intergovernmental level, in addition to the possibilities open to the Community institutions, we are trying, through the participation of the President of the Commission in discussions between the Foreign Ministers and through deliberations with the Political Affairs Committee, gradually to get things moving, the essential aim being a foreign policy within the framework of the future Political Union. I believe that we are all agreed on this, but I feel some impatience at so many words being wasted here without the mandate we have been given by the heads of government being tackled.

The President-in-Office of the Council himself mentioned paragraph 16 of the final communiqué of the Paris Summit, but what have we done so far to implement paragraph 16, to give reality to the future development of Europe towards a European Union which is to embrace the whole complex of relations among the Member States?

I hope you will not take it amiss if I express my deep disappointment over the Council's procedure of putting 53 questions to itself, including one about progress made in connection with the decision contained in paragraph 16 of the final communiqué of the Paris Summit. Ought there to be one report from the three institutions? These are the questions which are being asked and remain unanswered.

If this procedure continues, we shall fall short on the obligation imposed on us by the Paris Summit to draw up a report on the matter. I appeal to the Commission—which always shows very good intentions and has, perhaps, done a lot of good work behind closed doors—to develop a concept for European Union. The Commission has not yet considered the question of whether it should decide on the basis of preparatory documents what it has to say on European Union. Parliament certainly has a draft report, but we cannot do anything until we know which institution is to draw up this report.

Is it not possible for the Council and the Commission to agree that Parliament is the best

**Bertrand**

reflector of public opinion? Is it too much to ask the Council and the Commission to take the initiative and draw up a report along the lines mentioned in paragraph 16 as a basic document for discussion between the two institutions? I am convinced that this would considerably relieve Mr Durieux's worries and that we could then make some progress. If, however, all three institutions maintain their positions and work behind closed doors without consulting each other, without having the courage to have a dialogue with each other to see how we should draw up the report in compliance with paragraph 16, then we are merely wasting time on word games. Then we will certainly fall short of meeting the responsibility we bear for developments and problems in the Europe of today.

The Council has a function in development in the sectors of economic and monetary union, social policy and energy policy. Such matters fall within the Council's terms of reference. Then there are still a few things which, if we are to comply with paragraph 16 of the final communiqué, must be settled in the future in the form of some agreement or other. We have now begun the preparatory work on this.

**President.** — I call Lord Chelwood.

**Lord Chelwood.** — I am glad that Mr Durieux has raised this matter. I agreed with almost every word that he said. I think he was right to use the word 'fiction' in his question, though I would say that it borders on farce and that it might quite easily turn to tragedy.

Parliament and public opinion find it incomprehensible that successive Summit Meetings over the past 15 years have referred in stirring terms to their common will that 'Europe should speak with one voice in important world affairs' (that is from the very first sentence of the Copenhagen communiqué of 15 December) and yet little has been done about it. The second Davignon Report declares: 'From now on, it is of the greatest importance to seek common positions on major international problems', saying almost exactly the same thing.

Now to add to all these high-sounding phrases we have paragraph 8 of the Copenhagen Statement on the European Identity, subscribed to by all the Member States, which says:

'The Nine, one of whose essential aims is to maintain peace, will never succeed in doing so if they neglect their own security...: and they agree that in the light of the relative military vulnerability of Europe the Europeans should, if they wish to preserve their

independence, hold to their commitments and make constant efforts to ensure that they have adequate means of defence at their disposal.'

That was a blinding glimpse of the obvious, but as much was repeated by the North Atlantic Council in Ottawa on 19 June, in the Declaration on Atlantic Relations, to which eight of the nine member countries subscribed.

All this and more has been said by Parliament year in and year out, most recently in the Rossi report, paragraph 47; but as we say in English, 'Fine words butter no parsnips'. This is why Mr Durieux and the other Members have been right to call for some urgent action.

I should like to make a few very brief suggestions as to what is needed. We in the European Conservative Group think that a political secretariat is long overdue and that it should probably be in Brussels and take the place of the brilliant improvisation set up under the Davignon procedure. Merely giving the Presidency more authority is an inadequate makeshift. That was a decision made at the last Council meeting.

We should like to see the President of the Conference of Foreign Ministers, as such, make regular reports to Parliament, not just to the Political Affairs Committee, though he should always be read to meet it of course, and he should take a full part in debates in this Parliament on international affairs.

The annual submission of a communication to Parliament, theoretically not even debatable, borders on the insulting. The President should answer questions in Parliament. He should answer oral questions, questions with debate, questions without debate and written questions. There should, where necessary, be topical debates immediately after questions when this is appropriate.

Parliament should initiate debates on foreign policy and defence, in the Political Affairs Committee, which might well have a defence sub-committee, and in plenary part-sessions. We have not done enough here.

In my opinion—I speak for myself—the European Community as such should consider having diplomatic representation abroad, starting perhaps with the United States and the United Nations, followed by a mission in Japan, and perhaps one in Cairo, with an opportunity to keep an eye on the long-overdue dialogue which is about to start with the Arab countries, and with a roving commission in the Middle East.

My last two points are these. Under the aegis of the Council of Ministers, why should not

**Chelwood**

Defence Ministers and their officials now meet regularly, and perhaps Chiefs of Staff as well? If this does not occur, one can only dismiss the quotations I have made from the Copenhagen and Ottawa communiqués as so many empty words. What follow-up has there been, may I ask the President-in-Office, in the Council of Ministers in linking foreign policy with its defence implications?

Finally, among the recommendations I wish to make is one that Mr Durieux himself made, namely, that the Commission must be allowed to work from now on in close and permanent liaison and understanding with the Council of Ministers where all questions of political cooperation are concerned.

In five minutes there is no time to say more. I conclude by saying: Let there be an end to double-talk and make-believe, which leaves our enemies at home and abroad laughing at us and our numerous friends in despair. Let there be an end to needless misunderstandings about such things as relations with the United States, the improvement of which must be our unswerving aim. Let there be an end to the utterly false distinction—the ‘fiction’, as Mr Durieux calls it—still maintained in the Copenhagen communiqué and the last Davignon Report—that it is possible to make some distinction between political cooperation, i.e., intergovernmental cooperation, and cooperation which takes place or ought to take place within the institutions set up by the Treaty.

There has been a gross underestimation of the European Community's political potential as a force for peace, understanding and stability in the world. The Community is not only an economic super-power doing 42% of the world's trade, but a political super-power. It is time to flex our muscles. There is an urgent need for fresh thinking, and in every step we take we must, of course, ensure that we carry with us that public opinion which we do our best to represent here in Parliament.

The period of the French Presidency of the Council of Ministers and the Conference of Foreign Ministers will not be an easy one. We must not expect too much of it, not least because of the highly equivocal position of my own government, which I greatly regret. But I am encouraged to read that Mr Chirac said on 2 July: ‘It is certain that we want to make Europe progress towards unity.’ ‘Go ahead,’ we say in our group, ‘you have the right man with the right experience in Mr Sauvagnargues, a European to the hilt, with President Giscard d’Estaing to inspire him and us.’

I pray that the rest of 1974 will see the beginnings of a new lease of life where political cooperation is concerned. It is high time, and it is later than we think.

(Applause)

**President.** — I call Mr Lenihan.

**Mr Lenihan.** — I agree with many of the views expressed by colleagues on behalf of their various groups about the fundamental matter of strengthening and simplifying the procedures of the institutions of the Community. I believe that this must proceed on two parallel levels. The first is the level on which we all agree—increased budgetary powers for the Parliament and moving towards a system of direct elections, which would give us a status in the democratic control exercised by our people. The other level is one with which this debate has been primarily concerned—decision-making on the part of the Council of Ministers and the effectiveness of the Council's operations in relation to recommendations going forward to the Council from both the Commission and Parliament. It is in this area that, in my view, the Davignon procedure has fallen down, a fact which we must face if we must face if we are to be practical.

The meetings held between the President of the Council of Ministers and the Political Affairs Committee of Parliament are largely nugatory in that they take place after the event when the topicality of the subject has disappeared. What we want here is a strengthening of the Council of Ministers through the attachment to it of a political secretariat on which the Commission would be represented.

Through the combination of a political secretariat in permanent existence under the Council of Ministers and linked with the Commission, there would evolve a Community policy in foreign affairs. There is no point in seeking to maintain the fiction that political cooperation in foreign affairs and defence can be divorced from economic and social development. Indeed, the original purposes and inspiration behind the formation of the Community were political; the economic and social aspects were secondary to the political objective. That point of view is still very valid today, and it is negative and destructive thinking about the future of the Community to pretend that national states can be represented in a Council of Ministers making *ad hoc* decisions on the basis of national preparation, and that that process can in some way be divorced from the activities of the Community institutions. That way lies destruction of the Community, but we can evolve some organic procedures whereby we maintain a

**Lenihan**

permanent secretariat on political cooperation in foreign affairs particularly. In the whole area of foreign affairs, such a secretariat and the Commission could evolve a continuing and on-going policy of political cooperation.

The secretariat would include on a permanent basis ministers from member governments who would be permanently attached to it, acting on behalf of their governments, within the ambience and under the umbrella of a Community association with the Commission. There must be two parallel developments if European unity is to be achieved—the development of Parliament and its budgetary powers and its direct election, and an equal development towards European government whereby we can evolve, improve and make effective the decision-making process, which is totally absent at present because of the existence of a Council of Ministers which is completely referable back to the Member States. If we work in that direction between now and 1980 we may be able to make European union effective.

I take issue with the President of the Council of Ministers on this matter. I do not believe that political cooperation in foreign affairs is the last process. I believe that there must be parallel development, and that we must now start improving the decision-making processes and procedure and working towards a European government and a true European Parliament.

It is totally wrong to shelve the issue of political cooperation until the last stage of European development. I believe that it is now that we should start building it up in embryonic form so that, when European union is ready to be made effective, we shall have the institutions almost ready-made and to hand at the parliamentary level and at what will be the governmental level. We must evolve towards that goal so as to be ready to grasp the nettle of European union. We must start now developing our institutions towards that aim and not wait until the very last stage before we create a European government.

(Applause)

**President.** — I call Mr Maigaard.

**Mr Maigaard.** — (DK) I should first of all like to point out that I am speaking on my own behalf and not on behalf of my group. I am now in the fortunate position, from a parliamentary point of view, of completely disagreeing with those colleagues who have spoken before me, whereas I certainly agree with the representative of the President-in-Office of the Council. It is a rather strange situation for a member of

the Danish Socialist People's Party to be in. Let me explain why.

In my opinion, it is important to maintain a watertight bulkhead for as long as possible between Davignon cooperation and cooperation under the Treaty. It is said that the difference between political cooperation under the Davignon Report and economic cooperation under the Treaty is fictitious—and it has been said in this debate—but I say: Let us do what we can to keep the fiction alive as long as possible. That is what I believe, and I have three good reasons for doing so.

The fundamental reason is that I do not believe that we can build up a Europe in blocks—and when I speak of Europe, I do not mean the little Europe of the Nine but of Europe as a geographical entity—if we have a series of blocks that are stuck together or rivetted together—from an economic, political and military point of view. I think we should give up that idea. We cannot create a world of peace and cooperation if we shut ourselves up in fortresses, in economic, political and military blocks, that are hostile to others. That is one reason, and it is a reason that applies whether we think of the Western Europe we belong to or of Eastern Europe on the other side of the Iron Curtain. I do not believe in block politics. I do not believe that we can create a Europe if we construct it in political, economic and military blocks.

My second reason is a national one, and here I would ask all those good Europeans who speak with one voice in this Parliament—it is the only place in Europe where Europe speaks with one voice—to accept the fact that Denmark joined the Community for two valid and indisputable reasons.

Firstly, the Treaty was the basis for Denmark's entry; in other words, Denmark joined the European Communities because of the points listed in the Treaty and those points alone.

Secondly, the Luxembourg compromise is an official part of Denmark's entry into the Communities.

Danish membership rests on two pillars, and it does so whether one is critical of membership as I am or in favour of it as were the majority who brought Denmark into the Communities.

The Treaty and the Luxembourg compromise form the legal basis for Denmark's entry into the Communities. If that basis is to be extended, there will have to be a referendum in Denmark, and I do not think that anyone who knows the situation in Denmark expects any of the Danish political parties to ask a Danish citizen to give his consent to the inclusion of political and the military matters in the Treaty.

**Maigaard**

I therefore think it is quite un-European of Mr Durieux to attack, time after time, the basis for European countries' entry into the European Communities. Our basis is the Treaty with its economic framework, and the Luxembourg compromise. That is the basis accepted by the Danish people, and I think it is European to accept the basis on which a European people entered the Communities. I do not think it is European to deny that fact.

And then it is claimed that things have been said to the contrary at summit conferences, but I think it is acceptable to speak of double-talk at summit meetings. It is taken for granted that there is a lot of double-talk. And I think that those present who have talked about summit meetings are also guilty of double-talk. We all know that the summit declarations issued in both Paris and Copenhagen are full of errors, and just as anyone can stand up and cite the Paris and Copenhagen summit declarations, I could produce both the declarations and list what Parliament's negotiators included in them. I am quite sure that it is a question of double-talk, because they are full of contradictions and errors. If anyone is in doubt, Mr Nørgaard can explain; he prepared them both. That was my first point.

The second is that we should be realistic enough to realize that the Paris and Copenhagen summit declarations were prepared before the monetary and energy crises, in different circumstances from those we are experiencing now. I feel that politicians should not be ashamed to face facts, particularly the fact that the situation of the Communities has changed fundamentally since the monetary and energy crises. The summit conference declarations are historical documents, and there is no point in producing them here.

The third reason I would like to give is that mentioned by Mr Durieux when he said that we can definitely control matters democratically under the Davignon system of cooperation. I agree with him. I think that it is a difficult and, so far, unsolved problem to create democratic control in conjunction with the extension of international cooperation we have experienced these past few years. But I believe that if anyone wants to control Davignon cooperation he may do so in his national parliament. We in Denmark are well informed about what takes place in the form of Davignon cooperation. When the government wants to, it can take problems up in cooperation under the Davignon agreement. Be that as it may, control of Davignon cooperation is exercised by the national parliaments, and if Mr Durieux is dissatisfied with such control, we can tell him to go to his French National Assembly and arrange for control to

be exercised there. We can do so in the Danish Folketing so it should be possible to do the same in the French National Assembly. There is no reason to create a European bloc to ensure greater democratic control of Davignon cooperation; it can quite well be done at national level.

**President.** — I call Mr Destremau.

**Mr Destremau, President-in-Office of the Council of the European Communities.** — (F) Mr President, ladies and gentlemen, replies are required for several questions in this debate. I thought I had answered the legal question, and that it was no longer the legal aspect that was uppermost in the minds of the honourable Members who have spoken.

The political question was the main theme of the debate; Mr Patijn, Mr Bertrand and Lord Chelwood have all dealt with it. Besides, it is more a question of political effectiveness. We may wonder all the same whether it is true that political cooperation has in no way fulfilled the hopes and wishes of the Heads of State or Government when they met in Paris with Mr Georges Pompidou in the chair.

The least that can be said is that since then arrangements have been made. Cooperation has been established, as evidenced by the growing dialogue between Europe and the Arab world.

I will confine myself to the following comments on the integration of the cooperation procedure into the life of our Community.

At the Paris Summit Conference in October 1972, the Heads of State or Government agreed to improve the machinery of political cooperation and decided that, on matters which had a direct bearing on Community activities, close contact would be maintained with the institutions of the Community.

Since then, contact has been maintained not only with Parliament and the members of its Political Affairs Committee as I have just said, but also with the Commission whenever political cooperation activities might have a direct bearing on the activities of the institutions. That procedure has helped to ensure the harmonious functioning of the Council of the Communities and of the Conference of Ministers of Foreign Affairs.

Allow me, in conclusion, to bring up another political question, which is also a question of opportunity as pointed out by Mr Bertrand. If, in this very important matter we want to combine what comes under Community law and political necessity, what is possible and what is desirable, the course open to us, the course to

**Destremau**

be followed with resolution and without too much delay is the course of European Union. The Council has noted all the proposals and suggestions made this afternoon with that in mind. We thank you most sincerely for making them. Having myself sat in the European Parliament, I have always considered that its role was to provide a stimulus. I think Parliament has succeeded this afternoon in maintaining that role.

**IN THE CHAIR: MR BERKHOUWER***President*

**President.** — Thank you, Mr Destremau.

I call Mr Durieux to state his position briefly.

**Mr Durieux.** — (*F*) Mr President, I should like to thank Mr Destremau for all he has said and to assure him that we are not looking for the persons responsible. I merely wanted to extend the Community's prerogative slightly. What we all want in this Parliament is consultation; we want much greater involvement.

I do not think that today's debate has been worthless at a time when France is to take over the Presidency of the Council of Ministers. The Council of Ministers, I am sure, will take it into account.

The nine Member States of the Community have great expectations of the French Presidency, and I hope it will not disappoint us.

(*Applause*)

**President.** — Does anyone else wish to speak?

The debate on this item of the agenda is closed.

**8. State of the European Community**

**President.** — Ladies and gentlemen, members of the Council, Commission and Parliament, the Community has been stagnating for some time. Following 1973, which did not become the year of Europe, 1974 must be the year in which the Community makes up for lost time. In May our Parliament discussed in detail the extremely critical situation in the Community. During that debate we demonstrated our concern.

In the structure of the Community we as a Parliament have the basic function of being the motive force in the process of continuing integration. That function has led us to place this general debate on the state of the Community on the agenda. We are glad to see the new President of the Council taking part in this

debate. I bid him a warm welcome at a time that may be of decisive importance for the Community. We have recently seen new governments taking the reins in six Member States, and we should be happy to see some light shining again on the Community's horizon. It is a privilege to have the President of the Council with us immediately after—I might even say before—the conclusion of the important meeting in Bonn between the Federal Chancellor and the President of the French Republic. I was pleased to note—and I would like to stress this—that the two statesmen again emphasized that policy in the new Europe can never be a matter of bilateral axes.

Indeed, the Community is something which affects all its two hundred and fifty million citizens. The common interests of these European citizens must be looked after by their European representatives, no other than ourselves, united in this Parliament. The Council and Commission should be accountable to this Parliament for the policy that they pursue, not only policy pursued in the past but—and this is for more important—Community policy to be pursued in the near future.

We hope that the positive inclination that has characterized the Presidency of the Council in the last few months will develop into a crescendo in the coming months.

Both at world level, and in particular as regards our consultation procedure with the United States, and internally we are faced with a number of important decisions. We must continue to democratize the Community in the sense of the Ottawa declaration by the Atlantic Alliance. In paragraph 12 of this declaration the basic principles of democracy are once again made clear.

We are now in the process of taking a first step towards the extension of the Parliament's budgetary powers.

In the autumn we also expect proposals for legislation from the Commission, the initiator of all Community policy. Here in the European Parliament we should in today's debate cooperate with the Council in telling the public what Community action has been taken.

The Conferences of Heads of State or Government in Paris and Copenhagen provided the impulse for the creation of a European Union by 1980. All four institutions should measure this effort by the European Parliament against the political will of the European electors. Our Parliament must discuss such questions as excessive means to combat inflation, strengthening the institutional structure and enhancing the European identity, as laid down in a memorandum in preparation for today's sitting.

**President**

Ladies and gentlemen, as President I shall not go into these matters in any greater detail. That is the task of the leaders of the political movements in this Parliament, who represent all political thinking in Europe.

Before giving them the floor, I would ask the President-in-Office of the Council, Mr Sauvagnargues, to make a statement to the representatives of the European peoples.

I call Mr Sauvagnargues.

**Mr Sauvagnargues, President-in-Office of the Council of the European Communities.** — (F) Let me first of all thank you, Mr President, for your kind words of welcome. I had to forgo the dessert and meal given by Mr Giscard d'Estaing for Mr Helmut Schmidt to be with you. I was sorry to do so, because my former cook makes very good ice-cream! (*Laughter*) I made that small sacrifice with a light heart because I was very eager to be in your midst today. Let me say, Mr President, ladies and gentlemen, how happy I am that my first public duty as President of the Council of the Communities is to take part in this Chamber in a debate on the present state of the Community. Such discussions are always useful but they are especially necessary at the present time. They can make a valuable contribution to the task of constructing Europe if we all apply ourselves to sizing up the very serious problems confronting us and to finding the necessary solutions without dogma or illusion but with realism and, most important of all, without losing sight of the goal of 1980. I am confident that our own thoughts, or rather mine, on how to discharge my duties as President, of which I am deeply conscious, have been clarified and helped by them.

Do I have to say that the Community has for some time been faced with difficulties that for the most part go beyond its own frontiers and affect the world in general? There have been events in all our countries that have disrupted the world economic situation and called or threatened to call into question basic objectives such as increased stability, increased employment and a higher standard of living for our peoples.

It would be superfluous to dwell on the dangers threatening us; we are all well aware of them. They all have their origin in the increasing lack of order in the economic and monetary system of the western world. For several years the serious dangers, or even the catastrophic danger, inherent in the insidious advance of inflation and the gradual disintegration of the monetary system that are always on the verge of appearing if things are not put to rights have been stated

in this Chamber before you and sometimes by you. But these dangers have been particularly aggravated by the effect of the energy crisis on this disastrous process. Similarly, the balance of payments of several Community countries has been upset and our internal equilibrium affected, while agreements were made between the various partners in the world economic game in entirely new terms.

In the circumstances, it is almost inevitable that the functioning and development of the Community are seriously disturbed and hampered and that the legitimate goals we have set ourselves seem to some people to be called into question.

That is then the situation. It is serious and it would be futile to ignore it; but I would like to say immediately that I consider it a very positive sign that despite these difficulties and the particularly critical situation that several countries are in, the political will to continue our joint task and to find Community solutions has been clearly confirmed and expressed by all concerned even if some of them have been forced to resort to special temporary arrangements in order to stabilize their economic situation.

There was a time when it was feared that things would not work out. It was in fact relatively easy to build the foundations of the Community at an economically sound period such as that we experienced at the beginning of the 1960s, but it is obviously much more difficult today jointly to face up to the new dangers that threaten the well-being and social peace of each of our peoples.

Nevertheless the only solution is solidarity. Solidarity based on the basic machinery of our Community brought about our common prosperity, and it is more essential than ever before to maintain and strengthen it at a time when external storms seem to be shaking the foundations of our building. We must all bear that in mind, and I am convinced that the United Kingdom government and people will also become convinced of that obvious truth; the surest way of triumphing over the perils is to confront them together by collaborating more closely and avoiding any action which might weaken the European Community.

I therefore think that the course has been set. First of all, we must preserve what we have constructed together; what has afforded us an unprecedented economic development should enable us to overcome the storm. That is in our eyes the first priority, and let no-one tell me that it is a modest objective, for it is not so easy to attain.

### Sauvagnargues

It implies first of all that serious efforts should be made towards harmonizing economic policies and even more so their results. It thus requires imagination and unflinching will. The meeting the Council is to hold in a few days on economic and financial affairs will, I hope, bear witness to that.

It also means that we must fulfil our external commitments, which as you know are numerous. I shall mention first of all two external projects to which the Council, like Parliament, attaches special importance. I refer to our policy towards the Mediterranean countries and the associated or potential associated countries in Africa, the Caribbean and Pacific.

Genuine progress has been made as regards the Mediterranean countries since the last Council meeting, but time is passing especially in view of the imminent opening of the dialogue between Europe and the Arab countries. You know that at the end of the month, as President of the Council of the Communities, I will meet representatives of the group of Arab countries, namely the Minister of Foreign Affairs of Kuwait and the Secretary-General of the Arab League, Mr Ryad.

In view of that, it is therefore essential for the Council to adopt directives for negotiating with the Maghreb and Mediterranean countries at its next meeting.

Our other main negotiations concern our relations with the associated and potential associated countries in Africa, the Caribbean and Pacific.

I know of the long-standing allegiance of your Parliament to our relations with the associated African countries and the contribution it has continued to make to the development of the Yaoundé Conventions. Today it is a question of extending our cooperation without acting unfavourably towards our former associated, to whom we have certain commitments, and at the same time of remaining faithful to the principles which have inspired us so far.

I can assure you that the French Presidency will do all in its power to bring these important negotiations to the most satisfactory conclusion as soon as possible. I am convinced that it will be one of the most important tests of our Community's ability to meet its responsibilities towards the least favoured countries of the world.

The last point I should like to make—and I think it is perhaps the most important—is that preservation of all the Community has achieved calls for and presupposes the resumption of our forward march. If we want to prevent any division of Europe—obviously the dearest wish of

each of us—if we want to prevent the Community structure from falling into decay, we must proceed with caution and realism but also with determination precisely on those points where the most dangerous cracks might appear.

The preparation and implementation of a Community energy policy therefore seem to me to be particularly important and urgent. The details will without any doubt be complex, for the problem is of interest to the whole world and it has many facets. More than any other policy it brings to light the interdependence and overlapping of Community and world interests. But more than any other policy, it must also illustrate the solidarity of our countries and of the European Community, which was much more affected than many other countries or economic groups by increased oil prices and which as a result must give priority to reducing its dependence on energy.

Faced with what constitutes, in the fullest sense of the word, a 'challenge', the Community must prove its ability to conceive, to decide and to act. I will not mention today the other Community policies, not because I think they are of secondary importance—for they are essential and indispensable to the work of construction we have undertaken—but because in times of adversity we should concentrate on what appear to be the most effective and most urgent types of action. I have a deep-seated conviction that what is important today is that the Community should rise to the challenge and convince all who might doubt that it can be coherent, active and decisive. It is to that that I shall devote my energies as President of the Council of the Communities. As you pointed out, Mr President, a good start was made a month ago. We have, I think, emerged slightly from the trough of the wave. Some more progress has been made. Those who were beginning to despair are again seeing a glimmer of hope. And things have got off to a good start largely because of the efficiency with which my German colleague, Mr Genscher, conducted Council proceedings.

Need I tell you that I am determined to follow his example and that the French Presidency will not spare any efforts to achieve progress. Then the moment will come—soon, I hope—to act on the plans drawn up at the Hague, Paris and Copenhagen summit conferences, on the path traced towards European Union, towards the 1980 goal that Mr Giscard d'Estaing and Mr Helmut Schmidt have once more referred to during their talks. All our partners have the same conviction. I was able to determine that during talks I recently had with my Belgian, Dutch and Italian colleagues in Sardinia. All are convinced that the 1980 goal should be main-

**Sauvagnargues**

tained. This great goal is imprinted on our minds and on our hearts. The consideration given to it by so many willing workers both in the institutions of the Community and in each of our countries, will emerge at a forthcoming debate; there is no doubt about that. We must also make the necessary preparations.

(Loud applause)

**President.** — Thank you, Mr Sauvagnargues.

I call Mr Ortoli.

**Mr Ortoli, President of the Commission of the European Communities.** — (F) Mr President, ladies and gentlemen, today's debate on the state of the Community seems to us useful and timely. For one thing, there has been the change in the Presidency of the Council on 1 July—this prouidical change which enables us to take stock and impels us to fresh action with renewed energy; but this debate is useful and timely particularly because, after several weeks of inertia and paralysis, there are new signs of improvement.

Only two months ago, I warned against the dangerous temptation of suspending activity and proposed some specific lines of action to lift us from our trough of despondency.

Developments since then have confirmed my assessment that we must, and can, go forward and shown that there has been a salutary recognition, too, of the lack of a viable alternative to Community integration and of the necessity to break the spell cast by sceptics so that our institutions can start functioning normally again.

There is, however, certainly no cause for excessive optimism. Europe has, no doubt, made some progress, but it is still not such as to guarantee the future, and the situation remains critical and ambiguous.

I therefore hope that today's debate will provide an opportunity not only to express in public a new determination to build Europe after a period of doubt, but also to consider the means and the objectives of renewed Community action.

If we assess clearly and as precisely as possible the present state of the Community, we may discern both the positive aspects, which may give us cause for hope, and the negative aspects, cause for continuing anxiety.

In response to proposals made by Mr Scheel and myself, the Council of Ministers has, during the last few weeks, taken a number of decisions of which the symbolic or real value is, in my opinion, all the greater because the stagnation in the Community in recent months has been so

serious and prolonged. These decisions, I believe, represent significant and positive changes on three principal points.

Firstly in the institutional sphere, since, on the basis of the Community guidelines defined by the Council on 4 June, the Community is advancing towards agreement on the budgetary powers of Parliament. Whether they involve a decision regarding true consultation between the Council and your Assembly, increasing the latter's effective responsibilities, or Parliament's right to reject the budget, which will considerably increase Parliament's powers of influence, these new provisions represent a real increase in institutional power.

I also attach great importance to the measures for improving the Community's decision-making procedures. We have spoken often enough of such measures, which have been made very flexible so that moderate but tangible results may be achieved.

Better preparation, the introduction of smaller meetings of a more intimate but also more political character, an increase in the role of the President of the Council, can gradually change the character of its work.

Secondly, the decisions adopted during these last few weeks reflect a *détente* in Europe's psychological climate. This was apparent during the painful process of re-assessment resulting from the crisis. I shall not dwell on this, but just mention two examples. First, the stand taken by the Community and the Commission's firm action to check Italy's introduction of import deposits taken at the beginning of May. Secondly, there has been the improvement in relations between the Nine and the United States, helped by the agreement conducted at the end of May on Community compensation to offset the effects of enlargement and confirmed by the positive results achieved in the six-monthly exchange of views between the Commission and the American representatives resulting in the adoption, in Bonn on 10 and 11 June, of a flexible and forward-looking solution to the problems of consultation. May I add that we were glad to see the United Kingdom define the questions it wants re-examining in the context of the Treaties without holding back our activities and initiatives, but participating in the progress which we have recently made. Indeed, when the list of recent achievements in this sphere is considered one in particular stands out: the Council has begun, once again, to give tangible evidence of its political will. Thus, the progress made with regard to certain external matters, relations with America, but also the Arab-European dialogue, the global Mediterranean policy and the special UN assis-

**Ortoli**

tance fund seem to me very characteristic and very encouraging. There had with to been disappointingly few signs of Europe's external identity. Today, very positive signs exist and testify to Europe's newly found or newly strengthened confidence in itself. Anyway, all these are hopeful signs: they represent real progress, at least an improvement—for on several of these points, more remains to be done—but they do not conceal the shadows which still remain.

In spite of the reduction in tension, the problem itself, that is to say, the underlying causes and the more serious manifestations of the European crisis, remains, for Europe's economic situation is still critical. The European economy, structurally weakened by the rise in prices of energy, will not survive excessive inflation and increasing instability for very long.

This loss of stability is proving a virtually insurmountable handicap, condemning all attempts to reestablish external payments, creating social injustice and encouraging undesirable unilateral action.

It is true that the different countries vary in their structural sensibility to inflationist pressures and balance of payments difficulties and in the effectiveness of their policies, and these differences help to disguise the common dangers. However, even if some countries are less affected the harm caused by inflation, which jeopardizes the effectiveness of economies which are forced to export, is felt everywhere. Even if total currency reserves vary from one country to another, the deficit in the balance of payments is a problem for all: those which are better off would be unable to resist a return to protectionism and a tightening up of the terms of international trade any better than the least privileged countries. In any case, even if national situations vary, the difficulties of one Member State would react quickly on the other partners because of the complex interdependence of their economies. These are the facts, and we must recognize them. If we do not return to adequate stability without resorting to protectionism, we shall be swept away and the Community achievement itself will not survive—indeed this achievement cannot be maintained without action to enrich and support it.

The actual situation in the Community very largely determines the European institutions' and the Member States' room for manoeuvre in their efforts to boost the work of building Europe. Therefore, I emphasize that a voluntary and forwardlooking effort to revive Europe must be based on concrete action, i.e. on effective achievements. In order to make the great and ambitious ideals for the future plausible, we

must furnish proof that the Community is capable of ensuring reasonable and desirable progress on existing foundations and by daily action—and this does not mean paltry progress. It would be quite pointless to begin making long-term plans for Europe if, in the next few months, we prove incapable of solving among ourselves the energy problems by means of a real, common policy and greater international cooperation in this sphere based on Community action and, as far as possible, through Community means. Energy seemed to be the Community's stumbling-block last autumn. If it could act with coherence and solidarity in this matter as everyone knows is essential, the political and psychological effect would be considerable and would allow us to view the future more hopefully.

It would be equally absurd to proclaim a brilliant future for Europe if we seemed incapable of adopting decisions of principle with regard to regional policy.

There will be no true European Union if our Community has its own class distinctions and any sector believes itself underprivileged. Neither can there be economic and monetary union if the conditions required for it—homogeneous structures, policies both common and converging, similar behaviour—do not exist. The Community's effective return to the path towards economic and monetary union taken after the Summit in the Hague will be another decisive test of Europe's recovery.

Therefore, the first essential is a clear political commitment which will enable us properly to implement the numerous resolutions and procedures adopted in recent years with the object of aligning the Member States' policies. The various individual activities need to be brought closer together by means of closer, franker and more frequent contacts between those responsible.

This policy of consultation must have several aims, notably that of preventing contradictory policies developing—we all know that danger—to enable common disciplines and common actions to be identified and the scope of Community action to be gradually enlarged (this is why consultation is more than simple cooperation) and to stimulate the activity of each Member State.

The Commission, like yourself, Mr President, sets great store by the next meeting of the Economic and Finance Ministers on 15 July and expects it to lead to a decisive move forward in this direction.

There must be greater monetary cohesion in the Community if present distortions which create

**Ortoli**

divergencies and hinder common action are to be held in check: concerted action to set up a link between the five currencies of the 'little snake' and the floating currencies could bring a significant improvement.

Furthermore, the conditions for a common external monetary policy need to be studied, even if such a policy can only be achieved in stages. We have to consider whether the development of common financial institutions ought not to be pursued more resolutely, on a larger scale, with stronger machinery, than has been the case with the Monetary Cooperation Fund.

Finally, if such economic and monetary measures are to be effective, the machinery with which solidarity can be achieved must be strengthened.

What I am saying is that Europe, which would succumb if the divergencies in the economic sphere were to increase, must accept the principle of real, active and far-reaching solidarity towards those Member States worst affected by the crisis as soon as those states themselves, accepting their own responsibilities, undertake the necessary effort themselves.

As I said last Thursday in your Political Affairs Committee, the Community does not exist to replace or correct national activity, but it is a Community. Each member which does its duty must be able to count on it to reinforce courageous activity and help in overcoming bad periods; this solidarity must also be demonstrated at the level of everyday reality in order to ensure widespread adherence to the objectives of economic recovery and the battle against inflation and to show whom Europe is meant to serve.

We must all make the same demonstration, because vigorous collective effort is required immediately if we are to avoid greater sacrifices later on.

We must all make the same demonstration: the weakest must not be made to bear the burden of our action either in terms of income or employment. That is why I personally attach the greatest importance to the development of a policy of participation by all social partners.

In order to achieve such progress, resolute action and great ambition is required. Patience and perseverance are necessary to bring to full power a mechanism which is still fragile and has only just started moving again.

Only thus can we hope gradually to identify the new problems of Europe—which we have not done yet—resulting from the new general economic conditions, to single out the *idées-force*, to test the solutions, to win new support for the

European ideal; resolute and patient action is required, not resignation and renunciation; and ambition, too, is required to preserve Europe from dangerous temptations and prepare the way for its great future.

I must say here that, with all the goodwill evident today, one can nevertheless sometimes detect the temptation, even in Community circles, to look for Europe's progress mainly in the development of forms of simple cooperation. Certainly, there is room for cooperation, but I reject the temptation to regard cooperation as the main basis of progress.

Community guidelines based on purely formal commitments could never, in fact, be as effective as strong machinery linked to common action or as strong institutions animated by the same ambitions and resting on firm rules: we would then only have a fictitious Europe, a Europe without a future.

Ambition is therefore essential when looking ahead. The immediate problems in difficult months must not deter us. I have been very gratified to see that this Parliament and its Political Affairs Committee, as Mr Bertrand observed just an hour ago, through their continued work on European Union, on strengthening the Parliament's powers and even such ambitious subjects as the problem of defence, have kept the long-term goal in sight. We must therefore fully respect the mandate assigned to our institutions in these matters by the Paris Summit, preserve the links between economic progress and political ideals and not lose sight of our aims. I agree here with the point made by the President-in-Office of the Council just now regarding our grand design.

In all these matters, I want to be optimistic in my conclusions. This is a time of 'effervescence' in Europe, of numerous contacts and meetings at the highest level. This is excellent. Such contacts reflect confidence. As you have said, they bring together all the Member States and the Commission. They reflect the general wish for Europe's revival. These contacts are valuable, and I hope that they will enable a Summit Conference of Heads of State or Government to be held before the end of 1974. Let us hope this will be possible, for it will furnish proof of the progress which simply has to be made.

In conclusion, I wish to stress yet again what has been my main theme in the latter half of this speech. In the next months, without forgetting our highest political aims, but on the contrary preparing the ground for their realization, let us hold fast to the reality of Europe in order to exploit to the full every chance offered of real progress. Let us take all the steps requir-

**Ortoli**

ed. Let us strengthen the content of our Community.

Europe needs to be impelled forward once again by a feeling of success. Let us make sure that our success is on an adequate scale and let us not be content with anything less. We must not, for fear of failure, set our sights too low.

*(Loud applause)*

**President.** — Thank you, Mr Ortoli.

Pursuant to Rule 28 of the Rules of Procedure I propose that speaking time in this debate be limited.

Are there any objections?

That is agreed.

I would ask the chairmen of the political groups and Mr Giraud to meet in Room B 501 at 5.30 p.m. so that speaking time can be allocated for this debate pursuant to Rule 28 of the Rules of Procedure.

The proceedings will now be suspended until 5.45 p.m.

The House will rise.

*(The sitting was suspended at 5.15 p.m. and resumed at 5.55 p.m.)*

#### IN THE CHAIR: MR BERKHOUWER

*President*

**President.** — The sitting is resumed.

#### 9. Allocation of speaking time

**President.** — Pursuant to Rule 28 (3) of the Rules of Procedure, the President of Parliament has, in agreement with the chairmen of the political groups, decided to allocate speaking time in the debate on the situation in the European Community as follows:

- 15 minutes for speakers on behalf of the political groups and non-attached members;
- 10 minutes for the chairman of the Political Affairs Committee.

#### 10. State of the European Community (Resumption)

**President.** — We continue the debate on the state of the European Community.

I call Mr Giraud.

**Mr Giraud**, chairman of the Political Affairs Committee. — (I) Two months after our last debate on the state of the Community I think it can fairly be said that matters remain substantially as we left them then, and yet that there have been important changes, either because governments and personalities have changed or because circumstances outside and within the Community have brought certain major problems to the fore.

The generalized and rather scant points—if Mr Sauvagnargues will forgive me for saying so—made in his statement as the new President of the Council to the Assembly today, have nevertheless brought out not only the great difficulties which the Community is facing, but also the Council's determination to delay no longer in restarting the upward climb. President Ortoli, for his part, reiterating what he had said last Thursday to the Political Affairs Committee, pointed today to the favourable, although still rather symbolic, signs of a real will to proceed with positive Community action.

The experience of many years has taught us to what extent the Commission's initiatives are dependent on the Council, and how much the Council, in its turn, is dependent upon the governments. If it is not easy today, therefore, to give credence to good intentions, it does nevertheless seem easier to have confidence in the political sense of the new men in whom realism serves not to impede, but to accelerate the process of European integration, a process seen today, more than ever before, as the only way out of the isolation and weakness in which each Member State finds itself.

There is much to do, and the things that need doing most also need doing most urgently; and the greater the need and urgency today—6 months after the Copenhagen Summit and 18 after that in Paris—the more difficult the solutions that are possible.

I refer particularly to the economic and monetary union, for which the essential precondition is an effective containment of the inflationary process. I refer also to the energy policy, for which it is essential to obtain as soon as possible active solidarity among the governments. I refer to regional policy, on which the time lost must be quickly made up. I refer to social policy, whose progress can today be facilitated by a greater readiness of the social groups concerned to participate.

All this is conditioned—even more than by the resolves of the governments—by the political perspective in which the governments' and the Council's will is crystallized, before it becomes manifest in the choices made by the Commis-

**Giraud**

sion and finds expression in concrete decisions. This Parliament, Mr Sauvagnargues, is ready to support such decisions to the extent that participation becomes an increasingly important integral part of those decisions.

This participation can be increased for the present by simple pragmatic means, dictated both by the nature of each problem and the situation in the Community. A valid model is the procedure of consultation between Parliament and Council now existing in respect of budgetary powers.

The Political Affairs Committee, for its part, while it deliberates on the major subjects, such as European Union, parliamentary powers, the election of the Parliament by universal suffrage and increased cooperation in external policy—themes to which the reports by Mr Bertrand, Mr Kirk, Mr Patijn and Mr Lenihan are respectively devoted—does not at the same time neglect to suggest practical measures likely to offer, for the interim and without prejudice to the future institutional structure of the Community, instant solutions to particular problems.

I trust that the Council and the Commission of the European Communities will give their support to our work.

(Applause)

**President.** — I call Mr Alfred Bertrand to speak on behalf of the Christian-Democratic Group.

**Mr Alfred Bertrand.** — (NL) Mr President, I should like, on behalf of my group, to express our thanks to the new French Foreign Minister and to say to him that we have awaited his coming with some curiosity, since we are convinced that he, as Foreign Minister, along with the young and dynamic President of one of the largest countries in the Community, will awake the hope that, in the coming months, a really new face will be given to European politics. We are grateful to him for his presence and we also very sincerely appreciate the fact that he left his dessert and half of his meal standing in Bonn in order to be able to be with us in time. We Members of Parliament know how to appreciate a sacrifice of that kind. We thank him for this, but I must add that the speech by the President-in-Office of the Council and the course this debate has taken have nevertheless somewhat disappointed us.

The debate was announced as a political debate, at which all the Foreign Ministers would be present, so that there could be a dialogue about current problems in the Communities.

We have seen, however, that the President-in-Office of the Council is here alone, unaccompanied by his colleagues. That is the first disappointment.

In the second place, we sympathize that a President of the Council who has only been in office eleven days can hardly do anything else but make a general speech and cannot go into the real problems in Europe at the moment. We had hoped to hear from him an explanation giving guidelines on the way in which he is thinking of solving the real problems facing the Community over the coming six months of his Presidency.

The sorry state the Community is in has already been outlined. The danger of losing what has been achieved so far has been pointed out. The nationalist tendencies evident in the case of some Member States, in the sense that they try to solve particular problems by their own efforts, have also been referred to.

After all this had very clearly been outlined, we thought that an indication would be given of the way in which a solution was to be found over the coming months in connection with the regional fund. We shall eventually determine the amounts to be paid into that fund. We shall determine the form to be taken by the phase in which the economic and monetary union is to be brought a step forward so as to serve as a starting point for the great political goal we have set ourselves for 1980. We shall have, finally, to take a decision on the Community energy policy and try together to use monetary measures to solve the problems which have arisen from the disequilibria in various balances of payments, in order to bring about the essential solidarity of which the President-in-Office of the Council has several times spoken.

The President-in-Office of the Council has stated that he wants to make careful, realistic and resolute steps forward. He has not, however, told us in what areas. We cannot therefore judge whether and in what respects this resoluteness will be expressed. *Concevoir, décider et réaliser* is the task of the Community, in the words of the President-in-Office. He has not, however, said what areas all this is to take place in, and so we cannot, at the moment, open a dialogue. We can say what Parliament wishes at this moment, but we have already done that on various occasions. We want to put an end to the stagnation. In this connection, the October 1972 Summit Conference aroused great expectations. Its final communiqué was the most pleasant surprise the European Parliament has had since its creation. It was apparent from the final communiqué that many important political

**Bertrand**

decisions had been taken at top level, which could have completely changed the appearance of the Community if they had been followed up.

We must, however, be aware—it is not talked about, but everyone in this House knows it—that we cannot bring about economic and monetary union—not even if the Council decides on it—that we cannot have a functioning regional fund, that we cannot arrive at the institutions with the powers of decision at European level that are needed to bring about economic and monetary union, if we do not have the courage, first of all, to attack the weak points of the Community.

What are the weak points in the Community? Its weakness lies in the present institutions, which no longer correspond to the tasks allotted to them. It was decided in the Hague in 1969 to extend the Community to ten countries; this has now become nine. It was decided not to stop at customs union after the extension, but to try to strengthen the Community and pass on from customs union to economic and monetary union. All this was laid down in the Hague. The Council took certain general decisions in March 1971 and in February 1972. Then, going a step further, it was said that, if economic and monetary union was to be achieved by 1980, it must be topped in 1980 by combining all the relations in the Member States into a European union.

These are the political decisions which the Summit Conference has passed on to us as a Parliament, and it is, after all, the Summit Conference which is the *constituante* of the Community. Only the Conference of Heads of State or Government is empowered to give a broader interpretation to what is laid down in legal form in the Treaties of Rome and Paris. These decisions form, at the moment, the basis of the activities of the Commission, Council and Parliament. They imply that the institutions must be strengthened if European integration is to receive a new impulse.

Parliament must be given greater powers. Parliament must be able to create legislation together with the Council if a genuine European policy is to be achieved. The Council must review its decision-making procedure and return to what is laid down in the Treaty if effective decisions are to be taken. The Commission must again fulfil its political function and no longer first discuss its decisions and proposals with the Permanent Representatives, but decide them independently. It must not first ask at national level whether something is feasible or not. This procedure is often applied at the moment, and is having a paralysing effect on the Commission's activities.

I would, therefore, urge that the central problem, that is the strengthening of the institutions and, therefore, giving broader powers to the institutions, in the context of the great political task we have set ourselves for 1980, be tackled in the Council, together with the Commission and Parliament.

On behalf of the Christian-Democratic Group, I must say that we were somewhat disturbed by the statement Mr Ortoli made on behalf of the Commission. Both in the Political Affairs Committee and during today's sitting, he said that there was no point in making sweeping declarations about the future and about the goals we should aim at, if we cannot solve the present problems. This statement gives the impression that there is a desire to put a brake on development towards European union, with the powers and institutional infrastructures it ought to have, in order to devote all attention in the meantime to the present difficulties.

It should be clear that decisions at the top must not be delayed. We want European union to be achieved before 1980, but we also know that this is not possible unless a number of decisions have been taken first, relating to such things as economic and monetary union, the regional fund for agriculture, social policy, short-term economic policy, a genuine energy policy and an organized technology and science policy.

We thank the Council for having made genuine progress in giving form to the European identity. I deduce this from the Council's attitude towards the development fund; this attitude was determined by the proposal from Mr Cheysson and from the Commission. We are pleased that a start can be made on the Arab-European talks and that Europe will speak with a single voice.

We are delighted that an improvement has taken place in relations between the United States and the Community. We do not deny all this. We should like to express our appreciation, but this improvement cannot be continued for months unless the institutions themselves are genuinely strengthened.

We urge that energetic decisions be taken as regards development towards European union. We expect the President-in-Office of the Council to come back to this Parliament in September or October with a programme, once all the discussions have taken place.

The Christian-Democratic Group notes with regret that a development is taking place which, in our view, is not good for the normal functioning of the Communities. Solutions are being sought for a number of problems by means of cooperation between the governments, outside

**Bertrand**

the Community institutions. This is against the letter and the spirit of our Community Treaties. A solution to the problems must be sought within the framework of the Community institutions, instead of choosing the path of cooperation between governments.

The Christian-Democratic Group therefore expects—it expects much from those who, at present, hold the leadership of the Council—the necessary initiatives to be developed in the coming months so that preliminary work can be done in all the areas concerned. Everyone knows that the united Europe that we all wish to achieve and that everyone sees as the sole possibility of offering the people of Europe security must, under French leadership, slowly but surely take on concrete form. In this respect, we have confidence in the President-in-Office of the Council, and we hope that he will at least come back to us in October with a programme, to tell us what point has been reached, what decisions have been taken and what proposals have been made, so that we can then, with him and the Commission, prepare a fourth Summit Conference; but we are only prepared to accept this on condition that it is thoroughly prepared and that it confirms what has already been decided in the political sphere at the foregoing Summit Conferences.

*(Applause)*

**President.** — I call Mr Fellermaier to speak on behalf of the Socialist Group.

**Mr Fellermaier.** — *(D)* Mr President, ladies and gentlemen, today could really have been the première of the new President of the Council if he had begun a basic dialogue with the other Foreign Ministers of the European Community on what decisions are to be expected from the Council of Ministers in the new few months. If, Mr Sauvagnargues, I take the final communiqué adopted with such pomp by the Heads of State or Government at the Paris Summit and put it beside the final communiqué adopted by the Heads of State or Government on 14/15 December 1973 in Copenhagen and compare the claims raised in these documents with reality, I must ask in this House why the Heads of State or Government emphasize the need for action in such strong terms when afterwards in the Council the same governments begin to throw obstacles in each other's path. Whether we are talking about the boycott of the Netherlands by the Arab countries, or regional policy, or the Mediterranean policy that has come to a standstill and put us in a difficult position with not only the Maghreb countries but also Israel, we must ask who bears the responsibility. The Commission? I would say no; it has shown

its goodwill, offered its good offices and waited anxiously for the Council at last to give it the extended negotiating mandate for the Mediterranean policy. I very much hope, Mr Sauvagnargues, that this breakthrough in Mediterranean policy will really be achieved at the first meeting with you in the chair, since the credibility of the European Community in the Arab and African world is at stake.

Secondly, the Socialist Group would like to thank you, Mr Sauvagnargues, for coming to the European Parliament so soon after taking up office. I personally well remember the time when, as Ambassador of your country to the Federal Republic of Germany in Bonn, you always showed yourself to be a good European. I very much hope that the goodwill that prevailed at your embassy in Bonn will continue now that you have moved to the Foreign Ministry in Paris and will have so powerful an effect that this Parliament, too, will discern positive results during your Presidency.

Nevertheless, on behalf of my group, I must express concern at your saying hardly a word about the development of European internal affairs. Democratization of the Community is for the Socialists of Europe an essential prerequisite for their unreserved support of European Union. How can we meet the demand expressed by the Heads of State or Government if even in matters directly affecting the European Parliament the Council of Ministers delays decisions in the budgetary sector and has as yet given not a single hint as to whether this Parliament should not at last be given the right to participate in the legislative process under Article 235 of the Treaty of Rome?

Your Secretary of State had an opportunity during Question Time this morning to answer questions on the Council's working methods. His reply was that the Council must for formal reasons continue to operate as a non-public legislative body. If that is the case, we will not argue here, Mr Sauvagnargues, about whether Council meetings should be held in public. But I can tell you on behalf of my political group that we will argue about whether Parliament should participate in the legislative process.

We cannot tolerate a situation in which the national parliaments in this enlarged Europe lose more and more power to Brussels, leaving a democratic vacuum, unless these powers are transferred to the European Parliament at the very moment they are lost by the national parliaments.

A major European newspaper wrote a few days ago in an article on Europe and the European

**Fellermaier**

Parliament—and with your permission, Mr President, I will quote verbatim: 'The European Parliament has fewer rights than the Supreme Soviet.'

Is that not ironic, Mr Sauvagnargues? Is that not a mirror in which the Council should look, in which Parliament cannot look because it depends on the Council's consent—and this also concerns the question of the seat of Parliament? The President of this House asked the Council a few months ago for its opinion on the seat of Parliament. Since then we have not heard a word. My question is therefore: How long does the Council intend to allow the European taxpayer to go on paying for the travelling circus that is the European Parliament? We expect three things of the President of the Council: firstly, that the Council meet the obligation in the next six months to speak with one voice in the sphere of foreign policy. I willingly admit that there are signs of hope here, for example at the Conference on Security and Cooperation in Europe and in the start of the Arab-European dialogue. I willingly admit that at the GATT negotiations the Community was able to speak with one voice. But I feel that the important thing in, above all, all questions connected with world politics is for foreign policy increasingly to become a genuine Community instrument, even if this is not defined in the Treaty of Rome.

The Treaty of Rome must not remain a statistic. It, too, must develop in the same way as Europe develops. European political cooperation cannot therefore go on developing without the participation of the institutions of the Community: in the future, Mr Ortoli, the Commission will play an important part in being the motive power in these matters. I hope that the Commission will demonstrate courage, intelligence and tenacity in this.

The second thing we Socialists hope you as President of the Council, Mr Sauvagnargues, will do is to have the dialogue, which I realize you can hardly ensure after a mere 11 days in office, with you and the Foreign Ministers of the other eight Member States take place in the autumn here in the European Parliament. For where else should this public discussion be held if not in the European Parliament, which has been freely elected by the peoples of the Community through the national parliaments?

Thirdly, we of the Socialist Group hope that you will tell this House quite clearly while you are President of the Council what action you intend to take not only as regards budgetary powers but also in respect of the legislative process.

Mr President, ladies and gentlemen, at national level the opposition speaker who takes the floor after a new government has made its statement willingly gives it one hundred days' grace. In Europe, however, one hundred days is too long for two reasons: firstly, because the problems facing us and the peoples of Europe are critical and secondly, because the complicated nature of the Council with its six-month rotation itself prevents a new Council President being granted one hundred days' grace. Nevertheless, I would add on behalf of my group that the summer recess will give you some grace. After the summer recess, Mr Sauvagnargues, the monologue in this House must be replaced by a dialogue, even if that dialogue should be an argument. Parliamentary democracy can only obtain its strength from the arguments that take place in a freely elected parliament. You are welcome at any time, Mr Sauvagnargues. We will receive you with open minds as long as we feel that a friend is coming to us who knows that in the end Europe can only exist if it is the people, represented by freely elected parliamentarians, and not, as now, the governments meeting in the Council of Ministers behind closed doors who decide Europe's future fate.

*(Applause)*

**President.** — I call Mr Durieux to speak on behalf of the Liberal and Allies Group.

**Mr Durieux.** — *(F)* Mr President, as we all know and have been saying for only too long, the Community is in a lamentable state. You admitted it yourself a short time ago. Inflation has reached intolerable proportions, comparable to that in Latin America. The oil crisis which came on us unawares and divided us continues to make its effect felt. The worst hit sector is agriculture—we had our debate on that yesterday. Europe's agricultural policy was the Community's only real achievement. The customs union itself has been jeopardized by the obstacles to trade imposed by this or that government. Everything is marking time, the social policy, the regional policy, scientific research and industrial policy.

Can anyone imagine that Europe as it is today can hold any appeal for the younger generations, whom we may so easily disappoint?

In this state of stagnation the election of two new, younger statesmen at the head of the French and German governments has brought fresh hope. Now this question of political will, so often discussed in this House, can at last be seen in concrete terms.

**Durieux**

We turn to you, Mr Sauvagnargues, because you can give us a great deal. The Community's political future largely depends on your will, in which I have great faith. Too much has been said about basing the Community's revival on the institutions. This seems to me the wrong emphasis. We have set up too many institutions which have quite failed to get us over the difficulties in which we are trapped. The Paris Summit had proposed a specific and comprehensive action programme; for lack of agreement among men, it has failed. The time has come, therefore, to revive the role of statesmen. The intervention of political personalities can provide the impetus required.

Europe has reached a point where it needs outstanding men who not only believe in Europe as everyone does, but are driven by the desire to go further. We must go further. We must quickly get beyond this point. A Community of egoism, nationalism, self-interest, is unworthy of the name, for the survival of every one of us is at stake. The Community as it exists at present must be superseded immediately by the real Community defined in the Treaty of Rome. It is no use speaking of identity, for this word has been too often misused. The first aim should be to express solidarity in social terms as required in the case of the European Company, which we shall be discussing tomorrow, a company based on real participation by all who work for it. The Community must accept the need to make sacrifices itself and persuade each of our Member States to relinquish its sovereignty. Mr Fellermaier has just spoken of this. We have to learn not only to make concessions but also to grasp that we are a union of states whose economies are inseparably linked. It is therefore useless to draw up anti-inflationist plans at a purely national level. We have now reached a point of no return on the road to economic union.

We say this every time, for either we want this European Community to be a highly refined free trade area devoid of power at international level or we must respect the Treaty of Rome and our governments agree finally to establish a real political union, which seems the only viable basis for this pseudo-economic union.

Mr Sauvagnargues, you have just described the present grave state of the Community: it confirms our own convictions. You then outlined the policy we should pursue, which we are glad to know corresponds to that which we ourselves have constantly advocated in this House.

We hope that this introduction will be followed by concrete proposals. We ask you to heed the

wish of this House and inform us today if possible, of the tenor of President Giscard d'Estaing's talks with Chancellor Schmidt regarding new efforts for European Union, for this is the crucial issue.

The Members of this House are expecting a great deal, as I have just told you, of the French President. They are also hoping for a comprehensive debate in October, for we need time to prepare this debate and we all hope that it will cover a wide field.

The European Parliament wants to discuss the most crucial and fundamental issues with the Council. We put all our hopes in you, as President-in-Office of the Council. You have been allowed an interval of a hundred days; I am sure that we shall be able to work to our utmost capacity after the recess, and hold the wide-ranging debate we all want. I am sure you will not betray our trust.

*(Applause)*

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

**Sir Brandon Rhys Williams.** — I have the honour to speak on behalf of the European Conservative Group in this important debate on the present state of the European Economic Community.

First, I should like particularly to welcome Mr Sauvagnargues, whom we heard with the greatest interest and respect. We Conservatives, too, are confident that the British people will be convinced of the value of standing together with our colleagues in the Community in overcoming the dangers that threaten us all.

We heard, too, with especial interest, the speech by President Ortoli. Speaking for myself, I was particularly interested in his remark about the problems of economic and monetary union. We have to ask ourselves, 'Where is economic and monetary union going now?'—because, of course, this is the central policy point of the Community, and yet we seem to be making no progress at all. Many people even feel that in 1973 and 1974 we have gone backwards, and this is something we cannot allow.

We have to admit, though, that the snake experiment has failed. Germany, it is true, has helped to form out of the old snake a kind of Greater Benelux. We hope that this experiment will succeed and prosper, because its success will benefit the countries which remain within the arrangement, and it will benefit the whole Community as well; but the decision of France to leave the snake at the beginning of this year,

**Rhys Williams**

following the similar decisions of Britain, Ireland and Italy, threw the whole snake project into doubt. We heard this week that there is no likelihood that France will return to the arrangement in the foreseeable future. We have, therefore, to admit that the snake experiment is not the way to monetary union in the immediate future.

But the snake was never the only way towards monetary union. There were always other ways, and there still remain other ways, of making monetary progress. We must not be too ambitious in the monetary field. Surely experience teaches us that. We must be content with the adequate, the makeshift, the temporary in the monetary field, remembering that money is only the servant and not the master. All we need for the present is sufficient progress towards a monetary agreement to make possible the further progress towards economic union which can benefit us all and which our Community is all about.

President Ortoli had very significant things to say on this subject, and I welcome them particularly myself, because they seem to me to follow very much the lines of thinking that we have been developing in the Committee on Economic and Monetary Affairs. We particularly welcome his emphasis on the need for institutional development. We set up the European Monetary Cooperation Fund as long ago as April 1973, but it still has no funds and no staff. I am not sure whether it even has an office. But the need for a lender of last resort in the Eurodollar market is becoming daily more urgent and clamant as uncertainty about the future of the Eurodollar market becomes a major preoccupation of world financial circles.

We read that yesterday in Basle at their monthly meeting the Central Bank Governors, recognizing the seriousness of the problem, at last agreed to act together to provide the Eurodollar market with the necessary discipline and the necessary guarantees to prevent further bank failures such as the collapse of the Herstatt Bank, which caused so much alarm only in the last fortnight.

But the Central Bank Governors at this meeting in Basle—which is only an informal arrangement—are doing what the Community has failed to do and ought to have done. Let us learn our lesson from that.

While the Community has no effective central financial institutions, we are like a tennis club with a number of members but without a court to play on. Simply discussing the rules of the game is not the same as playing it in actual practice.

The Commission must act quickly now to make the European Monetary Cooperation Fund a real force for stability and cohesion. It should be a body respected internationally and not merely a facility for members within the Community itself.

We in the Conservative Group also noticed President Ortoli's emphasis on the acceptance of formal rules. Too many people are ready to despair of progress towards economic and monetary union. However, we achieved it in fact as long ago as 1950 in equally difficult circumstances when the European Payments Union was set up. It was administered by a central body with only a small fund, but with absolutely rigid rules agreed by all the parties in advance. The success of the European Payments Union over a number of years shows the way in which we ought again to be proceeding. We need central institutions with formal rules which make it quite clear to the parties in advance what their obligations, their duties and also what the benefits of membership are.

We also welcomed President Ortoli's comments on the problems of Member States in economic difficulties. Experience has proved that the exclusive dependence on traditional remedies—higher interest rates, higher taxes, cuts in investment and perhaps an increase in unemployment—are likely to cause as many problems as they solve—if, indeed, in a modern industrial democracy they really solve any problems at all.

A new mood is certainly needed in our older industries. We welcomed President Ortoli's reference to the need for participation as one of the solutions to our industrial unrest and low productivity. Indeed, we need a new spirit in human relations at work.

That is why we in the European Conservative Group believe that this week's debate on the European Company statute will be of particular importance. We look forward to the adoption of the new statute with enthusiasm.

As we seek to tackle graver difficulties, we must be more flexible, not less; more ready to innovate, not less; and more ready to work in closer collaboration with our democratic neighbours in the European Community.

*(Applause)*

**President.** — I call Mr Bourges to speak on behalf of the Group of European Progressive Democrats.

**Mr Bourges.** — *(F)* Mr President, honourable Members, the debate on the state of the Euro-

### Bourges

pean Community is a valuable opportunity for our Assembly to take stock of what has been achieved, to examine the present situation and also to look into the future.

We are particularly grateful to you, Sir, the President of the Council, after your appointment as French Foreign Minister, and, as a result, President-in-Office of the Council, for making a point, in spite of your recent appointment to the Presidency, of being personally present during this debate, and we fully understand that at the beginning of your period of office you have not been able entirely to meet our expectations. But our impatience, of which you have been well aware and which has been expressed by all the speakers, should not surprise you. It is in any case, I assure you, a sign of goodwill, and only goes to demonstrate the high expectations we have of you.

You yourself declared—and the President of the Commission and the previous speaker noted it too—that in the present situation there are unfortunately many more sombre facets than bright ones. Nevertheless, we hope that now, after the vicissitudes which some Member States have suffered, after a political time-table which in many countries has been completely disrupted, that the political horizons will brighten and that it will be possible for our Community to resume its onward march.

This hope can only serve to strengthen our expectations of your period in office, which follows a particularly valuable term by your colleague from the Federal Republic of Germany.

Mr President, we the Members of Parliament, the representatives of the peoples of the Community, wish to express here our feelings and hopes and to reaffirm our common desire to see the achievement of European Union.

We are pleased with the efforts which have been made to this end in the past four years, and may I stress here the special role played by President Georges Pompidou in creating this awareness, in the programmes which were drawn up at the meetings of Heads of State or Government. One aim was unanimously acknowledged, European Union by 1980. I wish to say first of all that we still believe this objective is essential. The end of the decade is still our target for the achievement of European Union.

It is true that certain circumstances—the Presidents of the Commission and Council have dealt with them at length—could make one doubt that any progress can be made. I personally congratulate both of them on the realism they demonstrated in their speeches. It is true that,

faced with the confusion of the international monetary system, faced with the imbalances in trade and unfavourable balances of payments, one is tempted to wonder if it is reasonable to think that closer unity between our countries can be realized at once.

I personally feel that in spite of present difficulties we must not despair. I endorse the special priorities which you both propose to us. Clearly, before attempting to progress further, we must resolve the crisis and meet the difficulties which are facing us. Preserving the integrity of what the Community has achieved—as you affirmed—is an aim we willingly endorse, too. Similarly, we recognize that any progress, however limited, in a specific field, any progress which can contribute to the deepening of our relationship, to the strengthening of solidarity between our countries and our peoples, any progress is important in itself because in effect it carries with it the promise of a strengthening of our solidarity and as a result plays an important role in the construction of European Union.

We accept the priorities which you have proposed to us: firstly, concentration on creating the necessary conditions for resuming progress towards monetary union. There are certainly considerable difficulties to be overcome; Sir Brandon Rhys Williams has just dealt with them in detail, and I will not dwell on them. What is certain is that if our countries are to take appropriate steps in an effort to fight inflation and runaway prices, there should certainly be consultations between governments on the measures to be taken. The same goes for harmonization of policies in this field, also by appropriate measures and, in this respect, the role played by the central banks mentioned by the preceding speaker can be very important.

In view of the difficulties, our group is in favour of the proposal put forward for launching a major European loan; it seems to us that it could help our Community to meet balance of payments problems and perhaps also in this way to immobilize and use constructively the floating, erratic capital which today contributes in large measures to the confusion of the international monetary system.

Our second aim should be to increase trade, in particular with non-member countries. In this respect, our group shares Mr Fellermaier's anxieties on the necessity of developing a Mediterranean policy.

It is evident, and the President of the Commission himself has said so, that the testing-ground for our Community, for our will and our capacity to meet present difficulties is the

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implementation of the common energy policy. He has told us, Mr Sauvagnargues, that you, too, considered this to be a question of priority and that you would soon be making proposals for measures in this field. It is a policy which must be decided on and carried out unanimously. Our countries must concentrate together on resolving the very serious problem of guaranteeing our energy supplies on reasonable economic terms.

I would like to draw attention also to the particular interest which our group shows in the operation of a true regional policy, which should be implemented in our Community. We were particularly interested to hear you draw attention to the important place which should be given in our Community policy to aid to the least favoured and least developed countries. Our group attaches great importance to this aspect of European policy.

But these priority tasks must not distract our attention from preparation for the future. Whatever the difficulties are, we must face the future—and face it boldly. In this respect, I concur with the anxieties expressed not only by Mr Giraudon on behalf of our Political Affairs Committee, but also by Mr Bertrand and Mr Durieux, and in a more general way by the previous speaker. Our Parliament, Mr President, attaches much importance to the construction of European Union.

I do not wish to surprise or shock anyone in this Chamber, but it is true that there are two possibilities for achieving European Union. On the one hand, it can be said that the Treaties of Rome, that is to say the three Treaties of our Community, are an end in themselves and that consequently a specific path leading to European Union can be sought, applying special methods that are the outcome of cooperation between governments.

But there is a second way of constructing European Union or at least of making progress towards it: it is to use our Community institutions. Naturally, Mr Sauvagnargues, we are in favour of the second method. You thought as much. Moreover, I think I can say that this debate is already over and the matter settled. The answer has indeed already been given since the Conference of Heads of State or Government gave a mandate to the Community institutions — to the Commission, the Council and Parliament — to make proposals to prepare for the coming of European Union. The President of the Commission was also associated with the Conferences of Heads of State or Government. The Commission already participates to a large extent in international life. Finally, through Parliament, the Political Affairs Committee is

informed of the discussions of the Conference of Foreign Ministers, which were instituted precisely within the framework of political cooperation. On this last point in particular we hope that more direct contact will be set up and that external policy problems will be brought up not just in the Political Affairs Committee but before the whole Parliament.

The wish that we are expressing, Mr Sauvagnargues, along with the preceding speaker, is that half-way through your period of office, around September or October, a more basic debate should be held on European Union and the conditions in which we can hope to achieve it by the 1980 deadline. For the immediate future, there are various roads open to us—first and foremost, the strengthening of the institutions, and in particular the powers of our Assembly, in controlling Community finance and secondly, the enlargement of the Community with the transfer of sovereignty and the resulting adaptation of the institutions.

I have just mentioned political cooperation with Parliament, and this, Mr President, is a measure which could be taken very quickly. During the debates before this meeting, some speakers mentioned the setting up of a political secretariat which was decided on by the Conference of the Heads of State or Government.

There are certainly difficulties in setting up a political secretariat immediately, particularly as regards its seat. Our group proposes that the political secretariat be set up immediately, that its seat be in the country of the President-in-Office of the Council and that it be staffed from the embassies of the Member States of the Community in that country. This is a practical and simple proposal, which allows immediate proof to be given of the will to make progress in political cooperation, so necessary to prepare for European Union.

These, Mr President, honourable Members, are the few observations, proposals, suggestions which my group wished to put forward in this debate.

To the President-in-Office of the Councils I would like to say that we are happy to have welcomed you here. We are aware of the trouble you have taken so soon after your appointment to come to present your views on the present state of the Community.

We hope in the near future that together we will begin constructively preparing for the future.

*(Applause)*

**President.** — I call Mr Amendola to speak on behalf of the Communist and Allies Group.

**Mr Amendola.** — (1) Mr President, honourable Members, we must thank the President of the Council for his courtesy in bringing us, fresh from the Franco-German meeting in Bonn, news of the new orientation which it is proposed to give to the Community in order to save it. The meeting in Bonn has been evidence of the existence of a Franco-German 'directorate'. This is not a criticism (any such criticism should be raised in the Italian Parliament, against our own government), but a statement of fact. It is a factual statement, because with the Community in crisis, there emerge, I would say of necessity, patterns of power, the old patterns of power existing between states, which are all equal in principle, but some of which are in reality major and others minor powers. The Community should have put an end to this state of affairs, but should have done so by a democratic process; so, the Community being weak, it is the states which dictate their policies.

Nevertheless, we take note of the awareness of the seriousness of the crisis manifest in the speeches of the President of the Council and the President of the Commission. The words 'paralysis' and 'difficulties' were used; and in this situation, faced with dangers which have been described as catastrophic, the problem that presents itself is that of saving what can still be saved, of preserving the Community's foundations.

I prefer this clear recognition of the seriousness of the situation, this moderate approach, to statements too often marked by wishful thinking, to the 'retreat to the fore', to the setting of targets which clearly cannot be attained in the time-limits allowed; only a little over five years remain before 1980.

But how are we to overcome this state of crisis? How are we to survive? That has now proved to be the issue.

The Community is suffering from a world crisis on a growing scale, because in the last two decades the basis of economic expansion has crumbled (the international monetary system, the free trade system, cheap power and raw materials); this increasingly perilous situation is the responsibility, as has often been pointed out, of the Community and its Member States, and they must bear the blame for their inertia in the face, for example, of the flood of Eurodollars launched upon our continent, for the lack of any control of capital movements and so on.

But the real point is this: we should be aware that the 100 day crisis of which we have spoken is bound to become aggravated during the sum-

mer months. The latest symptoms are extremely worrying because we can now observe a dangerously growing accumulation of deficits in the balance of payments of each State, resulting in an international deficit about which nothing has been done so far.

There is also another and growing danger in the fact that individual states are increasingly pursuing policies in competition with each other, even to the extent of resorting to protectionist measures. These deflationary policies are building up to a recession which is now being prophesied on many sides.

And what does the Community intend to do? Coordination of monetary policies, return to the snake-in-the-tunnel—these ideas are no longer an answer to the seriousness of the situation. Besides, the Community's crisis does not arise solely from the crisis in the economic sphere: it arises also from the fact that in each country the economic crisis has political repercussions and leads to political instability, the Community's crisis being the sum of all the political crises in its Member States.

There is the social crisis which has been engendered by the aggravation of the economic crisis. The problem that each country has to face is the following: who is to pay? The workers and the working classes say that they should not be the only ones to bear the cost. No-one imagines that the workers will not (unfortunately, it is always they who do pay), but they should not be the only ones: the cost should be borne by those who have profited from economic expansion.

There is the requirement of social justice; in a situation like the present, class conflicts are exacerbated. This leads to political instability, which we can observe also in this House, watching the changes in national representations resulting from elections. We can see the consequences of a political cleavage now existing in all the countries of the Community: they are all split down the centre, all divided by that notorious '50% wall'. In normal situations it is possible to govern with a majority of a single vote; but when the crisis demands thoroughgoing reform, authority cannot be exercised unless it rests on a broad consensus, on real solidarity of the nation, which will enable it to make the necessary sacrifices in the knowledge that they will serve its advancement and not burden the workers with all the consequences of the crisis.

I shall not list them now—there is not enough time—but it is a fact that every country is divided down the middle. In each, election fol-

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lows upon election; each is ruled by a government commanding a slim majority, in violation of electoral and parliamentary norms, or indeed by a minority government. All these countries therefore walk the tightrope of instability since the party that has the relative majority is dependent on allies who will offer or withdraw their support according to the circumstances of the moment. The examples you can choose for yourself, but there is no doubt that each country is rent by this crisis.

The crisis of individual countries is reflected in that suffered by the Community, which can provide no centre of stability and guidance to help to resolve them: on the contrary, the Community's crisis is aggravated by those of its Member States.

This is why we believe that, if what can be salvaged is to be saved, a policy of moderation, common sense and long reflection is not the right one. For there is a danger that while we pause to consider, everything will crumble apart. We are not alone in holding this view: other speakers have said the same. The danger is there, the danger that unless we make a fresh start at once, irreversible events will take place. These events are looming, and it is up to us to discern their shape.

We must assume our part of the blame: Parliament should recognize that the crisis situation goes back to 1970. The crisis has been building up for years; we should have suggested some preventive action; for surely we must have known that when a crisis erupts, it pulls away the foundations from under any construction.

We should be aware that in the next 100 days, or the three holiday months, something extremely serious can happen. And this is why we must ask the President of the Council what are the intentions of the Council, in which effective authority reposes today; we say this regretfully, because we should like effective authority to reside, not with the representatives of the governments, but in a democratically elected body that relates directly to the electoral masses in each country.

But this is how things are. The composition of the Council of Ministers itself is in a precarious state, because, as governments change, so do its members. This is not just a matter of the six-month rule: the leaders also change. We have seen in this House a succession of politicians that today are seen no more. Each of them made a promise that he was unable to keep. What chance, then, of a broadly conceived long-term policy that we need today?

So we have to ask ourselves, what is to be done. The President of the Council was arguing that we should keep up our international commitments: the Mediterranean policy, a policy of friendship with the Associated States, improved relations with the United States. To this we are not opposed, because we, too, attach a fundamental importance to the Mediterranean policy. But the President of the Council has forgotten that there is also a policy of European cooperation which is linked both to the Mediterranean policy and to that on relations with the United States. We have said more than once that we do not want a European Community that is either anti-American or anti-Soviet, but that we wish friendly relations—as initiated by Germany with its Ostpolitik—to develop, joining East and West in a policy of cooperation and détente.

What, then, do we intend to do at the Geneva Conference? Are we going there, too, to wait until an improvement in the Brezhnev-Nixon relationship shows us which way we ought to go? Or should we not rather ourselves provide the impulse that will help the Conference to get out of its present difficulties? At the moment the government of each Community Member State carries on its own Ostpolitik and tries to maintain good relations and a lively trade with the East; I do not see why the Community as such should not develop a similar policy, coordinating it in a rational way with the Mediterranean policy and the policy towards the Associated States.

But, basically, the problem is a political one; the issue is democracy; and I say advisedly 'democracy' and not 'participation', because where there is democracy there is participation in fact.

There is talk now of yet another Summit: the graver the disease, the more doctors congregate round the patient's bed. So there are to be more Summits. But we have seen that the Copenhagen Summit made no difference, and I cannot imagine that a new Summit will produce any results unless it is properly prepared—not only prepared at diplomatic level, but grounded in the democratic consciousness of the people—unless it can command the full attention of a people in the throes of a crisis.

Each country is split down the middle; can these divisions be healed? This is the universal problem of an alliance between the working and the middle classes which in all countries, is necessary for national unity. The label for this varies from country to country according to the prevailing ideology, but the need for national unity, for the salvation of each country and for the salvation of Europe cannot be denied.

**Amendola**

Can we leave all this to a new Summit? Much enthusiasm has been expressed about the recent meeting between the French and German leaders who, with their youthful ardour, should be capable of great things. But this not a question of personalities, be their qualities as excellent as they are said to be: these problems go beyond personalities. Personalities we have seen come and go—the problems remain and Europe remains; and what this Europe needs is a democratic structure, something going beyond the Treaties of Rome, something that can be discussed by this Parliament, which, it has been suggested, should be given the function of a constituent assembly; something that would make this Parliament of ours the rallying point for the peoples in crisis and a window on a future built on the unity of democratic forces.

Unless we move in that direction, we shall be condemned to suffering all the blows of fortune passively; we shall be passive both as a Community and as a Parliament. I should not wish to question the sincerity of all the parties concerned, and of all the Members who have taken part in this debate, but good intentions alone are not enough if there is no political will based on the right policy. And that policy ought to be one of giving voice to the people, of letting them express themselves through democratic forms of consultation.

**President.** — I call Lord Gladwyn to speak on behalf of the Liberal and Allies Group.

**Lord Gladwyn.** — Everybody admits that the Community is now in a bad way for reasons on which I need not enlarge. The President-in-Office of the Council, one of France's foremost diplomats, whom we are so glad to welcome among us today, referred to them, of course. I think he said only that they must be overcome by solidarity on the part of members of the Community. He did not, however, and perhaps this is only natural as he has been exercising his function for only a few days, indicate any way in which they might be solved.

One of the troubles is, Mr President, that if you say, as many tend to say, in this House at any rate, that the only way out of our difficulties, for Europe at least, is for progress to be made in reforms of the structure of the Community, that is to say, reform of the procedures in the Council of Ministers, more real power for the Commission, more powers for Parliament and so on, concentrating only on that, you tend to be condemned, by some at least, as an idealist out of touch with modern terrible realities. If you say that the only way out is for ministers to agree on overall policies by discussion among

themselves and by entering into normal bargains and so on, you tend to be, very naturally, and as I would think properly, denounced as an unenlightened pragmatist.

Mr Sauvagnargues spoke, unless I misheard him, of a march forward—*marche en avant*—and so, I rather think, did my colleague Mr Bourges. What I myself think is wanted is an escape from our present dilemmas by the rather different technique of what is called, in French, a *fuite en avant*.

At the moment it looks as though such an operation can be organized or at least prepared only by the Germans and French acting in common agreement. Italy is clearly not at the moment capable of taking any particular initiative and Britain, according to its own spokesman, as I understand, is also incapable of agreeing to any major forward step in the direction of the further organization of the Community until it has arranged for a rather smaller national British contribution to the Central Agricultural Fund in 1980.

After the General Election, which will probably take place in October, however, things will become rather clearer in my country. What is pretty obvious is—and this is the real point that I should like to make—that it will not be possible to hold any very successful Summit Conference until such time as there is a British Government both willing and able to take decisions in the European field.

However, in practice—and whatever we may say and whatever views we may hold in general—we Parliamentarians will almost undoubtedly have to wait until there is such a Summit Conference. I believe—so we have heard—that the present intention of the French Government may be to hold one, if possible, towards the end of the year.

Well, the history of Summit Conferences is not altogether satisfactory. There was a good one in the Hague in 1969, which had a positive result eventually, the extension of the Communities. There was another one in Paris in 1972, which published a document filled with the most admirable intentions and a timetable. Unfortunately, however, the timetable was not carried out. There was another one in Copenhagen, the idea of which was actually to take decisions. Two decisions were indeed taken, about a common energy policy and a common regional fund. The only thing was that as soon as the Summit was over and the Ministers dispersed, their subordinates found it impossible to carry out those decisions. That Summit may perhaps therefore be described as a disaster.

**Lord Gladwyn**

If we are to have another Summit Conference, it seems to me essential—and I rather hope that the French Government will share this view—that the terrain must be well prepared and the ministers prepared not only to take decisions at that conference but to carry them out. If there is no unanimity at the Summit Conference by then, the decisions which are taken will have to be carried out by such members of the Community as want them carried out. There is no alternative. The next Summit will be immensely important, and this new technique for Summit Conferences must be accepted in advance.

What decisions should be taken for a Summit Conference, whenever it is held? Clearly, there must be some agreement on a really workable European monetary fund to begin with in the monetary sphere; there must be a common energy policy or at least a common attitude towards energy; there must be a regional solution; there must be new procedures for the decision-making process in the Council of Ministers; there must be final agreement by the end of the year—I should hope there would be—about the budgetary powers of this Parliament; and I would urge that there must, if possible, be some kind of common view about common conventional defence of the Community or of such members of the Community as wish to organize themselves in defence, given the fact that we are also members, all of us, of the Atlantic Alliance.

Mr Ortolí said the other day—unless I am mistaken—in the Political Affairs Committee that unless significant decisions can be taken by the ministers, in most of these spheres at any rate, by the end of the year or thereabouts there will be a real danger of the Community's dissolving, breaking up or becoming an entity of no particular importance. But the consequences of such a collapse, if it takes place, will obviously be so terrifying for all of us that we may hope, and perhaps hope with some confidence, that at such a moment as this the ministers, inspired, if by nothing else, by fear, will suddenly decide to take what I have already referred to as *la fuite en avant*.

(Applause)

**President.** — I call Mr Helveg Petersen to speak on behalf of the Liberal and Allies Group.

**Mr Helveg Petersen.** — (DK) Mr President, in the few comments I have to make I should first like to mention the symposium held in the Chamber some time ago when professors of political science met Members of Parliament. There was general agreement at the symposium that parliaments are in a state of crisis and that more and more functions are slipping out of their

control. If that is correct, it obviously has a great influence on much of what we discuss and do within the Community and it obviously also has a great influence on the Commission's and Council's potential.

I think we have too great a tendency to disregard the fact that such matters should be in order at national level if the Council is to be in a position to do what is expected of it.

I am not going to discuss the report on the symposium, but there was certainly agreement that cooperation between the European Parliament and national parliaments should be improved, and I think we should take the initiative in finding ways and means of improving such cooperation. There is nothing to prevent national parliaments using data collected by the European Parliament's committees. Ever since I have been in the European Parliament, I have been astonished that no such link has been established so that national parliaments could take advantage of the expertise of the European Parliament and coordinate the decision-making processes and in general prepare the way for the desired future Community. Allow me, Mr President to add a few words on relations with the people.

We must admit that the psychological aspects have not been given proper consideration. Our peoples have been constantly informed of what is happening in the Community, but the information is not coordinated and very often concerns controversial issues. In any case the people have a very vague idea of what is actually happening.

The word 'crisis' has been used countless times during this debate and the starting point was the energy crisis. There is not the slightest doubt that the word 'crisis' will become predominant in our countries and in the European Parliament. It is a crisis that has its roots in our general situation, but it is certain that requests made to us as members of the Community go far beyond the limits of our own areas. We as a group of rich countries have a responsibility towards a large part of the world, and we will face up to that responsibility. We will certainly also meet with opposition that will have a great effect on our national life, as others have experienced, and create difficulties in our cultural and social life and create distribution problems that we have perhaps not experienced at such close quarters in the past few decades. We must individually and as a Community meet the challenges before us, and the Community must have at its disposal the appropriate instruments to solve its share of the task. At present it does not. Parliament's position must be strengthened

**Petersen**

among other things. It is essential, Mr President, that Parliament, the Commission and the Council trust each other, and I should like to wish the new President of the Council every success in the task before him.

**President.** — I call Mr Ortoli.

**Mr Ortoli, President of the Commission of the European Community.** — (F) Mr President, most of the observations which have been made since my speech and that of Mr Sauvagnargues have been addressed to the President of the Council. I will therefore limit myself to three points.

The first concerns a question concerning the institutional role of the Commission. I know that it is fashionable to say that this role has weakened or to think that we for our part are prepared to be party to anything which would lead to such a weakening. I would like to state most clearly that the Commission is in no way prepared to abandon its responsibilities, which devolve on it from the Treaty, and I believe that it gives proof of that. Our job is not an easy one; we are not always successful, but we do not systematically seek the prior agreement of Member States. On the contrary, I would even say that part of the Community's failures in the recent past are a result of the Member States' refusal to follow Commission proposals. I am not saying they were perfect, but they were drawn up in complete independence, and they did not meet with the agreement of the Member States. If we had been a little less ambitious, perhaps we would have obtained a lesser agreement, and this would have justified the fears which had been expressed by Members of the Assembly.

Nor have we given up our freedom of expression. We did not give it up in January, when we said, above all, that things were not going well and that major responsibilities were being created which would lie with the Member States if things did not change.

We have not given up our freedom of expression in the Council, when we have to say clearly when we disagree or state what we believe to be of Community interest. We have not given it up multilateral or bilateral talks, when we think that certain things must be said, and I did not give it up a moment ago when I dealt with certain problems, specifying—I hope, clearly—our expectations of a strengthened Community and of new solidarity.

I would also like to recall that our power of initiative was not weakened when we had, at a time when it seemed most appropriate to us, to play our part—and I believe an important if

not crucial part—in getting the Community's work off the ground recently.

I would also like to draw attention to the fact that the document which we drew up with Mr Scheel—after all, I am the author—which, I hope, will begin to bear some fruit in economic and monetary matters at the Council meeting of 15 July, was drawn up on the basis of a very short document from the Commission asking the Council a certain number of questions and requesting it to reply.

Finally, I would like to recall—for this is something which is easily forgotten—that we did not hesitate to take on a number of responsibilities when the Italian problems arose. At that moment it was very difficult for the Council to deal with the situation. For our part, we decided that we would guarantee Community implementation of Italy's plans.

It is enough to read the press reports the day after the Council meeting, which some people called disappointing. Many people stressed the naiveté of the Commission in committing itself to this plan.

I personally feel that we were right to take the steps we took, but this shows clearly that although the problems are difficult and although we are not always to the fore, nevertheless we are playing our part; this I can say without hesitation.

The second thing I want to say has to do with a risk which has been mentioned by many of you and about which a few words of explanation are needed, although without doubt, this risk—and I will explain why—does not exist in the way people think: it is the risk of a Franco-German 'directorate'.

I, too, am witness to the present construction of Europe. I have just spoken of the numerous contacts which were being made. The real characteristic of these contacts is that they are contacts between all sides.

Of course certain meetings take place, and they deal with basic matters. But the remarkable thing is that over a very short period all Europeans are meeting one another, bilaterally or within a broader framework. And one of the things which I appreciate is that this happens with the cooperation of the Commission, sometimes publicly acknowledged, sometimes not.

Only last Friday I was in Mr Sauvagnargues' office and we spoke of the problems of Europe and developments which could be anticipated. I feel it important that this Assembly realize that in all cases which come to our attention, we feel that it is indeed on the basis of a search

**Ortoli**

for European action that this very encouraging process of contacts, of seeking for solutions, proceeds.

This is something which should be made known and, for my own part, I wish to say it as a witness, a witness from outside, with special links, a witness with responsibility as President of the Commission.

The third comment, which doubtlessly affects me the most, is that made by Mr Bertrand on his disappointment about what priority the Commission would give to immediate action on the political future of the Community.

He need not worry: we are not abandoning our aims. The very terms I used in speaking to you show this. I said that the links between economic progress and the political future were indissoluble, and after drawing attention to the overall plan, I mentioned the procedure by which we can achieve it.

I mentioned our wish for a Summit, but I did not say that it would be held, and I do not know whether it will be possible. It is a wish, not a technical but a political wish, Mr Bertrand, which I express when I talk of a properly prepared Summit. Consequently, this political view is obviously present behind all our reactions.

I have said several times before this Assembly that if our technical action were not supported, enlightened, justified by a political background and political achievements, it would become diffuse and eventually disintegrate.

I repeat, perhaps in other words, there is a risk of a sub-Europe. A sub-Europe could indeed be created, with a sub-personality, a sub-Community and sub-political views.

I think a second-class Europe could come into being; do not think for a moment that I would associate myself with it. That is why in my speech a moment ago, I mentioned two or three points which I consider fundamental if this risk is to be avoided. When I spoke of solidarity, of regional policy, of the absolute necessity of continuing to use Community machinery by strengthening it to create a strong Europe, I was not making a plea for a non-political Europe.

When I mentioned that there are risks involved in development and cooperation, Mr Bertrand, do you not think that politics has something to do with this? When I ask that attention be paid to the very serious risk of a reversal in economic and monetary union, this, too, is politics, because economic and monetary union, together with the customs union and commercial policy, is at the heart of the action which we will take to create European Union. And when I say clearly that

I am deeply aware of this risk, I am speaking of politics. That is what underlies part of my speech.

If I did not set out on a great eulogy of political perspectives, it does not mean that they are absent for one moment from my thoughts. I have already said several times: there can be no Europe unless it comes about as a political achievement. I have also said here that we hoped the debate on European Union would indeed be an open and real debate.

I would like to remind you also that I spoke of the necessity of its being a public debate so that our peoples can understand, Mr Amendola, what is at stake and what the possibilities are. On this point, I withdraw nothing of what I have said, but I like to think that it is not necessary to repeat these things every time and that one should get to the heart of the matter. So, having this political view I feel that the essential thing is that we nevertheless get down to reality.

If we do not create an energy policy in conditions which take account of reality, if we do not create a regional policy which has some meaning, if we do not make substantial progress towards economic and monetary union—and I am aware of all the obstacles; Sir Brandon Rhys Williams has mentioned some of them—I am saying that there will be a certain lack of precision and perhaps of truth in political views which are not based on reality.

I am asking you—as Lord Gladwyn did—not to treat realism, tainted with suspect technocracy, and politics, more elevated and more noble, as incompatible. It is something like the poem about the ivy and honeysuckle which, unfortunately, I do not remember very well, but which ends 'not you without me nor me without you'—that is the last line. There will be no political reality if we do not do all the necessary economic work.

Personally, I am always a little afraid of *fuites en avant*, unless we achieve what is possible today and requires a little effort, but will have a very great political significance.

This is the answer I wanted to give. I have nothing else to add. In my previous speech I did not show excessive optimism, and I have not done so now, for the risks I have been describing to you are serious, very substantial and very real. I can see before us many problems, hesitations, refusals; I also see many possibilities of being content with second-best. Nevertheless, I am confident. I think there are many reasons to be confident, one of which is the action which Member States intend to take. It is the will which is being expressed in action,

**Ortoli**

in the recent period. 'One swallow doesn't make a spring', says the proverb, but this was a spring which was taking a long time to arrive. No-one can prevent us feeling with these first stirrings something which raises hopes of a summer for Europe, which will, I hope, be a glorious one. (Loud applause)

**President.** — Thank you, Mr Ortoli.

I call Mr Sauvagnargues.

**Mr Sauvagnargues, president-in-office of the European Communities.** — (F) Mr President, ladies and gentlemen, I do not share the relative disappointment expressed by some people about the importance of this debate. Personally, I have found it very valuable. In any case, it has given me an initial experience of parliamentary life and of the vigour with which confidence or expectations can be expressed by the speaker.

Lord Gladwyn said just now that nothing could be done until the elections had clarified the situation in the United Kingdom. He thus mentioned one of the many reasons why my speech had to be relatively general, as some of you have remarked.

I am a new President of the Council, but I have nevertheless as much experience in Europe as most of you, since I began to deal with these problems at the Quai d'Orsay in 1951, with Mr Robert Schuman. I will not therefore plea incompetence or naiveté.

But I will stress that since I have been President of the Council for only eight days, I cannot, of course, since I have not yet spoken to the Council as its President, give your Assembly the first news of the programme under the French Presidency. I am even less in a position to do so because, to be quite frank, it is still not very clear in my own mind. If it is for precisely that reason that I had thought, in my fairly concrete speech, that I had been much more precise than some of you had thought.

If you re-read what I said, you will notice that the text lays down perfectly clear priorities, at least as regards the Mediterranean mandate and the mandate for the negotiations with the ACP countries and that it also lays down priority action on energy.

My brief speech also included an allusion to what might be called a truism or a platitude, that is to say the energy crisis and the fact that our countries are all seriously affected by the balance of payments crisis. It is indeed a truism, but a formidable one, for if we are not careful, one of the Community countries may collapse beneath us any day.

So then, ladies and gentlemen, when you asked me to meet you in October to talk about the budgetary powers of the Assembly, I can only say that I will be there. But do you think that this is the kind of answer which will allow us to overcome the extremely serious difficulties we face?

Is it a truism to state that our Community is at present in danger of dying and to say that in such a case the main thing, the most urgent thing, is to safeguard what exists, what has made us prosper for fifteen years, up to the time when the storm outside broke about us? Of course, it can be said that there have been obstructions by various countries, like France or the Federal Republic of Germany. Obviously, everyone can accuse everyone else, but the truth is that this Community which was developing so well has undergone a storm. And what is easy in a period of prosperity becomes much more difficult in a period of crisis, for then it becomes a question of sharing out sacrifices.

Obviously, we are still at the level of truisms. But in politics these are very important because they lead to commonsense, which is not, in spite of what one might think, the most common quality in the world.

My European experience covers somewhat more than twenty years, and although I have been a European from the beginning, I have several times warned—but in a consultative and not a responsible capacity, which is much easier—against the tendency to seek perfectionism or the institutional *fuite en avant*.

When difficulties were encountered, a new institution or a new procedure was set up. This is so much easier than concentrating on the problem and trying to solve it, for an institution can be thrown together around a table. Say the Council meets and votes by a majority. Then it settles, with no problem, otherwise there is no point, questions like the regional fund and so on. That is what I call an institutional *fuite en avant*.

Mr Fellermaier, you wanted me to come here in October so that you could ask me if we are going to speak with a single voice in world politics. This is an excellent idea. But do you think that this is the problem which should be concerning us?

We have just made a very important step; we have started, in spite of great reservations on the part of certain states, the Arab-European dialogue, which is Europe's first important initiative vis-à-vis the rest of the world.

If you say that we must speak with one voice, not only to Asia, but also to Latin America,

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perhaps we have reached that stage, but let us not rush matters. In any case, that is not the most urgent of matters. Quite frankly, I assure you that when I think about my period as President, that is not the first subject that comes to my mind. On the other hand, to be quite clear about what I mean by institutional *fuite en avant*, I will repeat what Mr Ortoli said just now: our realism in practice does not reflect scepticism about politics. I also mentioned that we were sticking firmly to the 1980 deadline.

Is it necessary to say more? Do I have to repeat what was said at the Summits? We hold to it, and that is enough. When the house is on fire, we do not believe that the first thing to do is to worry about the roof. We will put the roof on, it is true that this is important, but first we must make sure that the foundations remain solid. That is the first point.

I would like to think that what I said just now went a bit beyond generalities and is already a kind of sketch of what the programme under the French Presidency might be.

This programme for the French Presidency is determined by factual considerations.

First fact: for all practical purposes, the length of this Presidency will be three months, that is to say from 15 September to 15 December. You said, Mr Fellermaier, that you would allow me until September. I thank you, but the facts would have allowed me until then anyway. For it is completely impossible for anyone to ask me to talk about anything to the Council during August. In your country, and rightly so, holidays are a religion. It is an excellent thing, and I personally regret deeply that this religion is not more universally practised in particular in the French Council of Ministers. In any case, you may be certain that I have very little time.

What are we faced with? The British situation is in the air. Before we know better what the British position is, do you think it entirely reasonable to meet to begin immediate discussions on European Union, when our British partner rejects even the very term, let alone the idea? It would not be very reasonable. We must, therefore, wait a little, talk, discuss, see we are going. We must bear the 1980 deadline in mind and begin to prepare for it.

For this preparation, we must improve the Community's decision-making process. This can be done by the President taking dynamic action, which we have already started to do, by mutual agreement, with Mr Genscher.

On this subject, a word about this famous Franco-German 'directorate' on which various

Members have spoken, particularly Mr Amendola. I am not aware that Mr Amendola spoke of a Franco-Italian 'directorate' after my visit to Sardinia.

**Mr Amendola.** — (I) That was a holiday!  
(Laughter)

**Mr Sauvagnargues.** — (F) Nevertheless, my visit to Sardinia, I would like to point out, came before Mr Giscard d'Estaing's visit to Germany. As Mr Ortoli has stressed very well, it is obvious that we have very well developed bilateral contacts and that we have a treaty with the Federal Republic of Germany. No one will deny that our contacts with Germany are of very great importance, because that is the country with which we could have difficulties, and it is essential that there be none. I said so when I was Ambassador to Bonn, and I have no qualms in saying so here: no-one need worry about the Franco-German *entente*; it remains a pillar, a motive power for the construction of Europe, but it must at no time claim to be exclusive. It would be immediately condemned as soon as it tried to impose anything on anyone. The whole construction of the Community must be carried out with strict respect for the equality of the rights of each of the Member States of the Community.

(Applause)

So much for this aside, which expresses my deepest convictions. I know that my origin as a German specialist could lead some people to suspect me of partiality. The opposite is true. My other colleagues in the Community will, I think, bear witness to this.

We must be realistic. Forgive me for quoting myself once more, but you must re-read the very general text to find the sentence 'the preservation of what we have achieved presupposes the resumption of our forward march'. This is perhaps a trite phrase, but it demonstrates a clear political will.

I said both to my German questioners and to my Italian questioners that the priority is to take action where the first cracks are appearing, that is to say on the energy question. This question is linked with our relations with the United States, and you are well aware that in Ottawa, the French delegation played a role in resolving a certain problem which had been blocking European progress for 8 or 10 months. We removed the obstacles in two hours. We did this because it is on the basis of a healthy *entente* with America that the European countries can cooperate more closely, particularly at political level; some of them are more attached

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than others to close cooperation with the United States.

If you want close coherence in Europe, you will have to get rid of prior consultation with America, a problem which crops up again in connection with energy. There again a flexible, practical but resolute attitude should be adopted, never anti-American, but not always pro-American, particularly when European interests are involved. This, too, can be found in my paper which you say is so general, you will find a sentence on this if you read it carefully...

**Mr Bertrand.** — (F) You are much more specific when you are speaking without notes, Mr President.

(Laughter)

**Mr Sauvagnargues.** — (F) It is a question of reading carefully, my text was perhaps a little too condensed, but everything I have just said was in it. I also said in that text that Europe, which was hit principally by the rise in oil prices, had to make it a matter of priority to reduce its own dependence in the energy field.

There is a difference between the American position and the European position on energy. Whereas we are cut to the quick, only 5 to 10% of the United States supplies are affected. There is therefore a difference.

All this is a part of European politics and of what we plan for the programme of the period of French presidency.

You have indeed led me on to give you a kind of preview of what I was going to say to the Council, and I have been able to express myself here only in a very covert way, out of respect for my colleagues, to whom as yet I have said nothing. Through your friendly insistence you have led me to say a little more than I should have.

I am extremely open-minded about Parliament's budgetary and legislative powers. This is no new idea; it is part of the everyday life of the Community.

But in what way would increasing the Parliament's budgetary power help us to overcome the present crisis in the Community? This is not clear. In this context, I would like to make a friendly comment. It was when I was at the Bank of France that the French objections to Parliament's budgetary powers were withdrawn. This should show you that I have a very open mind about this topic.

I think that indeed the system of own resources, by which we place great store, leads logically

to the increase of the powers of the Assembly. Your anxiety to ensure the democratic running of all this machinery seems to me natural and well justified.

But once more, although it is just, it is not of pressing interest and it is not a matter which worries me yet as a question of priority. My overriding wish is to resume our forward march. And none of that represents a resumption of the forward march, unless except perhaps in the case of a possible European Summit. But there is no question of calling a Summit in the abstract, and in this respect I am completely in agreement with the remarks made by Lord Gladwyn. It would indeed be catastrophic to call a badly prepared Summit, at which vague topics would be discussed. If this summit is held, it must produce definite result, but not necessarily spectacular ones.

Remarks have been made about the unfortunate discrepancy between official declarations and realities. But curiously enough, we are asked at the same time to make new declarations. Either one carries out specific work for Europe, on an upward path, or else one takes refuge in proclamations. That is not my way of doing things. If the Council or the Assembly have a different point of view, I will be quite happy for them to try and convince me. But at first sight, that does not appear to be the right method.

All this has been a bit rambling, and you must excuse me, but at least thus I have given you the reactions which, I hasten to say, are more the reactions of the French Foreign Minister than those of the President of the Council. In fact, logically speaking, the latter should keep his mouth tightly shut on all the remarks I have made, since he has no mandate to reply on any of these matters; consequently, I should really give no answer. But you have seen that I can from time to time go beyond the strict rules of the Community, and indeed I intend to continue doing so. I am very grateful to your Assembly for giving me a chance to say what is on my mind. I think that it is very useful for you and useful for me; it gets rid of inhibitions.

(Laughter)

I therefore thank Mr Bertrand and Mr Fellermaier for their remarks. I also thank the following speakers: Mr Durieux, who made some very interesting comments on the point of no return which we have reached and who asked a question on what was said between Mr Giscard d'Estaing and Mr Helmut Schmidt. I would willingly tell you if I knew; unfortunately I was not there. We will therefore have to wait

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until the President of the Republic has informed me of the content of his talks with Mr Schmidt. In any case I think they were fairly general. I will mention one point which was dealt with at length both during the final sitting and before the press, that is to say the stress placed by both men on the policy of stability and the deadly perils facing Europe as a result of growing inflation. Mr Giscard d'Estaing and Mr Schmidt were both categorical on this point, and the French government stated that it was firmly resolved to fight inflation vigorously and that it was convinced that the efforts undertaken would lead to significant results in the not too distant future, perhaps the beginning or the middle of 1975.

But, having said this, it is not sufficient for two countries to find a certain stability; the whole of the Community must take part in these efforts and here we come back to the problems mentioned by Sir Brandon Rhys Williams, that is to say the problem of the snake and the problem of a European monetary organization. I will say frankly that, without being a great expert on this matter, I am in complete agreement with him in thinking that the snake idea has in any case been completely superseded by the incredible amount of Arabian oil dollars circulating in the world, which make the preservation of fixed parities between any currencies extremely difficult. So personally I do not think it will be very easy to re-establish a European snake; in fact I do not think that the question now arises in those terms.

The remarks on the European Payments Union, on the other hand, seem to me to be justified. It is true that in 1950 we did in France set up fairly efficient machinery, but at that time it was easier; it was a matter of distributing the dollars which were given to us, and the situation was much different from today's. It is true nevertheless that at that period this machinery worked, and it is not impossible to imagine similar machinery being set up.

Let me tell you that I would call such machinery 'a good institution'. If a specific problem arising between Europeans can be settled by a community of sovereignties or responsibilities, by a European institution, I unreservedly declare myself in favour. But to say in a general manner that such and such a thing must be improved, is to remain on a mythical level.

I thank Mr Bourges for the very interesting points he made. Without a doubt he and Mr Durieux have been my best listeners. They both understood what I was trying to say and what apparently I was not able to communicate to everybody. And yet, there were sufficient precise points in my speech.

I will not go over again what Mr Bourges said. Everything which he brought up in his speech merits attention. I do believe that attention must be paid to the priorities, but they must not turn our attention away from the vision of European Union which we must maintain for 1980. Mr Bourges mentioned the possibility of dealing with problems of political cooperation in this Assembly and not only in the Political Affairs Committee. This runs quite counter to the position which France has adopted for years. However, at first sight, I do not find this extraordinarily shocking. I note that the point on which political cooperation has up to now achieved its greatest success, but which unfortunately has still to be realized, is the Arab-European dialogue, which to some extent concerns all the states. The Commission, moreover, is taking part in this dialogue, as is natural.

I intend, in fact, at the next Council meeting to speak to my colleagues about the Arab-European dialogue, and on this topic, I cannot see myself asking them to go downstairs and across the road to the Palais d'Egmont. That would seem to me a pointless formality. From this point of view then, I cannot see any insuperable obstacle. If you had asked me questions on political cooperation, I would only have been able to answer you as Foreign Minister of the French Republic and not as President of the Council, for the very good reason that I have no right to do so.

Mr Amendola made some interesting remarks on the participation of the peoples. He is perfectly right. The European Communities should indeed be solidly based on the will of the people. It is therefore clear that the question of universal suffrage will arise sooner or later. I cannot yet say anything specific on this matter. Nevertheless I do not think that this will happen before the end of the year, but perhaps things will turn out differently. I really do not know. All I would say is that the possibility cannot be automatically excluded. Lord Gladwyn mentioned the essential point which he thought still had to be dealt with, that is to say energy, the monetary fund, the regional problem, and so on. All that is correct. It is up to us to lay down a programme for discussion, for although I am President of the Council, I do not alone represent the Council. I cannot therefore take a decision alone. I cannot tell you in advance what it will be possible for me to tell you at our meeting in October, which I am prepared to accept in principle, provided that it is possible for me to appear before you.

*(Applause)*

**President.** — Thank you Mr Sauvagnargues.

11. *Agenda for Next Sitting*

**President.** — The next sitting will be held tomorrow, Wednesday, 10 July 1974, at 9 a.m., 3 p.m. and 9 p.m. with the following agenda:

- Presentation of and debate on the supplementary report drawn up by Mr Brugger on behalf of the Legal Affairs Committee

on the proposal from the Commission of the European Communities to the Council for a regulation embodying a Statute for the European Company (Doc. 67/74).

The sitting is closed.

*(The sitting was closed at 8.05 p.m.)*

## ANNEX

*Oral Questions, which could not be answered during Question Time,  
with written answers*

*Question by Mr James Hill*

*to the Commission of the European Communities*

*Subject:* Coordination of methods of transport within the Community.

In view of the importance to the development of not only Transport but Regional Policy of using methods of transport which are not hindered by different techniques in different Member States, what arrangements, if any, has the Commission in hand for coordinating research in the Member States into the development of high speed methods of communication, with particular reference to trains?

*Answer*

The Commission is aware of the importance of introducing a coordinated high-speed transport system, particularly for the development of the Community's regional, industrial and transport policies.

The coherence of such a system could be jeopardized if new, and different, techniques of high-speed driver-operated transport, such as are now being developed in some Member States, were to be adopted at national level.

In order to study the possibilities of coordinating work on these new techniques, the Commission has invited the appropriate national officials to a meeting at the end of July. It is to be hoped that the conference will initiate a phase of consultation and coordination of possible joint action.

As regards more specifically high-speed rail transport, the Commission is in a position to provide a certain amount of coordination through the consultation procedure in respect of investment in transport infrastructures introduced by the Council's decision of 28 February 1966.

*Question by Mr Martens*

*to the Commission of the European Communities*

*Subject:* Support of the French government for exports to Italy.

If it is true that French exporters of agricultural products to Italy can apply to the Crédit Agricole for finance for the Italian deposit, who then bears the loss of interest on the deposit and any loss on exchange, and is this arrangement not a distortion of competition?

*Answer*

The French government has not given any notification of the kind of measures indicated by the honourable Member. The Commission therefore has no reason to suppose that the French government will grant income subsidies or absorb possible exchange rate losses in respect of exports of agricultural products to Italy.

*Question by Mr Premoli**to the Commission of the European Communities*

*Subject:* Harmonization of speed limits.

Since there is so much movement of motor traffic in summer and difficulties arise because speed limits on ordinary roads and motorways often differ from one country to the next, the Commission is asked whether it intends to propose harmonization of such speed limits as an urgent measure.

*Answer*

The question raised by the honourable Member has already been looked into by the Commission. On 7 June 1974, an informal meeting was held with the Member States to discuss the possibilities of harmonization in this field. At this meeting eight of the participants agreed that harmonization would in principle be possible.

However, it became evident that studies should be intensified to determine exactly what effects general speed limits would have on such matters as safety, industrial production, fuel consumption and the free flow of traffic.

Depending on the results of these studies the Commission hopes to achieve harmonization in this field, based on limits that represent the optimum solution to the problem and taking account of the various, in some cases contrasting, requirements that this solution must meet.

*Question by Mr Van der Hek**to the Commission of the European Communities*

*Subject:* Revival of agriculture in the Sahel countries.

Is the Commission prepared to give, at short notice, financial and other aid for experimental stations in the Sahel countries to work on the development and launching of new techniques designed to revive agriculture and cattle breeding in these countries, with due regard for ecological factors?

*Answer*

The Commission is naturally prepared to finance experiments in agriculture, as it has always done in the past, within the accurately defined framework of the development programmes which it finances in the Sahel countries, while taking careful account of ecological conditions.

As the projects now being implemented through the European Development Fund and under the emergency aid programmes have absorbed all the finances available to the Commission, new measures cannot be envisaged in the immediate future.

It should, however, be pointed out that under the terms of the Yaoundé Association Convention the Commission is not responsible for the financing of agricultural research programmes as such. These are the responsibility of specialized institutes already in existence or about to be set up, which will be financed from other sources. The Commission is nevertheless taking part in the drawing up and coordination of these programmes, and its services regularly obtain information on results achieved.

*Question by Mr Früh**to the Commission of the European Communities*

*Subject:* Situation in the pigmeat sector.

What are the Commission's views on current trends in the pigmeat sector, and what steps does it intend to take to prevent pig prices falling any further?

*Answer**1. Situation of the market in the Community*

The situation on the pigmeat market has been characterized by a price level below 103% of the basic price since the week of 17 to 23 June (87.72 units of account per 100 kilogrammes or 102% of the basic price).

During the week of 24 to 30 June the price dropped even further (84 units of account per 100 kilogrammes or 97.7% of the basic price), principally because of the fall noted in the Netherlands (— 3.4 units of account compared with the previous week) and the devaluation of the green lira the exchange rate of 1 unit of account = 801 lire has been applied in the pigmeat sector since 24 June 1974).

The abolition of the 'prior deposit' system in the case of imports into Italy will undoubtedly have a positive effect on the market, but it will not be possible to say in the immediate future what exactly this effect will be.

The growth in supply has been estimated on the basis of investigations carried out in April 1974 as follows:

— Estimates for 1974 compared with 1973 —

	EEC <sup>1</sup>	D	F	NL	B	L	UK	IRE	DK
April - May	+ 3.6%	+ 1	— 1.9	+ 7.3	+ 16.8	+ 11.1	+ 7.9	+ 1.1	+ 1.1
June - July	+ 3.5%	+ 3.4	+ 0.2	+ 12.1	+ 9.4	+ 18.8	+ 5.3	— 4.5	— 4.4
August - September	+ 3.5%	+ 6.3	+ 2.6	+ 9.6	+ 7.9	+ 20.0	+ 0.7	— 19.2	— 2.6
October - November	+ 2.1%	+ 8.4	+ 4.1	+ 5.9	+ 10.5	— 5.0	— 4.8	— 24.1	— 12.0
December - January	+ 3.9%	+ 8.6	+ 4.9	+ 8.1	+ 11.0	— 9.1	— 6.6	— 28.2	+ 0.1

<sup>1</sup> Excluding Italy because the results of the investigation carried out in April 1974 are not yet available for that country.

In view of the general meat supply situation and the overall economic situation, there is unlikely to be in the short term sufficient growth in demand to raise pigmeat prices to any marked extent.

*2. Situation on the world market*

Prices on major third country markets are very low, particularly where live pigs and certain fresh cuts are concerned. They are generally well below Community sluice-gate prices. As regards processed meat, it should be noted that in May and June the price of canned ham originating from the Netherlands dropped in the USA from 128 to 106 cents per pound (— 13%) and the price of canned Danish ham from 130 to 112 cents per pound (— 14%). In the same period the price of canned Polish ham fell from 126 to 106 cents per pound (— 13%).

*3. Measures taken*

As the conditions for the taking of intervention measures were given (Article 4(2) of Regulation No 121/67/EEC), the following steps have been taken:

- (a) As from 10 July 1974 aid may be granted for the private storage of carcasses and certain cuts;
- (b) As from 8 July 1974 the export refund has been increased for fresh, frozen and chilled carcasses and cuts;

- (c) From the same date (8 July) the supplementary amounts to be added to the levies have been adjusted to take account of the development in the free frontier offer price in order better to protect the Community market.

*Question by Mr Hougardy  
to the Commission of the European Communities*

*Subject: European loan to Italy.*

Can the Commission give further details as to the long-term credit amounting to 2 000 million units of account which the Community is considering granting to the Italian Republic and which would confirm the existence of genuine European monetary solidarity?

*Answer*

1. The European monetary solidarity cited by the honourable Member in his oral question has already helped Italy in that short-term monetary support has been granted to the Banca d'Italia.

This three-month loan, which can be renewed once, amounts to 1 562.5 million units of account or about 1 900 million dollars; it has been made available to the Banca d'Italia in the form of dollar deposits. Italy began drawing on this loan on 18 March 1974. At their meeting of 9 June, the governors of the central banks of the EEC decided to renew this monetary support for three months, i.e. until 18 September. This short-term monetary support could also be supplemented by medium-term financial assistance.

2. The urgent economic and financial measures proposed by the Commission on 5 June 1974 include the plan to create, within the framework of monetary solidarity, a special loan which would be of some considerable size, would be financed by borrowing from outside the Community and could be used to the benefit of the Member States.

The Commission is studying a project of this kind.

At present it would definitely be premature to wonder how sums which have not yet been collected will be distributed.

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IN THE CHAIR: MR BERKHOUWER

*President*

*(The sitting was opened at 9.05 a.m.)*

**President.** — The sitting is opened.

1. *Approval of the Minutes*

**President.** — The minutes of proceedings of yesterday's sitting have been distributed.

Are there any comments?

The minutes of proceedings are approved.

2. *Texts of Treaties forwarded by the Council*

**President.** — I have received from the Council of the European Communities certified true copies of the following documents:

- Agreement in the form of an exchange of letters rectifying Annex A of Protocol No 1 to the Agreement between the European Economic Community and the Republic of Finland;
- Agreement in the form of an exchange of letters renewing the Agreement on trade and technical cooperation between the European Economic Community and the Member States of the one part, and the Lebanese Republic, of the other part;
- Agreement between the European Economic Community and the Republic of Niger on the supply of skimmed milk powder and butter-oil as food aid;
- Agreement between the European Economic Community and the Republic of Mali on the supply of skimmed milk powder and butter-oil as food aid;
- Agreement between the European Economic Community and the Republic of Mali on the supply of maize as food aid;
- Agreement between the European Economic Community and the Republic of Upper Volta on the supply of maize and sorghum as food aid;
- Agreement in the form of an exchange of letters amending the provisions of the exchange of letters of 30 January 1974 relating to Article 3 of Protocol No 8 of the Agreement between the European Economic Community and the Portuguese Republic.

These documents will be placed in the archives of the European Parliament.

3. *Documents received*

**President.** — I have received the following documents:

- (a) The Ninth Annual Report on the activities of the Council of the EEC-Turkey Association (1 January - 31 December 1973) - (Doc. 195/74).

This document has been referred to the Committee on External Economic Relations (Delegation to the Joint Parliamentary Committee of the EEC-Turkey Association);

- (b) A report drawn up by Mr Egon Klepsch on behalf of the Committee on External Economic Relations on the proposals from the Commission of the European Communities to the Council (Doc. 188/74) for

- I. a regulation extending the arrangements applicable to trade with Tunisia beyond the date of expiry of the Association Agreement; and
- II. a regulation extending the arrangements applicable to trade with Morocco beyond the date of expiry of the Association Agreement  
(Doc. 197/74).

4. *Regulation on a Statute for the European Company*

**President.** — The next item on the agenda is a debate on the supplementary report drawn up by Mr Brugger, on behalf of the Legal Affairs Committee, on the proposal from the Commission of the European Communities to the Council for a regulation embodying a Statute for the European Company (Doc. 67/74).

I remind the House that speaking-time during this debate has been limited under Rule 28 of the Rules of Procedure. The allocation of speaking-time to the various groups and speakers was announced in the minutes of yesterday's sitting.

The list of speakers will be finally closed at 10.00 a.m. today.

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

**Mr Brugger, rapporteur.** — (D) Mr President, ladies and gentlemen, I should like to begin by making a few remarks on the original report of the Legal Affairs Committee on the proposal

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from the Commission of the European Communities to the Council for a regulation embodying a Statute for the European company. After that, I shall briefly introduce the supplementary report which I am submitting on behalf of the Legal Affairs Committee.

As you know, the original report was drawn up by Mr Pintus, who is unfortunately unable to introduce it to the House today, as he is no longer a Member of this Parliament. His report was the result of long and detailed discussions in the Legal Affairs Committee, the committee responsible. There were also discussions in the committees asked for their opinions—namely, the Committee on Economic and Monetary Affairs, the Committee on Budgets and the Committee on Social Affairs and Employment.

The last-named committee, in particular, carried out some meticulous work on that part of the proposal dealing with the representation of employees in the European company.

The European company, the *Societas Europaea*, would represent the most significant method for Community undertakings to take full advantage of the opportunities offered by the Common Market and to overcome the competition from third countries' undertakings on the Community market and on the world market.

I should like to take this opportunity to thank the Legal Affairs Committee's original rapporteur, Mr Pintus, as well as the committees asked for their opinions. I am particularly grateful to Mr Adams, the rapporteur of the Committee on Social Affairs and Employment, for his valuable and constant cooperation. I should also like to thank the officials of the Commission who were involved in the matter for their knowledgeable and expert cooperation and for their explanations, which proved extremely valuable to the Legal Affairs Committee.

Thanks are also due to the officials and staff of the secretariat of the Legal Affairs Committee for their valuable and untiring work. The translation service, too, should not be forgotten. The comprehensive nature of the reports by the Legal Affairs Committee and the technicality of their subject-matter call for the appreciation of the expert work of all these people.

I should now like briefly to mention the economic and political aims of the proposal for a regulation which is before us. The object of the proposal is to introduce a Community law concerning certain forms of *sociétés anonymes* as being particularly suitable for developing and consolidating the economy of the Community.

The Commission's basic assumption was that the setting up of *sociétés anonymes* under European

law would encourage cross-frontier cooperation between economic forces at a Community level, broaden the basis of research, production technique and distribution, make possible a beneficial relationship between capital and labour, and so raise social achievements to a Community level in order to come nearer to achieving the objectives set out in Article 2 of the EEC Treaty, especially those concerning the balanced development of the various branches of industry in the Community as a whole and the establishment of closer relations between economic forces in the Member States. The latter objective is an essential precondition of European economic union.

I do not wish at this point to speak of the attempts made in Europe in the past to achieve forms of multinational cooperation between various undertakings. For reasons of time, I would merely refer you to the detailed account of these attempts in the introduction to the original Pintus report. I merely wish to take this opportunity to explain in some detail the important aspects of the proposal for a regulation.

Referring to the economic aims of Community regulations in this matter, I would first of all like to say that the laws of the various Member States and of the Communities already make some international cooperation possible. The national laws make available to domestic and foreign companies a variety of legal instruments to this end. For example, these companies can form new companies, subsidiaries or branches in other countries, they can make licence agreements or other cooperation agreements or exchange operational experience among themselves.

Since all these opportunities for international cooperation already exist, one might well ask why the existing legal opportunities are to be increased still further. It should be mentioned that despite the positive developments triggered off by the Community agreements, the structures of undertakings have hardly changed at all. Some progress has been made in extending, restructuring and concentrating undertakings, but such developments have on the whole been confined within the frontiers of individual Member States. The trans-frontier interpenetration of undertakings still leaves much to be desired, while the pressure of competition on the internal markets of the Member States has certainly increased.

This state of affairs leads to another disadvantage for the Community. Purely national mergers result in a consolidation of national economic structures which cannot easily be

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adapted to the requirements of the Common Market so as to use production factors to the full. Two conditions must be fulfilled if this disadvantage is to be overcome: first, undertakings must make greater use of the opportunities for cross-frontier cooperation and the advantages this brings; second, the Community and the governments of the Member States must create and improve the instruments necessary to encourage such cooperation. The first condition is essential, for unless undertakings are convinced of the advantages and act accordingly there can be no real change of direction. However, the necessary instruments must also be improved and perfected. They must meet the requirements of a single European economic area, which are not the same as those applicable to normal trade relations. Normal trade relations depend on the independence of national markets, which are usually linked to one another by means of trade. These links may, however, be easily broken or, as we know, they may, for the most varied reasons, be restricted by unilateral regulations such as limited quotas or currency restrictions. Undertakings attempt to overcome these difficulties by transcending national frontiers and merging with foreign undertakings, or setting up subsidiaries in other countries and adapting to the political, legal and psychological requirements of those countries.

There is therefore something to be said for multinational undertakings, whose specific aim is to overcome the barriers separating national markets. They do not, however, offer a solution which is in keeping with the aims of European economic union. One of the main objects of the Community is the elimination of all obstacles separating national markets and the fusion of these markets into a single large economic area.

For this to happen, suitable instruments must be placed at the disposal of Community undertakings. The Commission's proposal for a regulation now before us, which is to apply to the whole of the Community, makes provision for such instruments for *sociétés anonymes*.

The instruments available at the present time are effective only within the individual Member States. The setting up of European *sociétés anonymes* will certainly have positive effects on politics as well as on industry and trade. There will be new relationships between companies, their shareholders and employees. Greater importance will be attached to a European Community interest. Public opinion will become accustomed to the term 'European' as applied to *sociétés anonymes* set up in this way, and will become increasingly conscious of the need for mutual economic penetration by the economies of the Community. The result will be a concen-

tration and reinforcement of the most important industries, such as the nuclear industry, the aircraft industry and electronics.

Europe will also obtain more say in international politics: the creation of undertakings whose interests are those of Europe rather than those of the individual Member States is one of the prerequisites for European economic and monetary union, and this in turn is essential if Europe is to be able to play a unified political role in the world.

There are several ways to achieve this object: a single law to be adopted by all Member States; agreement between the Member States; or a regulation based on Community law.

A single law in all Member States would, however, remain national law and would not solve certain psychological problems in cross-frontier cooperation. The new company which would have to be created for this purpose would of necessity be subject to the legislation of a single Member State. There would also be the problem of ensuring the uniform application of such a law in the different Member States. Even if a special procedure were brought in to solve this problem, new difficulties would arise concerning the stopping up of the loopholes which would be inevitable in such a law, and it would be necessary to return to national law. The application of a uniform law also raises the question of whether the standards contained in it would take precedence over other national provisions concerning the same subject.

An agreement between the Member States would also fail to provide the necessary guarantees of uniform application. The application would depend on the different Member States' methods of dealing with the application of such agreements. In addition, there would be no guarantee that the standards contained in such an agreement would be given precedence over domestic legal standards.

A European law, however, makes it possible to create true European companies according to a single set of provisions which are applied directly and are not based on national law.

As regards size, the form of the European company according to Community law is related to the economic climate in which European undertakings operate. The European company would be able to make an important contribution towards overcoming a great number of legal and psychological difficulties which to date have stood in the way of mergers between companies from different Member States. The European company can be seen to be necessary for achieving the objectives of the EEC Treaty, even

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though the introduction of this European law is not laid down in specific provisions of the Treaty.

This being the case, the Legal Affairs Committee found itself in agreement with the views and actions of the Commission, which chose Article 235 of the EEC Treaty as the legal basis for its proposal. The Legal Affairs Committee approved the use of Article 235 because that article provides for the consultation of the European Parliament, allowing it to participate in the formulation and further development of Community law.

The decision to use a regulation also seems a right one for the following reasons. A regulation provides a simple solution to the problem of transferring Community law to the domestic legal sphere of the Member States. It eliminates all doubts as to the precedence of Community law over terms later laid down by national law. A European regulation may also be amended and extended relatively easily. The provisions of Article 177 of the EEC Treaty, concerning preliminary rulings of the European Court of Justice, apply here and so guarantee a uniform interpretation. No ratification by the Member States is necessary. In addition, a regulation does not necessitate the amendment or adaptation of the domestic laws of the Member States.

The proposal for a regulation now before us led to extremely detailed discussions in the Legal Affairs Committee on certain points. The first question to arise was whether the opportunity to form a European company should actually be limited to *sociétés anonymes* as such, or whether it would not be better to extend them to cover other types of company such as the limited liability company, of which there are many financially stable examples in some Member States, or associations and natural persons. After a long consideration of the arguments for and against, the Legal Affairs Committee decided to look cautiously into this. The Legal Affairs Committee requests the Commission to look into the possibility of such an extension in detail and without delay.

As regards the capital needed to set up a *société anonyme*, the question was raised whether the minimum capital laid down in the proposal for a regulation should not be reduced to enable the regulation to be applied to companies with limited capital. This proposal was then rejected on the grounds that the most important objective of the regulation was to create undertakings which would be able to compete successfully with the large companies of third countries.

It was, however, thought appropriate to reduce the minimum capital for the creation of joint

subsidiary companies. The proposal from the Commission of the European Communities provides that a European company may have more than one seat. The Legal Affairs Committee, however, considers that the European company should be allowed to have only one seat. This conclusion was reached after considering the difficulties, particularly the legal ones, which might affect the question of the competence of courts if more than one seat were allowed.

The European company should be permitted to issue registered shares and bearer shares. This raises a question of fundamental and practical importance. As you know, in one Member State, Italy, the issuing of bearer shares is prohibited, mainly for tax reasons. The Legal Affairs Committee voted by a large majority in favour of the retention of the Commission's proposal against limiting the issue of bearer shares; it should be borne in mind that in all the other Member States the issuing of bearer shares is allowed, although equal advantage is not taken everywhere of this opportunity. It must be pointed out that tax frauds relating to bearer shares can easily be prevented by suitable measures. Several provisions of the proposal for a regulation are in fact aimed at eliminating the possibility of tax frauds. Consider, for example, the provisions on the transparency of accounts. Another thing to remember is that in Italy bonds, which are also bearer securities, are a major source of finance for undertakings. It therefore seems illogical to prohibit the issue of bearer shares by European companies under certain circumstances.

With regard to the structure of the European company, I need only point out that the proposal makes provision for the following bodies: the board of management, responsible for leading the business side of the undertaking, the supervisory board, which supervises the management of the company, and the general assembly, which takes the most important decisions on behalf of the company.

The principle of dualism has thus been chosen for running the European company: the responsibility for administering the company is borne by the management, and supervision is carried out by the supervisory board.

The Legal Affairs Committee was in agreement with the principle of dualism, as it has given good results in those countries in which it has been applied and facilitates active participation by employees within the undertaking.

To protect the interests of employees and to lay down conditions of employment and remuneration, four methods are proposed: the European Works Council, which ensures that employees

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are represented within undertakings; the Group Works Council, to protect the interests of employees working for groups in which a European company is the predominant undertaking; the presence of employees' representatives on the supervisory board; and the possibility of concluding collective agreements between the European company and the trades unions represented in their works. The works councils formed in individual establishments of European companies under national law will not be abolished: they shall continue to carry out functions which do not fall under the terms of reference of the European Works Council.

My speech would go on for too long if I were to describe in detail the representation of employees in the European company. I would draw your attention to the observations on Chapter V of the proposal for a regulation contained in the original report, from page 74 onwards.

The representation of employees on the supervisory board was one of the trickiest and most important problems. There were turbulent discussions on this point in the Committee on Social Affairs and Employment and in the Legal Affairs Committee. The Commission's proposed regulation stipulates that one-third of the supervisory board should be made up of employees' representatives and two-thirds of shareholders' representatives.

There were three different attitudes to this question. Some members of the two committees considered that the participation of employees should not be institutionalized at all in the European company, and that the individual European companies should be left to settle the question of participation in their own statutes. Other members, however, considered that the Commission's proposal should be approved and applied on an experimental basis. Amendments could then be made later, if necessary, on the basis of the experience gained.

A third group considered that the Commission's proposal was inadequate, as employees could never participate in a real sense in determining conditions inside the European company as long as their representatives were in a minority vis-à-vis the representatives of the shareholders. The proposal should be amended in such a way, they said, that one-third of the seats on the supervisory board was allotted to employees' representatives, one-third to shareholders' representatives and the remaining third to persons jointly appointed by both of the other two groups. The Committee on Social Affairs and Employment finally voted in favour of the Commission's proposal. In the Legal Affairs Committee, however, there was a slight majority in favour of the system of thirds, whereby one-

third of the supervisory board would be made up of employees' representatives, one-third of shareholders' representatives and the other third of members jointly appointed by the first two groups.

That part of the proposal dealing with the rendering of accounts did not give rise to any particular discussion. There would, however, be some difficulties concerning the comparison of the balance sheets and the profit-and-loss accounts of the different companies, unless they chose the same system. The proposal for a regulation makes provision for a possible division of the balance sheet into two parts, while four systems are provided for the division of the profit-and-loss account.

In its report on the provisions concerning the rendering of accounts, the Legal Affairs Committee limited itself to putting certain questions to the Commission without proposing amendments to the Commission's text. In any case, the Commission will have to correct these provisions, taking into account the opinion of the European Parliament on the fourth directive on the co-ordination of protective provisions which exist in the Member States in respect of the division of the content of the annual balance sheet and the situation report and of the methods of assessment and the making available of these documents.

As you know, Parliament delivered its opinion on this proposal for a directive on 15 November 1972 in Strasbourg on the basis of a report by Mr Meister. The Legal Affairs Committee now expects that in the final version of the present proposal for a regulation the Commission will take proper account of the opinion delivered by Parliament on that occasion.

The section on groups is particularly important, mainly because legislation on groups exists in only one Member State to date. The regulations proposed in this proposal have not met with undivided approval. However, the Legal Affairs Committee felt that European companies should be legally granted this opportunity to merge undertakings so as to adapt themselves as effectively as possibly to the situation in the greater European economic area and the world market.

**President.** — Mr Brugger, the House has assigned to you 30 minutes. I see that you still have 10 pages. If everyone speaks at such length, we shall not be finished this week. How much longer do you think you will need?

**Mr Brugger, rapporteur.** — (D) Mr President, I would like another ten minutes, but I am sure

**Brugger**

that the ten minutes I need could be taken from the time allocated to my political group.

Mergers between undertakings may lead to problems of competition, but this risk is balanced by the fact that the creation and activities of groups as they affect competition are subject to the laws of the Community and of the individual Member States. The Legal Affairs Committee takes the view that the introduction of regulations for groups in the Statute of the European Company is justified, as it represents a legal recognition of a form of economic organization which already exists, giving groups the necessary scope for action and at the same time guaranteeing that shareholders and creditors are protected against the dangers which might arise if an undertaking became a dependent undertaking in a group which included a European company.

That part of the proposal dealing with the alteration of the Statutes of the European Company did not give rise to any particular problems. The general assembly is alone responsible for alterations to the statutes. The provisions on winding up, liquidation, bankruptcy and similar cases were also considered straightforward.

The same applies to the provisions concerning mergers between European companies or between a European company and a company formed under the national law of a Member State. The merger may result in the formation of a new company or in incorporation into the European company. The result will be a European company. The converse is also possible, i.e., a European company may be incorporated into a *société anonyme* subject to national law.

No provision is made for tax privileges for European companies, as any such privilege would run counter to the principles of modern tax law, which attach greater importance to the activities of the undertakings than to their legal form. Such privileges would also create fresh distortions and discrimination, to the detriment of free competition and fiscal neutrality. The European company is therefore subject to the tax laws of the Member States. These vary in the different Member States, however. A harmonization of tax laws is becoming increasingly urgent; otherwise, there will be a danger that European companies will concentrate their activities in those Member States which offer the most beneficial tax conditions and establish their registered offices there. The Commission should therefore intensify its efforts to bring about tax harmonization.

Another remark concerning fiscal provisions: these are related to the proposed directives on 'the common system of taxation applicable to

mergers, scission and contribution of assets effected between companies in different Member States' and on 'the common fiscal system applicable to parent and subsidiary companies in different Member States'. The Council has not yet reached a decision on these proposals. It is urgently necessary that the Council should reach a decision on these directives before the Statute of the European Company comes into force.

Finally, I should like to comment on Article 282 of the proposal for a regulation. This article lays down that Member States shall introduce appropriate provisions for creating certain offences which are listed in an annex to the proposal for a regulation. The Legal Affairs Committee would emphasize that there is no guarantee that the same penalty would be imposed for the same offence if the penalty were left to be decided by the individual Member States, since at present penalties for the same offence differ in severity and nature between one country and another. The Legal Affairs Committee therefore considers that a Community directive should lay down not only the offences but also the corresponding penalties, so that the same penalty is imposed for the same offence in all Member States.

We all remember that at its plenary sitting of 12 December 1972 the European Parliament was to deliver its opinion on this proposal for a regulation on the basis of the report drawn up by Mr Pintus taking into account the points of view which I have put forward today.

The importance and scope of the proposal was such that several Members of this Parliament tabled a very large number of amendments, making it necessary for the amendments to be referred to the Legal Affairs Committee. Our late colleague Mr Armengaud was one of those who tabled a large number of amendments at that time. As he is no longer with us, I would like to recall with gratitude the constructive content of his amendments and the noble manner in which he upheld them when he was here with us.

It took a long time for the Legal Affairs Committee to deal with all these amendments. There were also considerable delays caused by the enlargement of the Community, as the many documents had to be translated into the languages of the new Member States and the proposals had to be explained to the representatives of the new Member States, as they were not familiar with them, which lengthened the discussions in the Legal Affairs Committee. Additional difficulties arose because of legal differences in the new Member States.

**Brugger**

The results of the work carried out by the Legal Affairs Committee are embodied in the motion for a resolution now before Parliament.

I should point out that the motion for a resolution which I have submitted on behalf of the Legal Affairs Committee includes several alterations and additions to that contained in the Pintus report on account of the amendments which proved to be necessary. The motion for a resolution now before you differs from the original mainly as regards the duties and powers of the various bodies in the company. I refer you in particular to the amendments to Articles 66, 83, 123, 124 and 125 of the proposal for a regulation.

It was necessary to add to the proposal an important section concerning the election of employees' representatives to the European Works Council and the Supervisory Board. In Ireland and the United Kingdom no representation of employees at works level exists as it does in the original Member States. In order to guarantee uniform and, if possible, simultaneous elections of employees' representatives to these bodies in the European company, the Legal Affairs Committee devised a set of detailed election rules. Under these rules, members of the European Works Council shall be elected by the employees of the European company in a direct secret ballot. The lists of candidates could be submitted by trade unions represented in the establishment, by at least one-tenth of the persons entitled to vote in the establishment or by 25 such persons.

It was not possible to divide employees into categories, as such categories are defined differently in the different Member States. However, the principle of proportional representation and the possibility of priority votes would provide suitable protection for minority groups. The election of members of the European Works Council would be organized in each establishment by an electoral commission. The employee's representatives on the Supervisory Board would, however, be elected indirectly by delegates appointed by the employees of the European company and the companies dependent on it. This system of indirect election of representatives to the Supervisory Board seemed necessary for various reasons, which are outlined in greater detail in paragraph 131 of the supplementary report.

The preparation and running of the election of the delegates would also be carried out by electoral committees.

The voting procedure for the election of employees' representatives to the Supervisory

Board would be run by a central electoral commission.

The lists of candidates could be submitted by the trade unions represented in the establishment, by the European Works Council, by at least one-twentieth of the delegates or by one-tenth of those employees of the European company entitled to vote.

It should be mentioned that in European companies with only one establishment the employees' representatives on the Supervisory Board would be elected directly by the employees in that establishment.

It also seems worth pointing out that the organs of employee representation formed in the establishments of a European company pursuant to national laws, as originally listed in Article 102 of the Commission proposal, have been brought up to date so far as the six old Member States are concerned, and that they have been amended to correspond to the situation existing in the new Member States.

In order to facilitate the routine adjustment of this list to changes in the relevant provisions within a Member State, the list has been taken out of the original text of the proposed regulation and appended as Annex I. The text of Article 102 as amended by the Legal Affairs Committee now provides that routine adjustments may now be made directly by the Commission, so as to avoid the lengthy process of formally amending the regulation.

The purely technical provisions concerning the election of members of the European Works Council and the employees' representatives on the Supervisory Board are laid down in Annexes II and III. These annexes constitute an integral part of the regulation. This was done to prevent the text of the regulation from becoming too unwieldy.

I shall not presume any further upon the patience of the President and Members of this House. I therefore hope that I will be excused if my remarks have not been as comprehensive as I might have liked.

Mr President, ladies and gentlemen, the creation of this new form of undertaking made possible by the European company may become an important milestone on the road to achieving a European company law, which must accompany the attainment of a single European economic area.

Allow me to emphasize once more that the urgent need for the creation of this new type of European company was stressed by the Heads of State or Government at the Paris Summit Conference in October 1972.

**Brugger**

Of course, the proposal for a regulation now before you is not without its shortcomings and errors, and the Legal Affairs Committee itself has not been able to eliminate them all completely, as the material to be dealt with requires extremely wide technical knowledge. In addition to this, there are very fundamental differences between one Member State and another as regards legal provisions and the actual situation. There will be no problem, however, as regards making the necessary improvements once the regulation has entered into force and the necessary experience been gained. In order to gain experience, a decision must first be made to begin with something, even something imperfect. The institutions of the Communities, therefore, must not miss this unique opportunity to improve the means of cooperation in the economic field and to forge more social and more human links between the social partners.

On behalf of the Legal Affairs Committee of the European Parliament, I call for the adoption of the motion for a resolution now before us.

*(Loud applause)*

**President.** — I ask the House to note Mr Brugger's statement that fifteen minutes of his speaking-time are to be deducted from that of the Christian-Democratic Group, which thus still has seventy-five minutes' speaking-time at its disposal.

I call Mr Adams, draftsman of the Opinion of the Committee on Social Affairs and Employment.

**Mr Adams, draftsman of an opinion.** — *(D)* Mr President, ladies and gentlemen, I should like to limit my remarks to that part of the Commission's proposal for a regulation on the Statute for a European Company which falls within the terms of reference of the Committee on Social Affairs and Employment.

I should like to recall that in 1968, when the draft Statute for a European Company had not yet been submitted to us, the Committee on Social Affairs advocated, as a matter of principle, settling the question of workers' participation in a European company.

I would mention the opinion by Mr Bergmann, adopted unanimously by the Committee on Social Affairs on 8 January 1969. Allow me to quote some important points of principle from it, which in my opinion are still fully valid today. It stated:

'When setting up a European Company, it is, in the opinion of the Committee on Social

Affairs and Health, essential to find a satisfactory solution to the problem of employee representation in the organs of the company. If this is not achieved, the introduction of a new European form of company, which indubitably meets pressing economic requirements, must fail'.

And further:

'The economic, social and political unification of Europe is unthinkable without satisfactory participation of employees in the fortunes of the company. Workers in the Member States of the Community can rightly consider themselves as one of the pillars of the European idea. They are in favour of a Community Europe in which workers have equal rights, not only in individual areas of society, but also in the economy. They are prepared to take responsibility in a democratic, social and European society.'

And:

'In a time when the desire for democratization of society in all areas is becoming noticeable, modern ideas should come from the European Community and be realized in the European Company.'

Lastly, I should like to quote something which is certainly important for us today:

'It is appropriate, as has already been done in other areas, to introduce a regulation which has proved itself in one Member State into the whole Community. Furthermore, the Committee on Social Affairs and Health is of the opinion that European Company law should involve no retreat in social respects from any company forms existing in the Community.'

So much for the Committee on Social Affairs in 1969.

The Commission's proposal, at present under discussion, for regulating employees' representation in the European Company was, as you are aware, preceded by extensive studies—for instance, the study by Professor Peter Sanders, who still, as we know, advises the Commission on these matters. The Commission rightly starts from the position that the organization of a European undertaking as a European Company requires not only the legal regulation of the Company's relations with its shareholders and with third parties, but also that the legal position of the employees within the undertaking is essential to its internal functioning and its business relations with others.

We realize that regulations in the Member States at present applicable in this sphere dif-

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fer widely from one another. Nevertheless, they comply with the principle that workers are entitled to joint representation of their interests and to participation in, and co-determination of, particular decisions in the Company. We acknowledge that the Commission in its proposed regulation has attempted not only to take this development into account but also to encourage it to the greatest possible extent. The efficiency of an undertaking with establishments in a number of Member States will, in fact, depend largely on legal forms which facilitate and encourage cooperation not only between employees and management but also between employees across the internal frontiers of the Community. The Commission states here that

'the employees of a company must be enabled to unite in defence of their interests within the undertaking and to share in the making of certain decisions.'

In the Committee on Social Affairs, of which I am now draftsman for the opinion, we came in 1972 to the following opinion: The most important thing is to eliminate the view that workers are mere objects and to achieve the active participation and involvement of all those engaged in the economic process.

In our present society, it would be irrational to limit democracy to the sphere of the state. Responsible coexistence must be given pride of place in all spheres of our life. Your committee is therefore of the opinion, Mr President, that in the economic sphere, too, the 'legal person' should not take the central position, but an important thing is to eliminate the view that power to act and to set our economic development going. Within this association of people there are, of course, conflicts of interests, which have to be settled more especially in the relations between capital and labour in the undertaking. These conflicts have to be solved by the introduction of co-determination on a basis of the institutionalized equality of capital and labour in the undertaking.

In accordance with democratic practice, only an organ representing equally the interests of labour and capital can take care of these interests when decisions are being made in the undertaking.

Then, as now, it was the composition of the supervisory organs of the undertaking that was the subject of discussion. I am certain that democratic awareness is so highly developed not only on the workers' side but also among wide circles on the employers' side that cooperation in the economic and social spheres in a spirit of greater social justice can be achieved.

As you all know, the committees concerned have gone to great trouble in discussing this voluminous draft Statute. On 29 and 30 November 1971, the Committee on Social Affairs and Employment held a joint hearing with the Legal Affairs Committee, the committee responsible, of scientific experts and representatives of both sides of industry. The Committee on Social Affairs and Employment visited an undertaking in the German Federal Republic where co-determination on a basis of parity, recognized by all sides, has been successfully practised since 1951. This hearing and this visit figured largely in the considerations behind the committee's opinion.

Allow me now to go briefly into the most important points of this opinion.

The creation of a European Works Council, provided for in Articles 100 to 129, naturally took up a large part of our discussions. Obviously, we have a positive attitude to this institution. No one can deny that close co-operation between the management and the European Works Council and an institutional guarantee of the provision of fully adequate information to the employee's representatives in an establishment concerning all important problems connected with the undertaking and its establishments are indispensable. The Committee on Social Affairs and Employment has tried to improve, or at least to clarify, certain points of the provisions concerning the European Works Council.

As regards the election of employee representatives to the European Works Council, we insisted that establishments with between 50 and 199 workers should also be able to elect a representative to the European Works Council.

We also considered whether, in view of the possibility of very diverse structures in establishments of the European Company, it was advisable to fix upper and lower limits for the numerical size of the European Works Council. Since, however, adequate employee representation must be guaranteed, we decided in agreement with the Commission, that it was not advisable.

Article 108 deals with the cases in which membership of the European Works Council ceases. These are: expiry of the mandate of the European Works Council; resignation; termination of employment; and loss of eligibility for election.

This article seemed to us to require supplementation. The work-force or their representatives must be guaranteed supervisory powers over the members of the European Works Council,

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especially in cases of gross infringement of the provisions of the Statute of the European Company. Furthermore, it seemed advisable to empower the European Works Council to enforce observation by the employer of the provisions of the Statute, where necessary through the courts. I draw your attention here to our amended text, which can be found on page 42 of Mr Brugger's supplementary report.

Let me now deal with Article 112, which provides for special protection against dismissal for members of the European Works Council. Dismissal of members and alternate members is impermissible during their period of office in the European Works Council and also during the following three years. This provision may be departed from only on grounds which, in accordance with the national law applicable, entitle the European Company to terminate the contract of employment without notice.

I surely do not need to emphasize that protection for the members of the European Works Council against dismissal is indispensable for the independent and effective representation of employees. It ensures that the members suffer no disadvantage as a result of their activities on the Council. We therefore earnestly considered how this protection against dismissal could be improved. I myself proposed that the national provisions to protect members of Works Councils be extended to the members of the European Works Council; but this proposal was rejected by the committee, since such a course would result in differing legal treatment for the members of the European Works Council.

On the other hand, the committee was unanimously in favour of granting the European Works Council a right of participation in questions of dismissal of its members. There were differences only as to whether this right should extend to a requirement for agreement or merely to a requirement for prior consultation. The committee voted 11 to 6 in favour of prior consultation. Accordingly, the following new paragraph is to be added to Article 112:

'The said form of dismissal, which shall be exceptional only, shall not, however, be applied without prior consultation with the European Works Council.'

**President.** — Mr Adams, do you also wish to be given a few minutes' extra time?

**Mr Adams.** — (D) Yes, Mr President, if you please.

Article 119 deals with the responsibilities and powers of the European Works Council.

Essentially, it is to represent the interests of the employees of the European Company. Its competence is, however, restricted to matters affecting the whole European Company or several of its establishments. It does not extend to matters covered by a collective agreement. Finally, the European Works Council is to ensure that effect be given to provisions of law existing for the benefit of the employees, collective agreements and agreements concluded by it within the company.

In this connection, we asked the Commission whether the above limitation on the competence of the European Works Council excluded or restricted stronger rights enjoyed by national works councils. The Commission answered this question in the negative, since in its view, in accordance with a generally valid legal principle, worsening of conditions in the sphere of labour law is impermissible.

In the interests of a better and clearer demarcation of the competence of the Council, our committee insisted that Article 119(2) be formulated as follows:

'The competence of the European Works Council shall extend to matters which concern more than one establishment not located in the same Member State and which cannot be settled by national works councils acting within their own establishment. [Without prejudice to Article 127], its competence shall not extend to the negotiation or conclusion of conventions or collective agreements concerning the working conditions of employees, unless a collective agreement expressly authorizes the conclusion of supplementary agreements at establishment level.'

I come now to Article 120, which deals with cooperation between the Board of Management of the European Company and the European Works Council. The text proposed by the Commission does not seem to us to go far enough. We therefore proposed the following additions:

'The Board of Management of the European Company shall inform the European Works Council not less than once a quarter of the general economic position of the European Company and of its future development. To this end, it shall send to it every quarter a report on the preceding quarter. This report shall give full and up-to-date information on at least:

- the economic and financial position of the European Company,
- the state of production and marketing,
- the production and investment programme,

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- rationalization projects,
- production and working methods, especially the introduction of new working methods,
- any other fact or project which may have an appreciable effect on the interests of the employees of the European Company.

We then added to Article 121 that in particular the annual accounts, after adoption, and the management report, be sent to the European Works Council and shall be duly commented on.

Article 123 gives the European Works Council rights of consent and thereby a right to co-decision, in a number of fields. All decisions of the Board of Management in these fields require the express agreement of the European Works Council; otherwise they are void. Our Committee on Social Affairs insisted that the right to codecision be considerably extended and clarified. In particular, it considers it essential that the establishment of a social plan (compensation for or alleviation of the economic disadvantages incurred by employees as a result of rationalization measures by the management) requires prior agreement by the European Works Council.

Article 126 fixes the procedure for consultation of the European Works Council by the Board of Management. The latter must set out in writing the reasons for its proposed decision and its probable consequences from the point of view of the business and of the employees. If the decision of the Board of Management differs from the opinion of the European Works Council, it must state its reasons to the European Works Council. Our committee attached great importance to this consultation procedure, since decisions taken by the Board of Management may have considerable impact on the employees, and it is possible by taking timely measures to avoid or alleviate undesirable effects on the employees.

We therefore insisted on clarification of the consultation procedure, to the effect that the consultation be accompanied by 'full information in good time'.

Article 127 provides for possible collective agreements and gives priority to collective agreements made by the European Works Council over those made by national employee representative bodies. This seems sensible since it avoids the co-existence of differing collective agreements.

In the interests of clarity and legal security, the Committee on Social Affairs insists that a new paragraph 3 of Article 127 contain the following provisions:

'The provisions of collective agreements shall not be altered to the disadvantage of employees by individual agreements.'

This addition corresponds in the German text *verbatim* to the Commission's statement in the notes on its draft.

Articles 130 to 136 lay down the working methods and powers of the Group Works Council. Since these provisions are essentially the same as those for the European Works Council, they present more or less the same problems, so that I need not go into them in more detail.

I should, however, like to emphasize the especial importance of the regulations on the representation of employees on the Supervisory Board, dealt with in Articles 137 to 145.

Public opinion in the Member States has produced a large number of proposals concerning this representation and the composition of the Supervisory Board, which require more detailed explanation. The Committee on Social Affairs at any rate insists that the interests of the employees be taken care of through full representation on the supervisory bodies of the European Company.

I need not here go into what Mr Brugger has already explained concerning the two proposals voted on in the Committee on Social Affairs and subsequently in the Legal Affairs Committee. I should merely like to point out that the proposal I put forward did not obtain a majority in the Committee on Social Affairs. The fact that it did finally obtain a majority in the Legal Affairs Committee is not a matter of chance, since it is already being successfully practised in the Federal Republic and in the Netherlands in the Hösch and Hoogovens Companies. I should like to instance above all the latest report from the Board of Management of these companies, which has existed for 5 years now and which singles out for especial praise this cooperation between the two groups, employees and employers.

At any rate, the whole committee was agreed that the Commission rightly emphasized in its proposal the necessity to set up a unitary model for the representation of employees on the Supervisory Board of all European companies.

I come now to Article 145, which provides that employees' representatives on the Supervisory Board shall have equivalent legal status with those members elected by the General Meeting—that is, shall have the same rights and duties.

In its note the Commission draws attention to the fact that any agreement to the contrary

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contained in an individual contract made with a representative of the employees is void. Moreover, the employees' representatives on the Supervisory Board enjoy the same protection against dismissal as the members of the European Works Council. Our committee demands an addition here to the effect that any dismissal effected in breach of this provision shall be null and void.

In accordance with Article 146, the conditions of employment applying to employees of the European Company may be regulated by collective agreement between the European Company and the trade unions represented in its establishments. The European Company therefore has a special power to make agreements, so that it is not confined to the national collective agreement systems, the provisions of which apply only to establishments situated in the same Member State.

The Committee on Social Affairs welcomes the fact that it thereby becomes possible to conclude European collective agreements which may obviate undesirable differences in working and economic conditions within the European Company. This should be regarded as a step towards the development of a European law of collective bargaining.

Our committee further expressed the hope that the regulation of conditions of employment contained in Articles 146 and 147 would provide the necessary impulse for developing an all-embracing and unitary European collective agreement law.

Mr President, ladies and gentlemen, I think I should confine myself to these explanations, which I consider essential, and should like to thank you for your attention.

*(Applause)*

**President.** — I ask the House to note the fact that the draftsman of the Opinion of the Committee on Social Affairs and Employment has exceeded his speaking-time, so that for other speakers from the Socialist Group, as also for those from the Christian-Democratic Group, seventy-five minutes are still available.

I call Mr Gundelach.

**Mr Gundelach, Member of the Commission of the European Communities.** — I am glad to be able to address the European Parliament on an issue as significant as the European Company Statute.

First of all, I thank the members of the committees concerned with the European Company Statute and, in particular, the rapporteurs most

involved, Mr Pintus, Mr Adams and, above all, Mr Brugger. We are well aware of the time and attention which has been devoted to considering and improving our original proposal. The result is a report and a proposed resolution of outstanding quality. It is perhaps particularly satisfying in that the proposed Statute is a clear example of how Article 235 of the Treaty of Rome and the parliamentary procedure which it requires can be used in a constructive and important way.

The Commission welcomes the fact that all the committees of the European Parliament have recognized the value of the proposed new legal form. But I think it is appropriate for me at the start of this debate to state why the European Company Statute is so significant economically and politically. I shall do so first in very general terms, and then in a little more detail. Finally, I propose to deal very briefly with three or four specific issues of particular importance upon which you must reach decisions, concluding with the most important, employee participation.

To begin with, why in general terms is the European Company Statute significant? Recent events provide us with part of the answer, probably the most important part. The Community's ability to respond effectively to the political problems which arise today, and will undoubtedly arise in the future, depends to a great extent upon the existence of solid structural foundations. Without such a structure the Community is like a modern building without its steel frame: when the wind blows, it will fall apart. One of the elements in this structural foundation, not perhaps the most central component but certainly a very important one, is a common legal framework. The European Company Statute is a significant part of that common legal framework.

The looser economic, trading arrangements appropriate to the 1950's and 1960's will not enable us to meet the greater challenges of the 1970's and 1980's. We must move on to construct a common market in the full sense: a solid economic, social and legal foundation for the Community. If we do not, we know what will happen when the wind blows. Recent events have given us all the fair warning that we may need.

But there is a second answer to the question of why the European Company Statute is significant. It is significant because it has been drafted so as to take account of the basic purposes which we seek to achieve—in particular, to paraphrase the Treaty, fairly distributed and balanced improvements in the wel-

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fare of the peoples of the Community taken as a whole. This is no less important in a period when our economies are growing, and will be growing, more slowly owing to events outside our Community. As we shall see, the European Company Statute seeks to promote these objectives both directly in its own provisions and indirectly in so far as it constitutes a sound basis and stimulus for further legislation.

I will now attempt to develop these two general themes in a little more detail to explain first the role that the European Company Statute will play in the framework or foundation which we must construct, and secondly the manner in which it furthers the fundamental social objectives of the Community.

The role of the European Company Statute as part of the framework is to encourage the formation and concentration of business enterprises at the European level by providing a modern rational structure for these enterprises. In a phrase, it is to create what does not exist today—a common market for European enterprises, beyond the shaky common market for goods and services.

As yet our enterprises do not have the opportunity of acting throughout the Community in the same way as they can within the single Member State in which they are incorporated. They have to contend with serious legal, practical and psychological difficulties if they wish to engage in certain cross-frontier operations. Cross-frontier mergers are normally impossible. The cross-frontier formation of holding companies or subsidiaries, although possible, is difficult because national company laws are in principle naturally territorial.

The resulting complexity is an undeniable disincentive to cross-frontier transactions within the Community. Moreover, enterprises cannot adopt legal structures which are appropriate to the scale and requirements of the European market in which they operate or may wish to operate.

The European Company Statute will provide them with such a structure and, moreover, a structure of a modern sophisticated kind which offers protection for the legitimate interests of all concerned in the running of the enterprise—shareholders, creditors and not least employees.

In making this structure available, the European Company Statute will provide a real stimulus for economic activity throughout the Community. For enterprises will have the opportunity to choose a modern corporate form which enables them to operate as European enterprises and thereby increase their efficiency,

competitiveness *vis-à-vis* the outside world and strength, in their own interests and, what is more, in the interests of our society as a whole.

However, I would here like to make the important point that the Commission is not making the proposal because it believes that 'bigger' means 'more efficient'. There is evidence that more often than not the contrary is true. The purpose of the European Company Statute is not to encourage bigness as such but to free enterprises from legal, practical and psychological constraints deriving from the existence of nine separate legal systems. These constraints at present inhibit enterprises from arranging their affairs and relationships with other enterprises in the manner which would otherwise be the most efficient and profitable just as a national company does in relation to its domestic market. Smaller and medium-sized firms can benefit as much as large ones from this opportunity. It is my firm opinion that they will avail themselves of this opportunity for the benefit of our economy, since it is important that in a modern industry this should consist not only of big trees, but also of the underwood to give it life for the future also.

Moreover, as I have said, the European Company Statute is part of a framework which we are building, but it is only a part. It will be complemented by appropriate instruments in other fields, instruments to control mergers adversely affecting competition and to channel capital investment in relation, for example, to particular regions.

I am struck in the discussion of a smaller- or bigger-size Community Regional Fund by the discrepancy between the order of magnitude we are there discussing and the vastly larger amounts which are being privately invested outside our Community and not in the areas which are in need of development. I am told continually that one of the reasons for this is the lack of a legal framework and the lack of appropriate relationships between workers and capital. Therefore, in regional development also our future development towards a higher degree of economic cooperation will benefit from the steps we are contemplating here.

However, company law in itself has naturally never been the vehicle for such measures and for this reason the Statute itself does not speak of them. But it is important to remember that European companies will be affected by such instruments in the same way as enterprises in other forms.

Similarly, the Statute does not exclude the possibility of employees' participating in the profits or assets of a European company, a matter

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which will be of increasing interest in the future.

In this connection I would like to make one further comment. We agree that Community instruments dealing with related matters should be coordinated as far as possible and we are attempting to achieve this.

Turning now to the question of broader social objectives, the European Company Statute makes an obvious direct contribution to the objective of 'harmonious development of economic activities'. The mechanisms which it proposes ensure that adequate recognition is given to the legitimate interests of all who are involved in the operation of the enterprise—shareholders, creditors and employees. I shall return to the matter of employee participation subsequently. It is sufficient to say here that the two-tier structure of supervisory board and management board, the recognition that employees should be represented on the supervisory board, the provisions concerning the right of the European Works Council to approve specific management decisions, and the rights of shareholders at general meetings constitute a sophisticated response to the problem of reconciling the principal interest groups in our societies. In my view it is difficult to exaggerate the importance of this problem. We must actively seek the means whereby the conflict which too often prevails at present is replaced by dialogue and co-decision, or when it is inevitable, as it sometimes will be, at least takes place in a more enlightened atmosphere. The European company's structure, though undoubtedly not the only means to that end, is an important contribution. As for the indirect contributions of the European Company Statute as a basis for further regulations and legislation, we should first consider the role it will play in the development of Community policy with regard to multinational companies. The Statute will facilitate the formation of new multinational companies, but of a different type. Multinationals which choose to take advantage of the new European form will have the same transparent structure and obligations in relation to shareholders, creditors, employees and society as a whole. The basis of a modern, uniform company law applicable to European multinational companies throughout the Community will then have been created.

The European Company Statute thus provides an opportunity for us to develop in future sound measures for achieving a balance between, on the one hand, the benefits to be achieved by free competition—for example a better use of scarce resources, which is more important in a

period of scarcity than ever before—and, on the other hand, the problems caused by the activities of unrestrained large-scale economic entities operating internationally. Such an opportunity is of great value.

Finally, in this connection let us not overlook the effect that the European Company Statute will have on national company laws. It does not seek to replace national laws and will not do so. It will exist alongside them. But I am of the opinion that its modern lines will attract the attention of those concerned with company law throughout the Community and that it cannot fail to have an effect on their thinking. I am positive that this process will be beneficial and will give added impetus to trends towards convergence which are already discernible in the various national systems and are wholly desirable from the Community's point of view. We must not lose sight of the fact that the proposed company structure is not just a theoretical model. It must be workable and it must be capable of effective decision-making and action. Otherwise we shall have utterly failed in our task.

I will now deal briefly with the problems in some specific areas which must be resolved before the European Company Statute becomes a part of Community law. The Legal Affairs Committee, collaborating with the Committee on Social Affairs and Employment, has tabled a number of amendments—indeed, about 70. I shall not now comment on them, and it may not even be necessary for me to do so later on, since our views on these matters are well known. But I must make it clear that out of about 70 amendments proposed in the different reports the Commission can accept about 60. On the remaining 10, the position is either 'Yes, but', or a wish for further clarification, or the attitude that the amendment will add nothing. Thus, with a few exceptions, we are in broad agreement with the views expressed by the two committees.

The situation is not quite as happy in relation to the other 70 amendments which have been tabled over the last few days. They deal with a number of matters of a technical juridical nature which are important and which we may possibly accept or agree to consider further. But there are others that we cannot accept. They are good old friends. They have been discussed three or four times already and our position has been made clear. I do not want to repeat the position which the Commission has been taking on these various important matters, or add to what we have already said to the Legal Affairs Committee and the Committee on Social Affairs and Employment. The debate

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must roll on. It is my hope that it will concentrate on the most important political aspects of the matter and not, however important they may be, on legal technical matters, because the Commission will amend these proposals taking Parliament's views into account. We have agreed that the text must be coordinated with other texts in relation to trade activities and with texts on legal measures, and so on, which are still before Parliament. There are still many legal matters awaiting dialogue in Parliament, and it is important that Parliament should now concentrate on the politically important aspects and finish with them so that we can make progress as quickly as possible. During the debate I shall limit myself to matters of prime importance and will only intervene in matters concerning legal aspects when required by the House to do so.

We especially agree with paragraph 5 of the proposed resolution relating to harmonization of taxation. We, too, strongly share the view that the necessary work which is the responsibility of the Council must be speeded up.

I shall first deal with the problem of access to the European Company form, which is limited at present to existing *sociétés anonymes* or analogous companies which desire to undertake certain specific cross-frontier operations.

The extension of access to other corporate forms is in principle attractive. Accordingly, the Commission agrees with the Legal Affairs Committee's proposal to enlarge access to the European Company to include other corporate forms, for example, companies with limited responsibility and cooperatives. Such firms, however, would be able to have access to the European Company form only by forming a common subsidiary. As for allowing access to companies which have already performed a cross-frontier operation and are engaged in activity on a European scale, the Commission agrees that in principle such enterprises should be admitted, but the problem of formulating a rule to define the kind of cross-frontier operation which would qualify an enterprise has proved immensely difficult. To admit these companies would involve a complex addition to the Statute. Moreover, these enterprises will not find it unduly difficult to adopt the form of a European Company if they wish.

The Commission also accepts the Legal Affairs Committee's proposal to lower the required minimum capital for formation of a European Company as a common subsidiary from 250,000 to 100,000 units of account. It further proposes to lower proportionately the figures for the other modes of formation—by merger or holding company—from 500,000 to 250,000 units of account.

The second problem with which I want to deal now is that of plurality of seats. It may be that, where two enterprises are closely linked by tradition, name or otherwise to the countries in which they have their registered offices, to oblige them to choose one registered office in one country will constitute a disincentive to their combining as a European Company. On the other hand, the Commission is of the opinion that the Convention on Jurisdiction and the Enforcement of Civil and Commercial Judgments, concluded in 1968 between the Members of the Community, prevents a situation arising whereby several courts in different countries might be competent to decide the same case involving a European company and might reach different conclusions. Accordingly, there seems to be no reason for imposing the possible disincentive of obliging a European Company to have a single seat.

The third problem concerns the sanctions for the criminal offences listed in the annex to the European Company Statute. The Statute as drafted imposes on Member States the obligation of creating offences to cover the conduct described in the annex. The Legal Affairs Committee has proposed that we should go further and draw up a Community directive to establish the nature of these offences and the appropriate penalties.

Indeed, from the conceptual point of view there is much to commend the proposal. However, to attempt to draw up a directive as suggested would be a complicated task in the sensitive area of criminal jurisdiction and procedure.

We might create more problems than we solved and delay further the adoption of the proposed Statute. The Commission is of the opinion that it will be sufficient in practice to ensure that certain practices become criminal offences and to leave the penalties and associated procedures to national legislation.

The final issue upon which I wish to address you is perhaps the most difficult of all: the problem of the manner in which the Statute should organize the participation of the employees of the European Company, and in particular their representation on the supervisory board.

As we have already seen, the European Company Statute does not treat the new legal structure simply as a means of organizing invested capital. Recognition has been given to the interests that employees have in the enterprises in which they work—social and economic, but, I agree with Mr Adams, also human interests. Moreover, it is clear that the basic purpose of the Statute, which is to create a

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European corporate form, requires that the Statute contain uniform provisions as to employee participation. Reliance cannot be placed on the varying systems of employee participation prevailing in the Member States. We here must create a common system for the Statute. The principles of the system that we have proposed are well known to you.

The Commission welcomes the fact that all committees have agreed on the three fundamental principles—namely, the principle of establishing a European Works Council with rights of information, consultation and approval with regard to specified management decisions; the principle of the representation of employees on the supervisory board; and the principle that European companies should be able to conclude collective agreements at European level. Such collective bargains may well become instruments of great significance in the future.

In relation to the provisions concerning the European Works Council, two proposals have been made. First, there is the proposal for the introduction of uniform election rules (which would also be used in the election of workers' representatives to supervisory boards). Secondly, there is the proposal to enlarge the list of management decisions subject to the prior approval of the European Works Council to include the closure of the undertaking, or parts of it, and the settlement of a social plan in the event of closure. I shall deal with these proposals in that order.

The introduction of uniform election rules has been proposed by the Legal Affairs Committee because of the absence of national election rules for works councils in the United Kingdom and Ireland to which the simple *renvoi* to national law originally proposed by the Commission might apply. The Commission approves of the introduction of uniform election rules because it believes that the role of the employees' representatives, particularly of the European Works Council, will be greatly strengthened if all representatives are elected by a democratic procedure giving them a common legitimation.

I turn to the subject of the European Works Council's power to approve closures and the associated social plans. The Commission takes the view that employees should have the right, through their representatives, to approve social plans to deal with the consequences of basic economic decisions taken by enterprises. These social plans deal with matters immediately affecting the interests of the employees. However, the right to approve a social plan should not be a right to an indirect veto—I said this before in the plenary session—of the basic economic

decision itself. Accordingly, if the plan does not meet with the approval of the employees, it is right that there should be an independent arbitration, as has been suggested in this Parliament and as this Parliament will discuss in connection with the first directive, to which I have already referred.

Such a social plan requiring the approval of the employees' representatives and independent arbitration has been a consistent part of the Commission's policies with regard to mergers and amalgamations. For example, you may remember our discussion last year on Article 6 of the proposal for a third directive on mergers between *sociétés anonymes* of January 1973. The same idea is to be found in Chapter 3 of the proposal for a directive on the retention of rights and advantages of employees in the case of mergers, takeovers and amalgamations of May 1974. It is therefore wholly justified to extend the principle and to include it in the European Company Statute in relation to closures, as proposed by the Legal Affairs Committee and the Committee on Social Affairs and Employment.

Provided employees' representatives have such rights, there is no necessity to give them the right to approve or disapprove the closure itself. In the opinion of the Commission, it is the supervisory board, by reason of its mixed composition—and here we must take account of what we are trying to do by the use of the supervisory board—which is best able to resolve these basic economic questions and to reach a decision which constitutes a reasonable balance of the various interests involved in relation to the closure of an enterprise, which in many cases—in most cases—may be no longer economically viable. Neither the European Works Council nor the shareholders' meeting, which each represent one interest group only, should have the right to approve or disapprove the fundamental issue of the closure itself.

Finally, I turn to the most crucial subject of today's debate—the composition of the supervisory board. The principle of employee representation on the supervisory board seems, I am glad to say, to be generally accepted within the committees of this Parliament, at least as regards the European company. Perhaps this is the most opportune moment to observe that of course any solutions that are developed for the European company do not inevitably set the pattern for the proposed fifth directive on the structure of the *sociétés anonymes* and analogous companies. There is no doubt some link between the two, but approximation of nine national systems with their own long-standing traditions of industrial relations is different from and more difficult than the creation of a new optional European form.

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I should like to take this opportunity to announce that the Commission intends to publish in the autumn a document of the kind known in some Member States as a Green Paper. This will provide a record of the present positions and trends throughout the Community with regard to company structure and employee participation. The basic purpose of the document will be to provide in a convenient form the necessary basis for a constructive consideration of the fifth directive dealing with the harmonization of company law.

However, although the principle of employee representation on the supervisory board appears to be accepted, there appears to be no discernible consensus on how best to implement the principle in concrete terms. I have been struck by the fact that the amendments that have been coming in during the past three days from the various political groups have indicated a closing of the gap at the last minute, and I am happy to observe that.

The Commission's original proposal was that employees should have one-third of the seats on the supervisory board unless a greater proportion was specified in the Statutes of the European company. But, since the Commission proposed the European Company Statute with employees' representation on the supervisory boards, increased powers for works councils and collective bargaining, a constructive and far-reaching debate has developed in all Member States of the Community and, indeed, in this Parliament. I am sure that the debate today will provide another example of this.

In the course of this debate a considerable consensus has developed that in the type of modern society in which the European Company will operate, such companies have responsibilities far beyond the classical responsibilities to shareholders. They have responsibilities to the employees, to local interests and to the public.

We are naturally aware that there are still people on the one side and on the other who believe that the classical confrontation between industry and workers is the right way to solve problems even in a modern industrial society. Let me underline that the proposed rules for employee participation in the European Company Statute do not infringe upon or diminish the rights and possibilities of the labour unions. Let me also state that there will continue to be confrontations and that maybe sometimes this is good and inevitable.

But the Commission continues to believe, together—I am happy to say—with a growing majority, that a modern and complex society needs mechanisms which will avoid unnecessary

and, for everybody, harmful confrontation, and which will ensure that when confrontation is unavoidable it takes place in a more enlightened atmosphere. The discussion on the subject is still going on. Your debate today may constitute an important milestone in the progress towards a first set of solutions. It is now your responsibility, today and tomorrow, to give as clear and decisive advice as you possibly can. There will be difficult considerations and negotiations ahead of us before the European Company Statute can be implemented. You can influence that process by expressing yourself clearly with cogent arguments and with authority today.

As far as the Commission is concerned, we have actively participated in the debate on the subject from the very beginning. We have, indeed, taken a leading part. We shall continue to do so in the future. We shall take fully into account the views expressed by all of you here today and the conclusions that you arrive at—we hope—tomorrow morning, with an open mind. I can best emphasize our willingness to seek solutions appropriate to the state of development of our societies by underlining that we in the Commission will not insist on our original proposal. We are ready to seek more advanced solutions. *(Loud applause)*

IN THE CHAIR: MR BURGBACHER

*Vice-President*

**President.** — Thank you, Mr Gundelach.

I call Mr Scholten to speak on behalf of the Christian-Democratic Group.

**Mr Scholten.** — *(NL)* Mr President, the Christian-Democratic Group attaches the greatest importance to the proposal for a statute for a European Company. Considering the contents of the documents which have been published on this proposal and the tenor of the contributions to this plenary debate in the European Parliament, the obvious conclusion is that the main importance of this proposal lies in its social, legal and fiscal aspects. The principal topic of the discussion has been employee participation.

My group recognizes the importance of these problems, and this will be clear from speeches by other Members—particularly Mr Pêtre. However, in the opinion of my group, this may not be seen as sufficient justification for considering this proposal solely from this point of view. The essential basis—and this is my first point—is an economic one. The proposal for a

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European Company cannot be put down to legal or social motivation—it emerged from a wish to promote economic cooperation between the nine Member States by means of a legal formula.

Why should it be desirable, if not essential, to create an extra form of company in addition to those already existing in the Member States? Certain kinds of international cooperation, enabling industry to transcend frontiers and cooperate economically on a larger scale, have already been created. I need only mention the extensive and particularly arduous work on the harmonization of our national company laws, which will entail major changes in national legislations. My group is fully aware of these developments, but nevertheless believes that they must be supplemented by the European Company in the legal form which is the subject of the present proposal.

I cannot hope to cover the whole field, but I would like to draw your attention to a number of advantages offered by this new legal form. Firstly, it will have the same form in every one of the nine Member States. This uniformity will mean that the European Company will not be seen as an alien element in any of the Member States, in the sense of its not having a national character. This legal form transcends national legal systems and may thus become a stimulus for the creation of wider economic cooperation beyond the national frontiers of the Member States.

The European Companies will doubtless—and this is a second advantage—stimulate the further harmonization of our national company laws.

Further advantages will be easier access to stock exchanges and subsequently to the European capital market; better protection for third parties who do not wish to be confronted with unexpected terms, legal or otherwise, when engaged in business with such companies; and finally the possibility of transferring the headquarters of any European Company from one country to another, making it easier in the future to adapt to changing economic conditions.

However, the principal economic advantage—and I would stress the words '*economic advantage*'—of a European Company lies in the fact that, as we are firmly convinced, it will encourage economic cooperation among the nine Member States. The European Company will provide the appropriate framework—or at least my group anticipates that this will be the case—for transfrontier operations such as Community subsidiaries, international holding companies and mergers.

Economic cooperation at the national level is progressing ever more rapidly and ever more

extensively in our Member States. It is evident that such cooperation neither can nor should stop at national frontiers. If we wish to offer competition to industry outside the Community, then industry within the Community will have to regroup itself into larger units. I agree with Mr Gundelach that the principal object of the European Company should not be, in fact, to create larger units, but rather to remove the obstacles to cooperation which are still inherent in our national legislations at the present time. As politicians, we must provide European industry with the legal instruments which are necessary to achieve that increased international cooperation.

It is the conviction of my group that these instruments must not be so formulated that they force partners in industry to select the legal system of one particular Member State. From a psychological point of view, it is this element of the European Company which is most important, since industrial cooperation in this new legal framework will not lead any of the cooperating partners to believe that he has had to capitulate to the legal system of another partner. Seen in national terms, the European Company represents a neutral solution to international problems. It is this neutrality which may be expected to provide a great stimulus to cooperation in Community industry.

In the light of these general considerations, my group finds it very difficult to understand Article 2 of the proposed Statute, which restricts the right to establish European Companies to those *sociétés anonymes* which are incorporated under the national law of a Member State. It is our opinion that this restriction impairs the general objects of the European Company, and is not essential to protecting European Companies from proliferation.

The proposal in its present form does not allow legal persons other than *sociétés anonymes*, companies not possessing legal personality or natural persons to set up European Companies. My group considers this to be unfair. This restriction unnecessarily hinders economic co-operation in a European context. Nobody can claim that only *sociétés anonymes* are of importance for our economy from both a national and an international point of view. Natural persons can also, for example, carry on economic activities of the greatest importance at both national and European level.

I should like to follow my namesake, Mr Y. Scholten, former Dutch Minister of Justice, in defending the point of view that anyone who is entitled to hold shares in a European company should also be entitled to establish such a company. The Statute does not lay down any

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restrictions in respect of those who may hold shares, and it is consequently illogical to lay down restrictions in respect of those who may establish European companies. It must also be remembered—and this is a point which constantly arises in the documents—that the restrictions proposed by the Commission can easily be circumvented. Legislation which even before it is adopted can and will be subject to circumvention is not very good legislation.

There is, furthermore, no reason to believe that bodies other than *sociétés anonymes* will fulfil their establishment commitments any less seriously than the *sociétés anonymes* themselves.

In view of these points, my group urgently requests Mr Gundelach to expedite the study referred to in paragraph 17 of the motion for a resolution. I should be most grateful to Mr Gundelach if he could give me a clear, positive reply to this request. At the same time, I would point out that my group upholds the requirement, as laid down in Article 2, that the establishment of a European Company should be effected by at least two parties resident in different Member States or subject to different national laws. This point is not one which we wish to dispute. But with regard to the fundamental question of whether a restriction should be imposed on bodies entitled to establish such companies my group considers it very important that the present proposal should be supplemented at the earliest opportunity.

I would also like to make some observations about the annual accounts. It is a good thing that the proposal should devote so much space to the preparation of the annual accounts. This is important for various reasons, of which I would refer to two. Firstly, I would point out that in a society of increasing democratization the establishment of a new instrument such as the European Company cannot and must not be allowed to lead to a reduction in the flow of information, addressed in this particular case to the interested parties, the employees and the providers of capital. Secondly, I should like to point out that there must be a comprehensive obligation to publish results in order to prevent the European Company from being misused by companies wishing to evade national regulations on this score.

Reading through the regulations on the publication of results, I must admit that I am not entirely happy with the proposal in this respect. In the opinion of my group, Article 148(3), in particular, is not sufficiently strict. I look in vain, for example, for the requirement that it should be possible to form an evaluation of the solvency of the company. Netherlands legis-

lation on the annual accounts of companies states, for example, in so many words, that the annual accounts must provide enough information for a reasonable judgement to be made—insofar as the annual accounts permit—of the state of solvency of the company. I also look in vain for admission of the fact that stricter requirements may be imposed in respect of publication of information about the profitability of the company than, for instance, about the liquidity. Finally, I see no general regulation on the calculation of the profits and losses of a company, to the effect, for example, that this calculation must give a faithful and orderly picture of the extent and composition of the business results.

Why do I feel it necessary to make such observations? Because it is the unequivocal opinion of my group that it is most important for the European Company to publish its business results quite openly and make known its real position in economic life; this report should be oriented not exclusively towards the society in which the European Company functions but more particularly to its own employees and providers of capital. The important matter of participation will be the subject of speeches by other members of my group. Suffice it for me to say that my group agrees basically with the 'one-third, one-third, one-third' proposal put forward by the Legal Affairs Committee. Mr Pêtre will deal with this point in greater detail.

Of the other subjects which will be discussed in detail on behalf of my group, one is the position of small firms and another is the fiscal aspects, about which I have nothing to say today—a fact which my fellow-Dutchmen will probably find rather surprising. The reason why I do not wish to touch on these points is not that I do not consider them to be important—the Commissioner has already rightly pointed out their importance—but that my colleague Mr Artzinger will be dealing with them at length later. I should simply like to express the hope and anticipation that this new legal form will be a stimulus and catalyst for the further European harmonization of our fiscal legislation.

Mr President, the European Company will not be a universal panacea for all the troubles of the Community and our economy. I would warn against expecting miracles from this new structure. In common with my fellow-countryman, Professor Sanders, who was mentioned just now by Mr Adams and who made an important contribution to the preparation of the Commission's proposal—for which I should like to take this opportunity of paying tribute to him—I would like to say: this is neither more nor less than the creation of a new legal instrument

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to further the development of national economies and the European economy. Law is there to serve, and in this case it is to serve our economic progress. Only time will show whether this instrument has a positive contribution to make. The answer to this question will depend substantially on the way in which European industry makes use of this new instrument.

The European Company is not only an interesting but also a daring policy, since it offers the opportunity to by-pass national sentiments and make a substantial contribution to the economic development of Europe.

In conclusion, my group would like to salute its member—I have purposely avoided mentioning his name until now—Mr Brugger, whose work as the ultimate rapporteur has been genuinely impressive and characterized by great expertise and meticulousness. If the European Company does assume a major rôle in the economic life of Europe in the future, it will be partly due to his work and that of his predecessor, Mr Pintus. My group heartily congratulates him.

It will be clear that the Christian-Democratic Group will vote with full conviction in favour of this proposal.

*(Applause)*

**President.** — I call Mr Schmidt to speak on behalf of the Socialist Group.

**Mr Schmidt.** — *(D)* Mr President, ladies and gentlemen, on behalf of my group I should like to associate myself with the thanks which Mr Scholten has just expressed to Mr Brugger. When one has worked on it oneself, one can appreciate how much work and understanding on the part of the rapporteur go into a piece of work of this size. Mr Brugger has carried out his task in a really excellent manner. On behalf of my group and myself I should like to express my sincere gratitude to him for the work he has done.

Turning to the significance of this European company, I should prefer to refrain from making one particular point which has already been made so many times today, i.e., underlining yet again the great significance of the European company in the context of Europe, for I feel I can agree with what has been said by a number of speakers before me.

I should like to start by saying that if an instrument of this type is to be created for such an important economic area as Europe, the form of the undertaking must satisfy certain requirements with regard to its being up to date and

looking to the future. We must ask ourselves whether this statute meets these requirements in all points.

I think the statute has been most successful in this respect as regards the management of the undertaking. Our group is particularly pleased that the Commission has decided unequivocally for the dual system, for a division between the management and supervisory bodies. We do not consider that this method should be adopted merely because it has already been used successfully in one undertaking or another, but because this division between executive and supervisory bodies is a feature of life today and we consider it necessary for the democratization of our social life as a whole. On the other hand it is true, as Mr Brugger has said, that this division between the management, or executive, and the supervisory board requires certain important conditions to be met and is, in fact, the only suitable means of involving employees in an acceptable way in the management of the undertaking.

I do not think it is possible to say today that we should have recourse to systems which still exist in individual countries simply because they have survived there. In practice, in those places where the classical principle is still predominant, there has already been a division between the functions of management and supervision. All in all, we consider that this statute has found a progressive solution so far as the management of the undertaking is concerned.

We are not in total agreement with the Commission's proposal concerning employees' participation in the management and on the supervisory board. Admittedly, some progress has been made by the very fact that the Commission has proposed such participation at all, but the figure of one-third which the Commission puts forward hardly justifies the use of the term 'codetermination'. In my opinion, there can be no talk of codetermination unless there is equal representation. It can be argued that employees are to participate to some extent; that is, of course, true; but we cannot say that this is codetermination, equal rights for labour and capital.

We therefore welcome the fact that the Commission has at least decided in favour of participation, for there are those in this House—as Mr Brugger indicated when mentioning the discussions in the Legal Affairs Committee—who want to stop short of the proposals of the Commission. In my opinion, it is hardly worth arguing against that point of view these days, especially since employees' participation in some form or another is being discussed a great deal at present in almost all Community countries.

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In any case—we wish to emphasize this point—employees' participation alone is not enough for us. We want codetermination, and therefore our group particularly welcomes the fact that the Legal Affairs Committee has arrived at a solution whereby the employees are represented as strongly as capital.

Another point is that under the terms of this arrangement one-third is left vacant. We would consider this an exceptional opportunity to involve representatives of the public interest. We are not saying that this third should consist entirely of representatives of the public interest, but if representatives of the public interest were included we could pay more attention to what is required of a modern, large and important economic undertaking than if they were left out. In every undertaking, when that undertaking has reached a certain size, aspects of business economy as well as public economy must be taken into account, and could be singled out and emphasized particularly strongly if representatives of the public interest were included in the last third.

It has sometimes been said that if there were to be codetermination in the European company, based on equal rights for capital and labour, this type of company would not be as attractive as it could be made. I do not intend to contest this point in detail, but I would like to say that if undertakings calculate that it is possible by choosing another form of company to avoid employees' participation as proposed here, it is up to the Commission, Council and Parliament to adapt the appropriate provisions of this regulation when harmonizing national legislation on shares in the near future. We should then have uniform regulations, at least so far as employees' representation was concerned, for the European company and for the harmonized national company law. If we look at things in this overall context, the argument frequently raised against equality for capital and labour in the *société anonyme* loses much of its weight.

In view of the limited time at my disposal I do not wish to go into points which have already been mentioned, concerning the importance of the European Works Council. But there is one thing I feel I must say; it is of great advantage, and I am grateful to Mr Gundelach for making this point, that this House and the committee responsible have taken the trouble to propose a set of election rules. I hope that in the not-too-distant future we shall be concerned with European elections, which will, I hope, be introduced more smoothly and more rapidly than we have reason to expect elections to the European Parliament to be introduced, following what the President-in-Office of the Council said yesterday.

In my view, the regulations on legislation for groups included in the document are of great importance. Economic units whose significance we cannot begin to estimate today may arise as a result.

Of course, if such large economic units are to be formed, the Commission must ensure that these groups do not obtain such overwhelming economic influence and reduce the need for, and possibility of, competition so drastically that they virtually rule out an important aspect of economic order in all countries of the Community.

Finally, I should like to say, as I did at the beginning, that we did not find it easy—but other speakers from my group will go into some important points in detail later on—to refrain almost totally from tabling amendments, since this statute does not satisfy all our ideas, nor the proposal made by the Legal Affairs Committee. We did, however, agree that the document submitted by the Legal Affairs Committee represents an unbiased and well-balanced compromise between individual interests, and that if a compromise is found account should be taken of it, since otherwise everything which one would like to see settled differently is brought up again, entailing the risk that a proposal whose significance is clear to everyone might not be adopted or might be subjected to delay. For that reason, we have refrained—and I am sorry that everyone else has not followed our example—from submitting individual amendments which would bring up again everything we would have arranged differently.

Mr President, ladies and gentlemen, generally speaking I would like to say on behalf of my group that we wholeheartedly welcome the Commission's proposal, although we are more in favour of what the Legal Affairs Committee has proposed. The fact that I need make no reference to broad disagreements is due to Mr Gundelach, who has openly put forward the Commission's point of view on the proposals agreed by the Legal Affairs Committee. I am grateful for that, and I hope that Parliament will now adopt this statute in the form proposed by the Legal Affairs Committee and so make an important contribution towards putting at the disposal of an integrated Community an economic instrument which takes account of the interests of the employers and those of the employees.

(Applause)

**President.** — I call Sir Derek Walker-Smith to speak on behalf of the European Conservative Group.

**Sir Derek Walker-Smith.** — Mr President, the time taken on this long and complex Statute for European Companies in the Legal Affairs Committee was greatly extended beyond its original contemplation partly because of the advent of the new Member States. The Legal Affairs Committee had been, so to speak, once round the course by December 1972 and embarked on its further consideration in January 1973, this time in the presence and with the full and active participation of representatives of the new Member States.

I wish to start by expressing my appreciation and that of my colleagues in the group for the courtesy and cooperation of our colleagues in Parliament from the original Member States in this matter. By way of making some return for their courtesy, we have sought to bring to the consideration of these complex matters not only our attention and our assiduity, but our critical and constructive judgment on its many and varied provisions.

Certainly the time, though long, has been well spent. For the committee to have given less than full and critical consideration to the Commission's draft would have been a dereliction of the duty owed by Parliament to the millions of citizens whom we represent in the Member States.

There is no doubt of the importance of the concept of a European company. Indeed, it is doubly important. It is important first as a means of promoting viability and regulating the procedures of the multinational companies, with the increasingly large part they have to play in the last quarter of the twentieth century. Secondly, it is important because it is concerned with two important and related principles, important not only in the context of a European company, but in the context of national companies also. I refer, of course, to the principle of the two-tier structure with the supervisory board and the principle of worker's participation.

We of the European Conservative Group have no quarrel with these principles. We recognize that they must be an integral part of the pattern of a European company, a pattern which in the nature of things must be a common pattern for each enterprise. We see no reason to reject or to challenge the application of these principles, in a proper form and with a proper balance, to the concept of a European company.

Indeed, I go further: these same related principles, albeit in perhaps a different and less standardized form of application, are contained also in the fifth directive for the harmonization of national company law. I see no reason why

the same principles, again in a proper form and with a proper balance, should not be a welcome and useful ingredient in the commercial and industrial life of all Member States irrespective of whether they have present or previous experience of their workings.

Quite apart from the harmonization obligations imposed by membership of the Community and in particular by Article 100 of the Treaty, these are matters which are being, and should actively be, pursued within the Member States themselves by all who seek a form of industrial democracy suited to the needs and the social climate of our time.

The concept of a supervisory board, elected in part by the general meeting of the shareholders and in part by the employees of the company, can do much to strengthen the operation of individual companies and through them the whole structure of our industrial and commercial life. It can broaden the view and assist the judgment of those directors in whom is vested the prime responsibility for the executive conduct of industry. It can provide for the proper representation of the views and interests of ordinary shareholders, all too often cast for a mute inglorious role in twentieth-century capitalism. It can above all, reinforced—compulsorily in the case of the European company and permissively in the case of the national companies under the fifth directive—by works councils, act as the vehicle for workers' participation.

If it can do this successfully, it can do something almost beyond price in the contribution it can make to good will in industry. An acceptable and effective form of worker participation as a regular and recognized ingredient of company activity can do much to help forward this objective, which all sensible people have prominently in mind. Worker participation can be an emollient influence in a troubled world; it can help bind up the wounds of capitalism and inject new strength and new spirit into its operation. It can substitute for the strife and distraction all too evident in industrial life, not in Europe alone but in the world as a whole, a feeling of shared enterprise and common responsibility. It can replace the concept of two sides in industry, accompanied, alas, in some cases and in some quarters by a belief in their natural and inherent antagonism, by a cooperative and constructive approach to a common prize held by all.

It was said in England of Cromwell's Ironsides in the seventeenth century, that they knew what they fought for and loved what they knew. Surely we now in the twentieth century should seek to establish conditions in our industrial

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society in which it can truly be said of all those who work in industry, in whatever capacity and for whatever purpose, 'They know what they work for and they love what they know'.

There are here great matters at stake and great prizes to be won. The next vital question of course is, 'Have we here in this Statute the right mechanism whereby we can achieve these great prizes?' The answer, perhaps not surprisingly, is, 'Not yet, not in the precise form in which we have it here today.' The Commission, whose eloquent and statesmanlike spokesman in the person of Mr Gundelach we have been privileged to listen to today, has laboured long and devotedly. We do not expect perfection of the Commission—not at any rate from its initial efforts, not here in this Parliament. We expect and hope that our parliamentary processes will improve its efforts. After all, that is what we are here for.

Unfortunately, in this case—and, I like to think, exceptionally—in some respects the amendments made in committee have had the reverse effect and have made the proposed framework of the company less practical and less suited to its purpose than in the form in which it originally emerged from the Commission. It is necessary, therefore, for us here in this Parliament in full and plenary session to recognize this fact, and to take steps to put this Statute into a proper form in all respects. The importance of doing this is clear and paramount.

I have sought to indicate that there are high purposes here to be served and great gains to be won. It can only be so if we get the framework right, and the framework can only be right if the Statute achieves a proper balance between the desirability of appropriate participation and supervision on the one hand, and the efficient conduct of industry on the other hand.

If the powers of co-decision given either to the supervisory board or to the works council in any respect place fetters on the management of industry so as to frustrate its efficient conduct, then the balance is wrong and the Statute stands in need of amendment. If the provisions for worker's participation are so framed as to secure not only workers' participation but workers' control, then again the balance is wrong and the Statute stands in need of amendment.

If the balance is wrong in these respects, what is the result? The result is that there will be no European companies. Businessmen will not launch ventures and investors will not subscribe capital to an enterprise in which they think that the imbalances and impracticability of some of its provisions impose an unrealistic and unworkable structure; and it is their judgment

which in the event will be decisive. The Commission may propose; it is the businessmen and investors who will dispose.

In such a case, this long and complex Statute, product of such long and such devoted labour, will in the end be a nullity. There will be a Statute, but there will be no companies. I warned the Legal Affairs Committee of this in the presence of the Commission; it is my duty, on behalf of my group, to reiterate that warning today. It is because of these considerations, and to prevent the frustration of these principles of industrial democracy in their practical application, that we in this group have thought it right, following consultation with others taking a constructive and enlightened view, either to table ourselves or to give our support to certain amendments. I have sought to indicate the philosophy which animates our amendments and the high purpose they seek to serve. Time now allows only the briefest indication of their specific content and approach; I apprehend that later on we may need to explain further.

We take the view that the Statute in the form it is in before the House gives rise to a double danger of imbalances—an imbalance in the composition of the supervisory board and an imbalance in the allocation of functions between the supervisory board and the board of management. Our major amendments are designed to cure this imbalance.

I come first to the imbalance of composition. The Commission proposes a one-third workers' representation, which reflected and, if my understanding is right, still reflects, at any rate until 1 January next year, the highest existing representation in Europe outside the particular case of the German coal and steel industry. In committee this was changed to parity.

But parity in numbers on the supervisory board may be preponderance in fact. This is because representation on the supervisory board is only a part of workers' participation. There is also the works council, an organization exclusively composed of employees with their own statutory power of co-decision and rights to consultation. Therefore, parity on the supervisory board, plus exclusive representation on the works council extends worker participation in effect to workers' control. In this group we think that there is a strong case, philosophic, social and economic, for workers' participation on a practical basis. We do not believe that that case extends to workers' control. Our first major amendment to Article 137 proposes a return to the Commission's draft, the product of such long considered and objective thought, and corrects the proposed imbalance in the composition of the supervisory

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board and therefore of the European company as a whole.

I come now to the imbalance in the allocation of functions. Under the Statute, there are certain matters in which the supervisory board and the works council have a right to co-decision; in others the right to consultation. We feel that while the right to co-decision may properly apply to the social sphere, to matters of safety, health, welfare and the like, it should not extend to matters where the primary or decisive criterion must be economic. To give a right of veto, which is what it represents in such a case, to the supervisory board or the works council may well frustrate and will almost certainly impede the executive conduct of a company's business.

Our proposed amendments to Article 66 in respect of the functions of the supervisory board and to Articles 123 and 125 in respect of the works council are directed to correcting this imbalance of function and preventing co-decisions from damaging or jeopardizing the successful executive conduct of an industry.

In Article 66 we propose to revert to the original qualification contained in the Commission's draft. But to assist in the application and interpretation of these provisions, we propose to write in, as specific criteria for the decision of the board of management and the supervisory board, the effect on the nature and volume of the company's business and employment thereat. The proposed revision of Articles 123 and 125 in effect apply the same principle to the Works Council, correcting the imbalance caused by the committee's amendments, and we do this by re-transferring to the sphere of consultation matters that have been put into the sphere of co-decision.

Our third major group of amendments relates to the representation of workers. Here we recognize that in all matters connected with workers and their employment trades unions have a substantial and valuable role to play—not only recognize it but welcome it. But we are anxious that workers' participation should be a means of encouraging the expression of local individual industrial democracy rather than merely an extension into the boardroom of central trade-union power already so effectively and so pervasively expressed by other means.

Therefore, in Article 137(2) we seek to make permissive instead of mandatory the presence on the supervisory board of employees' representatives outside the factory or establishment in question. Similar principles underlie our amendments to Articles 108 and 144.

These, then, are our major proposals and these are the motives, sincere and constructive, that animate and underlie them. We have presented and we shall have to present to you, Mr President, other amendments of a less fundamental character but all designed to improve the workings and promote the efficiency of these companies, and we shall commend them to the House in due time.

Meanwhile, we ask this Parliament and through it the Council and the Commission and through them the millions of citizens in the nine Member States, whose rights and interests are in one way or another affected, to endorse our approach to this matter and to assist in moulding an instrument that will be effective in assisting and promoting social harmony and economic progress for all our peoples.

**President.** — I call Mr D'Angelosante to speak on behalf of the Communist and Allies Group.

**Mr D'Angelosante.** — (I) Mr President, honourable colleagues, Mr Gundelach, speaking in the Legal Affairs Committee of the way in which—in his, and also in our opinion—today's plenary discussion should proceed, formulated a principle which I believe to be wholly correct—namely, that the debate should not be obscure but be clear enough to enable the peoples of the Community to understand fully the importance of the decision we are about to take, or more exactly, the decision that is proposed. We are in agreement with this objective, and shall bear it in mind by trying to contribute in this sense to the discussion.

As regards the political and general implications of the document in question, I think there can be no doubt that the proposal is intended to promote and accelerate the course of a phenomenon already widespread in industrialized societies—the 'multinationalization' and concentration of business undertakings. On that score, the text is of a clarity beyond all dispute. According to the Statute, the way to arrive at the European Company is to merge existing concerns. These companies, in order to be able to constitute a European Company, must exist in at least two Member States and be subject to those states' legislation. Under the proposed regulation, the 'national allegiance' of the capital is totally irrelevant. It is obvious, therefore, that the concentration or development of multinational societies is the clear, declared and undisguised object of this proposal.

The proposers of the motion and representatives of certain political and social spheres believe that that would be a self-evidently positive and useful development. We, together with social

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and political spheres of by no means less importance in the Community, are of a directly contrary opinion. This, then, is the primary question to be cleared up, and it would be well if it became the subject of a debate and if the Commission could state its views on it—although, as I shall point out in a moment, Mr Gundelach in this morning's speech did say something on this point.

For the rapporteur, Mr Brugger, says almost nothing on this matter, and in the motion for a resolution which he submits to the Parliament's vote merely states that he believes there may be some prejudice against foreign business. But what he calls 'prejudice' is a well-founded opinion based on experience and on facts, about which we may not agree, but which in a debate of such importance and scope it would be wrong to overlook or forget. The facts are: a basic contradiction between the processes of concentration and 'multinationalization' and the overall interests of the workers; the absence of identity between 'multinational' and national interests, which has been demonstrated during the recent oil crisis and world-wide monetary upheavals; and the attitude of multinational concerns to Third-World interests. These are facts, not prejudices. In that exalted place, the General Assembly of the United Nations, a voice to be heard no more but never to be forgotten warned all the countries of the world of the grave responsibility of a multinational company in suppressing the liberty and independence of the Chilean people. The natural aims of multinational concerns are to accumulate capital, in order to continue reaping monopolistic profits, and to evade the constraints of any legislation or control; finally, we believe that the principal characteristic of these concerns is their natural incompatibility with democratic or reformist political systems, and this opinion is shared by the broad masses of the people, the Community, the workers and a substantial section of the scientific and cultural world. As I was saying, therefore, it is possible to argue about these issues, but I do not think it is possible to avoid them, as unfortunately has happened here. So far no one has taken the trouble to say a word to refute these widespread and well-known opinions, and so there is no clarity about the principal point of our discussion.

It is true that this morning Mr Gundelach said that the Statute would make it easier to set up multinational concerns, but, he quickly added, multinationals of a very special type; and he spoke of transparency of action, of movements, and particularly of the auditing, the documentation, the bookkeeping, etc., which the Statute is supposed to assure. One could partly agree with this, but that is not saying very much—

and certainly not enough for an accurate, unbiased and adequate understanding and control of the 'multinationals' phenomenon.

Among the opinions expressed on the side of the majority which has formed itself in this House on this issue, there is the confident view that the establishment of the European Company will make European business more competitive. Mr Brugger says so in his motion for a resolution, and it has been repeated by all those who agree with him, but he ignores a mass of Community statistics which go to prove that the regulation will, on the contrary, promote the developments which have been going on for a considerable time and which result in the presence within the Community of concerns financed by extra-European, and especially American, capital. This is why we are convinced that if anything, or anybody, or any business concern is favoured by this regulation in the competitive sphere, it will be these non-European companies and American capital.

Nor can we believe in the other advantages supposed to derive from the adoption of the Statute, such as the establishment of an economic monetary union, the introduction of a policy on industry, and so on. These objectives, which we support, seem to be forever receding into the future, and in our view it is wishful thinking to be still talking today of an early attainment of these objectives as if adoption of this regulation could promote them.

What has been demonstrated once again is that it is easy enough to reach agreement when the promotion of monopolistic integration is at issue, while common policies go on marking time and are constantly postponed until a more propitious time—which at this juncture it is hard to envisage. It would be wrong of me to gloss over one positive aspect: that many speakers, including the rapporteur himself, have asked the Commission to ensure that the concentration and growing presence and influence of foreign capital in the Common Market are controlled by applying the competition rules laid down in the Treaty.

On this point, while we are highly appreciative of Mr Gundelach's speech, it would perhaps have been better if the Commission's representative had spoken after the first series of speeches by representatives of the political groups so as to be able to answer them all.

I wonder, therefore, and should like to put it to the Commission, how it will be possible to apply the competition rules to these multinational concerns once they have assumed the legal status of a European Company.

I have before me the text of the proposal for a regulation on the control of concentrations, on

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which Parliament has already delivered an opinion, but I do not know whether the Council of Ministers has adopted it yet. Article 1(3) of this proposal for a regulation contains a provision which interests me very much and which, as I see it, is fully applicable to the case of the European Company. It is to the effect that exception to the provisions of paragraph 1 may be made in respect of concentration activities essential to the attainment of an object considered to be of primary importance to the Community's general interest.

Now, since we are to approve this regulation in pursuance of Article 235 of the Treaty, we are thereby automatically declaring that the establishment of the European Company is an essential objective for the attainment of the Common Market. But if we recognize that, then obviously we are depriving ourselves of the possibility of exercising—under the provisions of Article 1(3) of the regulation on the control of concentrations—any control by means of the competition rules laid down in the Treaty, of any possibility of applying these rules to those multinationals which have decided to acquire the legal personality of a European Company. We are therefore waiting for this point to be cleared up so that the serious concern to which it gives rise may, if possible, be eliminated.

To turn to the intrinsic merit of the regulation under consideration, we should like to draw attention to the fact that it introduces new legal concepts, with some political aspects, and that, at first glance, it is not clear how they fit into existing Community and national legislation.

Let me refer to Article 7, which I find extremely strange. It stipulates that these companies shall not be governed by national laws but shall be governed by the Statute or, failing that, 'the general principles upon which the Statute is based'. May I suggest that this article is so flexible, indeterminate and vague that it might prove an extremely dangerous weapon. In fact, legal theory recognizes the general principles of a regulation, which must be the constitutional principles, but it is very difficult to pin down the general principles of a law. One cannot but be concerned that only the general principles of the regulation are set out here, implying a desire to leave a wide degree of latitude and absence of control. One of the criteria and fundamental aspects of the regulation which we are considering today is that it violently upsets the existing legislative balance and totally ignores the principle, recognized in all modern states, of the equality of subjects before the law. Some applications of this seem really serious. Not only does this Statute establish that

the rule applying to companies governed by national law shall clearly differ from those applying to companies governed by European law, but it also introduces obvious contradictions within the framework of Community company law.

In recent weeks, the Legal Affairs Committee has begun discussing the fifth directive concerning limited liability companies. Even in the relatively cautious statement by the Commissioner, Mr Gundelach, it can be seen that a complete dichotomy between the legal system governing this type of company and the other is already emerging. The latter will indeed be governed by national law, but by national laws which are derived from Community directives, and therefore, to a certain extent, will also be a part of Community law. Therefore, not only are companies treated differently under national law and Community law but also within Community law itself.

But, Mr President, I am even more worried by the seeming tendency to create a 'special' labour law and 'special' trade union law by establishing that relations between employers and employees will be quite different according as the employer is the European Company or an undertaking or natural person subject to national law. This tendency is clearly identifiable in the exclusion and limitation of the powers of national employee representative bodies in Article 101 of the proposal for a regulation, the attempt to transfer the right to negotiate from the trade unions to other subjects and other bodies, and in many other parts of the regulation which I cannot quote here.

To go into more detail, I should like to refer to the question of plurality of seats, which has particular significance for us.

This morning, the Commissioner, Mr Gundelach, disagreed with the view of the Legal Affairs Committee, expressed at the very first reading of the regulation, that Article 5(2), which entitles the company to have a number of registered offices, should be deleted. The committee had based itself on the legal principle that, just as a natural person has only one residence, a legal person can have only one registered office. Commissioner Gundelach took a more psychological line, maintaining that if two companies were not allowed to retain their original registered offices they would be less likely to merge. I frankly feel that psychological remarks of this nature are inappropriate to an important and wide subject such as this and unimpressive compared to the goals which we have in mind.

Mr President, ladies and gentlemen, I should nevertheless like to make two comments. Firstly,

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not even Mr Gundelach's argument, which I disagree with, appears in the text. The text does not allow companies to retain their former registered offices—if it made this point and further stipulated that the Statutes must establish a principal registered office, my objections might be negotiable—it merely permits a company to have a number of seats. In other words, if the companies previously had two seats, they may, when they merge, create five under the new Statute.

Secondly, the question of the number of registered offices is not a psychological one, because it has consequences for bankruptcy law, financial law and fiscal law. It is stated that, for purposes of taxation, the European Company shall be treated as resident where the centre of its effective management is located. Therefore, since effective management is a question of fact rather than law, any European Company with a number of registered offices would be able to choose at which registered office it was resident for purposes of taxation and it would obviously choose the most convenient seat. Similar points may be made in relation to bankruptcy law, and so on.

Our legal systems are governed by the principle of the *Rechtsstaat*, and it is altogether unacceptable that any person, natural or legal, who is subject to the law should be able to exploit exceptions, exemptions and special favours which are really a legacy from feudal times. Everyone must pay taxes where the law decides, and citizens cannot be allowed to choose their residence as is convenient for the purposes of taxation. The arguments put forward by the Commission in no any way refute this point.

But there is worse to come. The part of the report—which, *pace* Mr Brugger, I can only describe as completely monstrous—covering the election of employees' representatives actually provides that employees' representatives on the Supervisory Board should be elected at the centre of effective management. Thus, employees from Sicily or Copenhagen might have to go and vote in the French Pyrenees and the court of jurisdiction competent to judge any contestation of the validity of elections in this field is that within whose jurisdiction the effective centre is situated.

This really seems to be based on medieval principles. I will not spell out these principles—everyone here knows them all too well!

**Mr Brugger.** — (I) Have you tabled an amendment?

**Mr D'Angelosante.** — (I) I most certainly have, and I am quite sure that you will not agree with it!

We simply cannot accept this situation, nor can we accept any of the part providing the penal provisions. This is really the most serious point.

Members of the Commission itself have made official and authoritative statements that, as is widely acknowledged and legal experts agree, the Community has no powers to create criminal legislation. No one can maintain that there exist any Community rules with penal content. Regulation No 17 of 1962 and similar ones, which entitle the Commission to levy fines where the rules of competition have been violated, can hardly be described as criminal laws: they cover special fields, and we all know that national systems give administrative, rather than legal, authorities (such as the Commission) the right in some fields to levy fines which are not really penal in nature. In Italy, for example, we have a law which 'depenalized' the rules governing road traffic and gives the prefect, rather than the Court, the right to levy fines. This is obviously different from giving the state bureaucracy penal powers.

The Community is therefore not empowered to make penal rules; in other words, it has made use of powers which it does not possess. This is altogether unacceptable. How has it made use of them, you may ask? In the first place, it has used them to forbid the Member States to apply the penal provisions of company law which already apply to companies governed by national law. Secondly, in Annex II to the Commission's proposal, it has used a directive to force Member States to issue special penal rules.

All criminal codes consider budgetary falsity, deceptive statements by the administrators to the partners, etc., as offences, but a number of acts which are regarded as special penal infringements of company law in, for example, Italy and France cannot be taken up in this way for the European company.

The characteristics which I first referred to crop up again here, and multinational companies evade all forms of law and control. But, at the very least, surely the Community, in particular the Parliament and Commission, is not going to help them do this!

I must move on rapidly to my conclusion. I undertook to speak for only thirty minutes, so I must say what I can in the five minutes left to me.

Mr President, we object to many of the changes made by the parliamentary committee, and invite the Commission to reject them. I was both concerned and disappointed to hear Mr Gundelach say that he accepted all these changes.

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Mr Gundelach, have you read the amendment to Article 46 proposed by the Legal Affairs Committee? Article 46 lays down the principle that no company may acquire or possess its own shares. There is an obvious reason for this. If the administrators of the company own its shares, they can keep themselves in power and manipulate the vote in any number of ways.

What, then, has an intelligent member of the committee—the rapporteur himself, I believe—proposed to us? He has suggested that this limitation may be waived where the company acquires the shares for distribution to employees.

However, after the company has acquired the shares it might not distribute them to employees but hold them for eighteen months and then resell them. Now, if a company holds its own shares for more than fifteen days, it falsifies the results of the shareholders' meeting. Mr Brugger wants to allow them to be held for eighteen months and, furthermore, draws into this operation the honest unsuspecting employees, whose promised shares will be used for capital manœuvres. They will be held for eighteen months and then resold. I hope that the Commission will refuse to have anything to do with such manœuvres.

The same applies to the written vote and the delegated vote; the exclusion from the General Meeting of members of the Board of Management and of the Supervisory Board who are shareholders, whereas the regulation lays down special rules in this field; the deletion of the stipulation that the list of persons present shall be prepared by a notary; and so on.

Mr President, though I cannot say everything I meant to, I should like to make one very brief point about employee representation. In general, we support the rules relating to both the European Works Council and the Supervisory Board. We have no objections of principle to any of these rules.

In relation to the European Works Council, we particularly support the amendments adopted in committee stipulating that the agreement of the European Works Council must be obtained before taking any decisions concerning closure of the undertaking. We are not worried that employees' representatives on the Supervisory Board may become involved in defending interests which differ from, or even go against, their own. We have faith in the spirit of autonomy of European workers and therefore regard these proposals favourably.

However, there are a series of changes which we do not find acceptable—in particular, the

unwieldy mass of electoral rules, which we urge the Commission to review. We find it unacceptable that the system previously suggested by the Commission, under which the national employee representative bodies elected both the members of the European Works Council and the employees' representatives on the Supervisory Board, should be changed simply because such representative bodies do not exist in three Member States.

In, I believe, his proposed Article 11 of Annex II, Mr Brugger refers to the possibility of employee representative bodies operating in the United Kingdom, Denmark and Ireland. But it is because such bodies do not operate in these very three countries that it is felt necessary to resort to a two-tier electoral system, involving electoral delegates, as used under the Holy Roman Empire, and a series of unacceptable, unwieldy, authoritarian and hierarchical rules which effectively violate the principle of equal representation for employees and shareholders. I shall give but one example. With what justification is a person not excluded from appointment to the Board of Management unless he has been declared bankrupt or incapable of fulfilling this rôle, when the worker is excluded from standing for election if any penal sentence has debarred him from holding public office? I shall return to this point when explaining our amendments.

I think that, in general, I have given you a clear idea of the position of the Communist Group; which it was my duty to explain to the House.

We generally feel that, subject to a few corrections, the original text had its interesting points and, of course, points which need to be reviewed, *viz.*, the attempt to exclude the trade unions, which, in our opinion, are the only bodies empowered to negotiate agreements and collective contracts. However, there are a whole series of changes which we find completely unacceptable, since they do anything but improve the original and infringe the principle of balanced representation of the forces present in the undertaking.

Though we could not table amendments on every point, we appeal to the Commission to take account, when reviewing this text, of the unwieldiness, the unacceptable nature and the implications of certain proposals.

These, then, are the general ideas behind the amendments which we have tabled and will later explain. We shall give our opinion on the motion for a resolution accordingly.

*(Applause from the Communist and Allies Group)*

**President.** — I call Mr Outers.

**Mr Outers.** — (*F*) Mr President, colleagues, I should like to devote the time allotted to me to a number of general considerations on the two matters which raise rather important legal problems. I shall speak exclusively on the legal basis of the proposal for a regulation before us and the mechanisms of its formulation and also the legal provisions applicable to the European Company pursuant to Article 7 of the regulations.

Yesterday, during the debate on general policy, a great deal was said about the need to improve the Community decision-making procedures. The procedure followed in drawing up the proposal now under consideration seems to me a particularly striking example of the need to bring about serious improvements to these decision-making procedures.

As indicated in the preamble, the proposal is based on Article 235 of the Treaty. Although this matter is now only of interest in retrospect, one may wonder whether after ten years of discussion—you recall that the French Government of the time proposed the creation of a European Company on 15 May 1965—whether the course which was followed, namely the application of Article 235, was really the most judicious and most rapid procedure possible. The Pintus report, which preceded the Brugger report, also points out that three other lines would have been quite possible. I shall only draw your attention to two of these, the application of Article 220 or Articles 54 and 100 of the Treaty, because in any case these solutions do not seem fully adequate; the system of mergers or of the coordination of national legislation would have led us into far greater difficulties than those encountered in applying Article 235.

On the other hand, there is the possibility that the classical procedure of international law, followed in the past for setting up so many European companies, that is to say, the adoption of a convention and uniform draft law, could have saved a great deal of time and trouble.

It should first of all be noted that this is the method which was used in the setting up of the existing European companies; the International Payments Bank, Eurofima, Eurochimie and Bâle-Mulhouse Airport were all created by international convention. I could also mention 20 other similar examples.

I have also noticed that the implementation and putting into practice of these international statutes occurred in a far shorter time than we shall need in order to implement our Statute for a European Company.

In the best possible circumstances, if the Council is fairly quick in approving the proposal adopted by us—I hope—in any case I shall certainly vote in favour of the proposal—altogether about 12 years will have been necessary to achieve our goal.

The French request, I repeat, goes back as far as 1965. If we manage to complete the procedure by 1975, that is to say, if our Assembly and the Council approve the result of our work, there will still remain the legislative work which is to be dealt with by the national parliaments.

In any case, in order for this agreement to produce the desired effects there will have to be a directive, also approved by the Council, and pursuant to Article 280 this will result in the introduction of uniform penal measures in the legislation of the Member States. That means that all our national parliaments will have to deal with this matter too by adopting special legislation to introduce these penal measures—as would have been the case anyway had they had to ratify a uniform convention.

Article 284 of the regulation also stipulates that the regulation itself will not come into force until 12 months after its publication, which, as long as no further difficulties are encountered, will extend the period required for the setting up of the European Company to approximately 12 years. This delay does not appear to speak for the efficiency of our institutions taking into account—I repeat—that the existing European companies which I have just mentioned, and which required ratification by ten sovereign states, were set up and in operation after three or four years of negotiation.

The arguments given in the report of the Legal Affairs Committee against choosing the solution of the convention and the uniform law are far from convincing.

The first, that is the fact that the national parliaments have no need to intervene is not true, as I have just demonstrated, and as is confirmed by the text of the proposal for a regulation itself. There will in any case be a need to refer to the national parliaments for the application of penal measures governing infringements of the regulation. As Mr D'Angelosante said just now, the Treaty of Rome contains no provisions allowing for the introduction of penal measures. In my view, he is completely

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wrong, though, when he says that there will be no sanctions because, as I have just pointed out, Article 282 stipulates that a directive shall be taken by the Council compelling the national parliaments to introduce uniform penal measures.

The second argument used in the Pintus report, that is that the regulation implies no modification of national legislation, also appears to me to be completely untrue. There is a sound basis for my own argument: it will be absolutely necessary for some countries at least to adapt their internal legislation when it is in absolute contradiction with the current regulation on the Statute for the European Company. To clarify this, I would quote an article which is fairly well known and had great impact at the time of its publication by the barrister Van Rijn, professor of law at the University of Brussels, which appeared in the *International Review*. Amongst other things, it points out that Articles 29 and 223 of the proposal for regulation run counter, in particular, to Belgian legislation and the latter will have to be adapted in order to conform to the regulation in question.

The third argument concerning uniform interpretation is also erroneous. It is quite possible that a new convention may make Article 177 of the Treaty applicable and consequently make the Court of Justice responsible for ensuring uniform interpretation.

I know that the supporters of application of Article 235 are keen to refer—which is somewhat surprising for lawyers—to psychological arguments, as is apparent in our reports. It is in my view a poor consolation to note that in the construction of Europe psychology has been satisfied even to the detriment of efficiency.

It is also completely untrue to maintain that if this European Company had been set up by the adoption of a convention and uniform law it would have kept a national character. It is quite possible if this course is chosen to give such companies an international statute. There are also a number of precedents for this.

These, Mr President, are my views on the procedure followed in application of Article 235. I would not, of course, wish you to think that I am in favour of changing the legal basis for the proposal. In any case, we have passed the point of no return.

What I really wish to demonstrate is how far our procedures are ill-adapted to the objectives we aim to achieve. We shall only become credible in the eyes of public opinion when we eventually decide to make better use of the powers at our command and when we make

use of mechanisms which are far less laborious than the old methods of international law introducing the necessary legal standards. It is rather disappointing to note that the setting up of European institutions, at least as far as procedure is concerned, has only encumbered the decision-making process and delayed the implementation of decisions once taken.

I should now like to move on to the second subject, that is to say the legal measures applicable to the European Company, namely Article 7 of the regulation which as you know is the fundamental section.

Article 7 stipulates that the legal measures applicable are obviously those provided for by the regulation when, of course, it is a question of matters dealt in the regulation. When a matter is not expressly covered, it is to be decided, according to Article 7, in accordance with the general principles upon which the statute is based, or according to the rules or general principles common to the law of the Member States. Finally, paragraph 2 stipulates that matters not dealt with by this Statute are subject to the national law applicable.

Of course, this arrangement is not an innovation in international law. A text of this type exists in other statutes and I could quote a number of them. But there is nevertheless a great difference between the precedents and the proposal under consideration. The previous statutes for European companies which I mentioned provide, as to the application of subsidiary national law when problems are not covered by the statute, for a procedure which I could perhaps call legislative domestication. In the final resort it is the legislation of the state in which the company is situated which is applicable.

In our proposal, the procedure is not altogether the same. There is no reference to the national law of a single state—that in which the company is situated—but to all the national legislations of the nine Member States. Evidently, it is impossible to isolate company law from the body of private law both civil and commercial, and considering the differences existing between these various bodies of law, there are certainly grounds for apprehension with respect to the vagueness of the legal provisions surrounding the company. This vagueness is bound to encourage disparity between legal decisions.

In my view, it would be preferable if in parallel with the formulation of a regulation a special effort were made—and at the same speed, if I may say so—to co-ordinate our national law on the subject. Projects are under way, I know, but unfortunately I feel they are too timid and in

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any case the least one can say is that they are a long way from completion.

There, Mr President, colleagues, you have the two conclusions I wished to draw at this stage of the general discussion, namely, the absolute necessity to improve decision-making procedures and also the need to accelerate uniformity in private law in the various Member States. Such is the lesson which should perhaps be drawn from today's discussion.

In any case, despite its imperfections, the proposal we are considering today is in my view a very important step towards uniformity and the creation of European law. That is why I sincerely hope it will achieve a successful conclusion.

**President.** — I call Mr Pêtre to speak on behalf of the Christian-Democratic Group.

**Mr Pêtre.** — (*F*) Mr President, colleagues, I should like to say first of all that it is with the greatest interest that we are participating in this debate on a subject which affects the business world, the labour movement and of course all those who are concerned with the life and profitability of undertakings. That is to say that today's debate is timely, although there are those who regret that it did not take place earlier. However, better late than never, Mr President, and we fully understand that such a delicate and important proposal should have encountered obstacles of an economic, social and legal order which have been overcome with a great deal of perseverance, hard work and will in a spirit, I hope, of mutual cooperation. The main thing is that this proposal has eventually come into being and we may congratulate the Commission for having taken the initiative of proposing a new form of management for European undertakings aimed at promoting our economic and social system at a European level on the basis of that fundamental cog in the economic machine which is the individual undertaking.

Mr President, we are aware of the value of this proposal which affects the whole activity of an undertaking, since the undertaking is a basic economic factor or sector of production and because on a higher level it is the principle area of human relations at work.

In addition, I am particularly pleased to pay tribute to Mr Brugger for the quality of his report. Our rapporteur has managed to outline the essential features of a subject which is highly demanding and difficult to present. He has outlined the important points on which we

have to vote in the clearest and most succinct manner possible.

Mr President, colleagues, the Christian-Democratic Group has keenly scrutinized the Commission's proposals and the reports by the Parliamentary committees which were consulted on the measures laid down in this proposed Statute for a European Company. We have been able to distinguish, on the basis of the information and opinions thus given, the positive aspects of the Commission's proposal. On condition that this proposal is not too greatly amended as the result of today's debates, our Group will certainly vote in favour.

Quite frankly I would add that the Christian-Democratic Group sincerely hopes that the Commission and Council will find a way to overcome the difficulties of application which may arise—whether these be legal, financial, social or even psychological difficulties—so that the European Company can become a genuine instrument of European progress.

For let us have no illusions, we are far too experienced: certain measures in the proposal for a regulation under discussion are hardly likely to be respected unless they are accepted by the social partners in a progressive spirit—which assumes a deep-seated change of attitude.

The Christian-Democratic Group reacted favourably to the proposal for the European Company, taking into consideration this effort which should be accepted by the parties concerned—particularly since this innovation forms part of an economic and social action programme largely laid down at the Paris Summit of October 1972, where it was considered indispensable to achieve growing participation of both sides of industry in the economic and social decisions of the Community.

There exists today, in all the Member States, a tendency to carry out a policy of major participation by the social partners in major economic and social discussions which concern them. This necessity is particularly deeply felt in the circles concerned. The participation of workers in the control of undertakings is part of the general and growing awareness of collective responsibility, given the development in size, but also in quality, of industrial undertakings and the growing number of multinational companies.

The documents on the European Company which have been placed at our disposal have made it possible for us to grasp the economic and social aspects of the new lines of policy proposed by the Commission. We approve of

**Pêtre**

these, and hope to see them put into practice as soon as possible.

The Commission's proposal not only aims to lay the foundations of a common market in undertakings and set up legal instruments in favour of both the harmonization of the economies of the Member States and a common industrial policy, it also aims to give a wider degree of participation than in the past both to shareholders and workers on decisions which closely affect them and this is in a spirit which we would like to encourage.

I fully respect the speaking time allotted to us, and I do not intend, Mr President, to analyse yet again the technical and legal aspects which have already been mentioned by previous speakers, particularly Mr Scholten and our rapporteur.

We are also sufficiently familiar with the outlines of the matter to know that this project aims to introduce a new management structure for companies in which control is to take on a different aspect.

Thus the management of the undertaking would be entrusted to a council, the members of which would be appointed by a Supervisory Board composed of representatives of shareholders and workers. This Supervisory Board would also be instructed to keep a check on the management as carried out by the directors.

We are therefore dealing with a system of management in the European Company in which the directors, management and a supervisory body are all separate. To this end the proposed legal measures strictly delimit the powers of the Works Council and the Supervisory Board.

Thus we feel that the accent should be placed on this format which, as I have already said, is fully supported by the Christian-Democratic Group. This format should make it possible to strengthen the powers of control of the shareholders whilst enabling the workers to acquire a greater degree of participation.

The principle I have just mentioned, thanks to the format proposed by the Commission, will make it possible whenever important steps concerning the activities of the undertaking are likely to lead to difficulties for the interests of either the shareholders or the staff, for the representatives of these two parties to voice their views. And I should like to stress, Mr President, that this is a very good thing.

However, during the long discussions which took place in the Parliamentary committees on this important matter, it became apparent that although there was a general consensus in favour of the principle of participation by shareholders

and workers on the Supervisory Board, it should be noted—and this was pointed out just now—that there have been reservations as to the degree of participation by workers' representatives—and surprisingly by the workers alone.

The initial proposal of the Commission only made provision for one third representation as regards the representation of employees on the Supervisory Board, whilst it proposed two thirds representation for shareholders.

This proposal was amended by the Legal Affairs Committee. The initial proposal, one third and two thirds, was replaced by a proposal stipulating one third representation for shareholders, one third representation for staff, the last third being more or less coopted by joint representatives of shareholders and staff.

This new format of three sub-divisions was discussed at length in our group. Some of us, who have nevertheless always been in favour of worker participation, feared that the amendment made by the Legal Affairs Committee to Article 137 was likely to set back the actual implementation of the regulation.

No one can deny the strength of this argument. It would be useless to vote in this Assembly for a well-drafted and balanced regulation if it were to be condemned to the Community archives for years to come.

Therefore after serious reflection—but perhaps we are a little too optimistic—the Christian-Democratic Group finally agreed to the concept of three thirds as proposed by the Legal Affairs Committee.

I can assure the honourable members that we also paid attention to the difficulties which might arise within the Supervisory Board if, as would be the case with a one third-two thirds formula, the workers' representatives were always in a minority. We considered that these unequal proposals would have placed the workers' representatives in an untenable position regarding their electors, who would have questioned this concept of participation. That is just what we do not want. From the point of view of our group, there is no reason, if there is to be genuine and efficient participation, for there to be unfair distribution of the rights of control and approval entrusted to the Supervisory Board of the European Company.

We also feel that, if it is to be useful, if the European Company is to be an acceptable model justifying free-enterprise and meeting the demands of the future European Union, we must encourage relations between both sides of industry and give the workers and their major unions

**Pêtre**

—which believe in participation—a greater say in the control of undertakings. We wish to substitute for the bi-partite opposition in undertakings in the Member States and the unfortunate consequences which this occasionally entails, a formula of loyal and frank cooperation between the parties concerned and, Mr President, encourage as far as possible a permanent dialogue between the representatives of labour and representatives of capital, who share the task of production.

On the other hand, we share the opinion whereby participation should be contained within a plan or programme, otherwise Mr President, there would be more anarchy than participation—which I am sure nobody here would favour.

In supporting the Commission's proposal as amended, our Group wishes to support a form of participation which it has always defended in principle, because it finds this a viable alternative to the abuse of capitalism and economic liberalism and the dangers of collectivism, class warfare and the company as sovereign state. This choice explains the favourable attitude of our Group to the system of free enterprise as it is generally applied in Western Europe. Obviously it does not cover the faults or abuses (and these exist everywhere) of this system which we intend to improve and correct constantly. But it seems fair to us to recognise that the system of free enterprise has given proof of its dynamism and efficiency by its contribution to the economic development of the Member States of the Community as a whole, mainly in the mass production sector and the consumer goods sector which have benefited all levels of society in the Member States.

However, this system which has brought us prosperity must be progressively modified in order to improve the quality of life and to make it possible in future for a greater number to participate in their personal development and social advancement. That is why, Mr President, because we recognize that the growth of industrial structures tends to lead to growing irresponsibility, we wish to share responsibility at company level in the way indicated by the Commission in its proposal.

These, Mr President, are the comments I wished to make on behalf of my group. Believe me, and I say this in all modesty, they were inspired by a realistic attitude to economic and social life. I have tried to be practical whilst phrasing my remarks on the spirit of participation which must underly this debate.

At the beginning of my speech I said that the Christian-Democratic Group would vote in favour of this proposal. Ladies and Gentlemen, at a time when, over and above all ideological philosophical and political concepts, so much work has been done, even at world level, to open the doors of negotiation and participation, it seems necessary to us to give an added impulse to our efforts so that Europe may give Europeans a larger sense of Community dignity by bringing together the social classes and nationalities which we have so often seen in conflict.

You see, it is not enough to have signed treaties, even those of Paris or Rome. Europe, Mr President, is not a document, Europe is not a static phenomenon. Europe, and this we have always believed, is in flux, it is a growing movement which must develop, provided that we show the necessary resolve and perseverance to achieve the numerous tasks still to be accomplished.

This is the spirit in which we vote in favour of the proposal of the European Company, in the hope that our Parliament will adopt it, thus offering the European social partners a new opportunity for participation and progress.

**President.** — I call Mr Brewis.

**Mr Brewis.** — Thank you very much Mr President. I shall be extremely brief in view of the time.

I agree very much with Mr Pêtre as to how much increased prosperity and well-being is attributable to the success of limited companies. What we are trying to provide is not just a framework for improving economic activity, though it is important. We are seeking a social solution to various conflicting interest groups in the modern company. First, there is the shareholder. He is no longer an adventurer, like those who started the Company of Adventurers trading with the Hudson Bay, which is still one of our best-known companies, flourishing 300 years later. Nowadays the shareholder is a mere cipher for most purposes. But no amount of juggling with words, like describing the shareholders and the workers as members of a company, can disguise the fact that the shareholders are 'proprietors' and the workers are not. If the balance of the new Statute veers too much towards the workers, quite simply and brutally European companies will not be formed and our labours here will have been in vain.

Then there is the hierarchy of management. Often it is a self-perpetuating oligarchy in the sense that no candidate for the boardroom is likely to be recruited, however brilliant he is,

**Brewis**

either from the ranks of the shareholders as such or from the workers. Yet in the average British boardroom the management itself is divided into the managing directors and sales directors on the one hand and those whose seats on the board are in an advisory, if not a supervisory, capacity.

I personally see no objection in principle to the concept of a two-tier board. The term 'supervisory board' does not sound well to British ears. I would prefer some other nomenclature, such as an 'advisory board' or 'a board of trustees'.

The third section in the company are the workers, whose rift from management is enshrined in the idea of there being two sides of industry. Yet are not managers workers, though workers wearing a white collar? Attempts have been made to heal this rift through such schemes as co-partnership, share bonuses to make the workers into shareholders, consultative councils and many others. Some have had some success and others less. But the time has come to recognize that the workers are truly members of a company. I therefore fully endorse the need for worker participation in management. If properly operated through works councils and membership of the supervisory board, I believe that this participation can be most valuable. It should be participation as envisaged in the Commission's original draft of Article 137, and not control, as is envisaged in the Labour Party and TUC proposals in my country. Control is the prerogative of a proprietor.

The original Article 137 provided for one-third worker representation. I think that is about right, but I would point out that the Article in question allows this representation to be increased.

Let us hasten slowly. What is granted can be increased but in practice it cannot be reduced. I therefore think that we should seek in this experiment in industrial democracy to make those who work in the company participants in the management, rather than the trade unions, who perform perfectly honourable duties elsewhere. We should, I believe, seek to gain the loyalty of shareholders, management and workers for the joint enterprise, and this should be the modern body corporate.

**President.** — The proceedings will now be suspended until 3.00 p.m.

The House will rise.

*(The sitting was suspended at 1.05 p.m. and resumed at 3.00 p.m.)*

**IN THE CHAIR: MR COUSTÉ**

*Vice-President*

**President.** — The sitting is resumed.

*5. Decision on urgent procedure*

**President.** — I have received from the Committee on External Economic Relations a report on two proposals for Council regulations on trade with Tunisia and Morocco (Doc. 196/74).

As I informed you on Monday the Council of the European Communities has requested that this report be dealt with by urgent procedure.

Are there any objections to the request for urgent procedure?

The adoption of urgent procedure is agreed.

The vote on the motion for resolution contained in this report will take place without debate during the sitting of Friday 12 July, 1974.

*6. Statement by the President on the procedure for considering amendments tabled to the report on the European Company*

**President.** — With regard to the debate on the Statute for a European Company, I remind the House that the amendments to Mr Brugger's supplementary report will be debated this evening, beginning at 9.00 p.m., and the voting will take place tomorrow morning.

The amendments total 68, Amendments Nos 21 and 68, by Mr D'Angelosante, having been withdrawn.

As a result of the meeting held by the authors of amendments, the chairman of the Legal Affairs Committee and the rapporteur and the views expressed by the chairmen of the political groups, it has been agreed that the amendments will be grouped and the speaking-time laid down as follows:

One amendment, No 7, has been tabled on the general provisions. Its author will have two minutes to speak to the amendment; other Members will be given a brief opportunity to speak.

One amendment, No 8, has been tabled on that part of the regulation concerning the formation of a European Company. Speaking-time will be allocated in the same fashion.

Fourteen amendments have been tabled on those parts of the regulation concerning the administrative organs. Speaking-time will be allocated as follows:

**President**

Two minutes for the author of Amendment No 5, Mr Jozeau-Marigné;

Five minutes for Mr Springorum, author of Amendments Nos 35, 38 and 41;

Ten minutes for Sir Derek Walker-Smith, author of Amendments Nos 46, 47, 55, 56, 57, 58, 59, 60 and 61, which are all very close to one another in the passages to which they refer;

Two minutes for the author of Amendment No 12.

For other Members, speaking-time is allocated as follows:

Five minutes for Members of the Christian-Democratic Group;

Five minutes for Members of the Socialist Group;

Three minutes for Members of the Liberal and Allies Group;

Three minutes for Members of the European Conservative Group;

Three minutes for Members of the Group of European Progressive Democrats;

Three minutes for Members of the Communist and Allies Group;

One minute for non-attached Members.

Forty-one amendments have been tabled on those parts of the regulation concerning the representation of employees in the European Company.

The authors of the 17 amendments tabled on behalf of the Communist and Allies Group will dispose of a total of 20 minutes.

The authors of the 10 amendments tabled by members of the European Conservative Group will dispose of 13 minutes.

The authors of the 6 amendments tabled on behalf of the Christian-Democratic Group will dispose of 8 minutes.

The authors of the 5 amendments tabled by members of the Liberal and Allies Group will dispose of 7 minutes.

The authors of the amendment tabled on behalf of the Socialist Group will dispose of 2 minutes.

The authors of the 2 amendments tabled on behalf of the Group of European Progressive Democrats will dispose of 3 minutes.

For other Members, speaking-time will be allocated as follows:

For members of the Christian-Democratic Group, 20 minutes;

For members of the Socialist Group, 20 minutes;  
For members of the Liberal and Allies Group, 12 minutes;

For members of the Group of European Progressive Democrats, 10 minutes;

For members of the European Conservative Group, 10 minutes;

For members of the Communist and Allies Group, 10 minutes;

For non-attached Members, 5 minutes.

Finally, 6 amendments concerning the registered office or offices and the jurisdiction applicable to the European Company have been tabled on behalf of the Communist and Allies Group.

For these amendments, the total speaking-time will be 5 minutes for the authors and 10 minutes for other speakers.

The speaking-time thus allotted may appear to be rather limited, but even if it is strictly observed, we shall still exceed the length of time originally contemplated. The sitting, will, in fact, extend until after midnight.

Nevertheless, I hope that we shall successfully complete the discussion of the amendments, for they will have been preceded by eight hours of general debate, in the course of which the main positions will have been set forth.

Finally, I would appeal to Members of the Commission of the European Communities to explain their positions briefly and concisely.

For purely practical reasons, all speakers must be entered on the list of speakers of the Session Service at the latest by 5.00 p.m. today.

While expecting all Members of the House to observe the necessary self-discipline, the President, for his part, will strive to show the requisite flexibility.

#### 7. Regulation on a Statute for the European Company (continued)

**President.** — The next item is a continuation of the debate on the supplementary report drawn up by Mr Brugger, on behalf of the Legal Affairs Committee, on the proposal from the Commission of the European Communities to the Council for a regulation embodying a Statute for the European Company (Doc. 67/74).

I call Mr Jozeau-Marigné.

**Mr Jozeau-Marigné.** — (F) Mr President, honourable colleagues, the Liberal and Allies

**Jozeau-Marigné**

Group has asked me, in this important general debate, to express the views shared by all its members.

This, then, is my task, while—to maintain the style of the debate, as Mr Cousté has just said—it is Mr Bangemann who will be explaining the scope of our amendments this evening.

Mr President, you have just said that 70 amendments have been tabled on this report. Some people, if they were ill-willed, might suppose that this mass of amendments was a delaying tactic. I, personally, do not think so. And the Liberal and Allies Group itself has tabled only seven, that is, one tenth of this 'manna from heaven'. The group would like to think that we may be able to come together in the same spirit of understanding that often prevails among the different group members in the Legal Affairs Committee and so demonstrate to all countries of the Community what the European Parliament must and can be.

Mr President, looking at the two documents before us, the Official Journal recording the submission of the Commission's proposal for a regulation, and the working document, Mr Brugger's supplementary report, one is struck by the dates. The Commission's proposal was published on 10 October 1970; the complementary report is dated 26 June 1974.

Does the Parliament need four years to do its work? We have, indeed, heard some fairly outspoken remarks on the subject. Let us consider whether there has been any deliberate slowness here, or whether the report has not, in fact, been very difficult to prepare.

I must say that in the Legal Affairs Committee we did have difficulties and we missed the rapporteur, Mr Pintus, to whom I wish to pay tribute—I hope the members of his group will kindly convey to him in his distant country the greetings of those who, of whatever political hue, have been his friends in the Legal Affairs Committee.

He has done a very thorough and difficult job, but electoral law which quite rightly governs the nations' delegates and affords them some anxiety, has removed our colleague, Mr Pintus, from this Parliament, and Mr Brugger has taken his place. May I thank him and congratulate him on his work.

It is true that, during our meetings, we have not always seen eye to eye, but our disagreement never went far. We have always ended by agreeing on a solution of the kind we, in this Parliament, must always produce, whatever our group, a solution for the common good for which we strive.

But again, we must surely admit that a problem such as this, involving setting up a general statute for European Companies, is doubly complex, for there are both the juridical and the political aspects.

On the European level which we are concerned with we have to draft new legislation on common problems, but when we consider how difficult it is to establish such legislation in the national parliaments, how much more so at Community level! These problems become infinitely complicated and difficult when approached from such an angle. Don't we even sometimes stall at a thought we share because it is expressed differently according to national origins?

I consider we have achieved the impossible in making progress despite the dual nature of the problems. We have succeeded all the better, I believe, for recognizing the profound implications of such a company for each of our countries, for the question is whether Parliament wants a solution to be found which is acceptable to each of our countries; for, let us be quite clear about this, a company, or rather, its statute, cannot be introduced into a country as if this presented no legal problems. There are the company statutes peculiar to the individual countries; there are also—as we know so well—the multinationals.

Are we, therefore, looking for something which will be accepted because it answers a deep need? Or, on the contrary, are we going to create something which, because of serious omissions, would be a dead letter from the start, the formula of the multinational undertaking being preferred instead? We certainly did not want that; we were all concerned in the Legal Affairs Committee, whatever our group, to produce a document of real and individual value so that, in all the Member States, the Brugger statute might indeed be used because it is useful.

I should also like to say that the delay, if delay there has been, due to the magnitude of the task—I say this very simply for my Liberal friends—might have been greater still. With any proposal or Bill, whether proceeding from the public authorities or government of a country or from the Commission, which is rightly called the mainspring of the Community, two things are required. First, there is the job of coordinating, assembling all the texts and amendments which have been adopted, and then rejected two or three months later, because of some exceptional or critical circumstance or time factor, or simply because the attendance at a committee meeting has changed.

**Jozeau-Marigné**

Another point: I wish to express appreciation of the valuable work achieved in our Legal Affairs Committee—you see, Mr Brugger, I am entirely on your side—through the understanding shown between the committee and the Commission. I wish to pay tribute—as our President undoubtedly will, too—to those who have represented the Commission, particularly Dr Gleichmann, the quality and pertinence of whose remarks I, for one, have very much appreciated. I wonder whether it might not have been preferable for our Parliament, given the aim we had set ourselves, if your Commission, gentlemen, had demonstrated its sincere desire to work with us by taking back its text, and, considering all the Members' interventions and all the amendments tabled, setting to work on it again to improve it before re-submitting it. This might not have been normal procedure, but do you not think, given the changing nature of our Parliament—which has got to stop merely delivering opinions and start taking decisions—that it could have done better than deliver an ordinary opinion on a strictly legal problem? Our combined efforts might then have resulted in a thoroughgoing reform of your proposals. Then we should have had not these 70 amendments—now reduced to 68 thanks to Mr D'Angelosante—but a properly co-ordinated text.

In presenting these proposals, gentlemen from the Commission, you presumably did not want to make some kind of anthology of existing national laws, but to create a European law, a law of nations. But could we not have drawn some ideas from the Common Law which is so important in the United Kingdom?

This has not been done. Are we to regret it? I wish to use a Latin term and speak of the *animus* to be found in those who want to get things into writing and substitute written for unwritten law, which has not always been such a bad thing. Having emphasized the spirit we have been debating in, I should now like to affirm very strongly the value of what we are doing today. There is no doubt about it, a European Company of this kind is not only useful, but—I would go much further—it is a necessity. The structure of the *société anonyme* has to be adapted to the enormous field of the Community of the Nine. We all really felt the need for such a move when there were the Six and it is still more necessary now with the Nine. I believe such a statute will be appreciated in all our countries. I consider it absolutely essential in a Community where all restrictions on the free movement of persons, services and capital are to be abolished. I now ask you to pay particular attention to my next point, for it is of special concern to the Liberal and Allies Group

—and all of you, I believe. The social policy is one of our objectives and we must achieve it.

I believe, Mr President, that this statute answers a fourfold need. I stress, fourfold. I shall cut my remarks short now so as not to exceed my time, but I must stress once again, it is an economic necessity. I mean economic, because it promotes the free movement of capital and therefore the economy of the Community. But it is also a social necessity as I have just said.

I think we all share this view, whatever our group,—although we may come to it by different routes—because the statute makes a real contribution to social progress.

Thirdly, it answers a political need, for no-one can deny that such a statute will help in European political integration.

Fourthly, it answers a legal need—though maybe, Mr President, I should not keep this to the last—but we are under the eye of the goddess of Justice! National laws have to be abolished and replaced by a single law which will, undoubtedly, favour transactions.

These, then, are the four prizes to be won: economic, social, political and legal. I leave it to others to emphasize aspects they value most. In this general introduction, speaking on behalf of my group I felt I should stress all four.

My next point is to stress the statute's originality in relation to multinational companies. I must stress this, because very few people understand what is meant by multinational company. What exactly is it? It is a collection of companies which have brought together interests in different countries by setting up an independent company with subsidiaries abroad.

The Community is already one unified economic area of nine states, and a multinational undertaking does not, I believe, answer its needs. What is needed is a company which is a European legal person. In our law we so often have to consider, on the one hand, natural persons and, on the other, legal persons. Here we are dealing with a legal person. This legal person has had and still has a certain nationality in our law. Well, today, it is to be given European nationality.

This is one reason why today's debate and the vote to come are so important, for we are to create a new nationality for this legal person and—this has to be said—we have to watch our own biases. Don't we so often—and I am the first to admit it of myself—when we are discussing a problem, tackle it in purely national terms? We imagine we are doing our European colleagues some great favour by giving them

### Jozeau-Marigné

the chance to change their laws. We all have this tendency, I think. Well, we must break the habit; we have to learn better. I recall talking of this to Mr Broeksz. We were holding a discussion one day and, at one point, to convince me about something, a speaker or representative from your Commission said to me: 'But you must remember that we are dealing with a provision in French law and you seem to be arguing in support of something from German law.' I replied that I was quite aware of that and that on the particular point we were discussing German law had more to offer than French law.

This is how we can show our true spirit. I think it better that we create something that does not exist in any of our national legislations. Let me state categorically: European law will only really exist when, instead of collecting this or that law from each of our countries or even attempting to harmonize national laws, we create a law for Europe itself. I cannot stress this too much: I am convinced that all, whether from the left, centre or right, can agree on the need for a body of European law. In this way we shall show our European thinking. This is, indeed, a time when, in some countries—my own included, indeed—some multinational undertakings are showing, by their ill-timed effect on employment, that, even if it is too soon to relegate them to the past, nevertheless it is high time to establish the European Company.

The next point I wish to make concerns the amendments. The Liberal and Allies Group has limited itself to 7 amendments. We have divided our task in such a way that Mr Bangemann will be speaking this evening on behalf of our group, which, contrary to some totally unfounded rumours, is united in its views. For the mark of Liberals is the ability to think constructively and rationally and in concert. For the moment, I should like to comment on just three problems dealt with in amendments.

With regard to the representation of employees on the Supervisory Board: on your menu this evening, which is a menu *à la carte*, since there are so many amendments on it, you will find two main ideas. First, that which you, the Commission, presented, which is expressed in Article 137 and is largely influenced by German thinking; that is, a third of the seats to go to the employees' representatives.

The second main idea is that put forward by our rapporteur, Mr Brugger, and the majority of the committee, amending the composition of the Supervisory Board to one third employees' representatives, one third shareholders' representatives and one third co-opted members. I would imagine that when the two-thirds representing the shareholders and the employees

come to decide whom to co-opt, they will need countless meetings and take longer than all our committee meetings put together!

Therefore, on behalf of the Liberal and Allies Group, I wish to suggest a simpler procedure. I suggest allotting half the seats to the shareholders and the other half to the employees, with a definite assurance that the employees' members would include representatives from the executive class. This is a new idea and I ask you to consider it. I would mean one executive employee for every three workers and every six representatives.

Not enough thought, perhaps, has been given to the need to ensure a specific number of seats to the white collar or executive workers. They, too, are workers, and I should like to refute the idea that the workers are only those who work on the assembly line or do manual work. This is quite wrong and I agree with Mr Broeksz here. Those who work with their grey matter are just as much workers.

The executive employee is expected to play an increasingly important role in modern society. Does he not even act as the prime mover?

Why allocate a particular number of seats to him, you will ask, since he is automatically included among the employees? Simply because I think it as well to guarantee the executive class proper representation, given the structure of modern societies.

I have felt it necessary to stress this point. I should, therefore, be very glad if, during the discussion on the amendments, our text could be adopted since it ensures a proper balance and would certainly be valuable.

Honourable colleagues, another of the ideas put forward by the Liberal and Allies Group concerns the powers of the European Works Council.

This question has raised numerous difficulties and we recall the arguments in committee on the interpretation of Article 123.

The rapporteur, Mr Brugger, has put forward a proposal on this question on behalf of your Legal Affairs Committee, based on a much more far-reaching idea. On behalf of my Liberal colleagues, I propose a compromise solution. It is a compromise because we have retained the requirement of agreement by the European Works Council on numerous questions and particularly on the principles to adopt with regard to appointments, promotion and dismissal of workers. In the course of our discussions in committee a great deal of anxiety was expressed on this point. The Liberal and Allies Group simply ask, like Mr Brugger, that the Council's

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agreement should not be required on the matter of the definitive or temporary closure of the undertaking or some section of it, but that it should simply be consulted.

That is to say, I believe consultation is better than co-decision in this matter—but leave it to Mr Gundelach, if necessary, to go into this further.

On the other points, the Liberal and Allies Group agrees with Mr Brugger.

The last question I wish to raise concerns having recourse to outsiders on economic decisions affecting the company. This is provided for in Article 137 on the Supervisory Board, Article 117 on the possible resort to experts, and Article 123 on disputes between the Works Council and the management.

Regarding Article 116, which originally consisted of two paragraphs, the Liberal and Allies Group cannot understand the Commission's proposal; Mr Brugger has indeed proposed deleting the second paragraph. But the provision in the first paragraph that the European Works Council may decide that the delegate of a trade union can attend certain meetings seems to be taking things too far, and this is why we have asked for it to be deleted.

I do not wish to go into more detail. I should like the words I said a few moments ago to serve as my conclusion. We have drawn up a text which may not be perfect, but will, perhaps, be much better when it has stood the test of time and practice. It is up to us to improve it as and when events demand. Besides, is it not true that perfectionism can prevent anything being achieved?

To quote one of my friends in the Liberal and Allies Group, we want to be neither very optimistic, nor very pessimistic, but practical and realistic. We think that, if the executive classes are represented on the Supervisory Board—I stress this once more—a lot of trouble will be avoided. We are no longer fighting class battles. We are all aiming at the same thing, the greater well-being of man.

Man: my last words are for him. The essential concern of the Liberal and Allies Group is to ensure the greater well-being of the individual. I believe that, by our common action, the European Parliament, having accomplished this task which it has tackled with great courage and, I hope, great satisfaction, will have served man better.

*(Applause)*

**President.** — Now that Mr Jozeau-Marigné has spoken, the Liberal and Allies Group has 17 minutes' speaking-time at its disposal.

I call Mr Terrenoire to speak on behalf of the Group of European Progressive Democrats.

**Mr Terrenoire.** — *(F)* Mr President, my dear colleagues, finally, after so much discussion, we are to come to a decision today on the Commission's proposal to the Council for a Regulation concerning the Statute of the European Company.

We have discussed this for a long time in committee, and awaited its fruition. It is here today. Let us accept it and let us allow our Assembly to deal as rigorously as possible with this question so essential to the future of our Community.

On behalf of my group, which was unanimous, I would like to congratulate both the Commission and the rapporteur Mr Brugger for the immense task which they have completed. The creation of a statute for the European Company will, I am sure, allow us to make a great step towards the construction of a more united Europe.

In this project, I think we can distinguish two main aspects: an economic and legal aspect and a social aspect. Let us start with the first: since undertakings can now exercise their activities in a more unified area, which has partly the characteristics of an internal market, it is essential that they be subject to a single legal statute. This European statute should replace the various national provisions. Since purely national structures often turn out to be unsuited, it becomes necessary—as everyone knows—for undertakings to adapt to the new conditions for production and sale which a common market offers. To be competitive, both within and outside the Community, undertakings must raise themselves to the European level.

The European Company, we hope, will be able to achieve various aims.

Firstly, it will encourage the creation of major undertakings carrying out their activities in various countries; both by making associations easier, either between European companies or between companies grouping together to form a European Company, and by allowing any national company which wishes to extend its activity to several countries to adopt a company structure which it will be able to use without difficulty in all countries.

Moreover, the European Company will facilitate access to capital markets and cooperation by all those engaged in economic activity.

Finally, it will broaden the basis of scientific research and research on production and distribution techniques.

## Terrenoire

But the European Company fortunately does not stop at strengthening the competitive position of undertakings. Its scope is not purely economic; it has important political effects. By facilitating the coordination of efforts, it will give to Europe as a whole, to our Community, the possibility it so greatly needs now, of playing a more important role on the international political scene by the interplay of market influences and trade. The European nature of this Company will create a new kind of relationship between firms, their shareholders, their staff and even public opinion. The European Company will make a very valuable contribution to the construction of European Union.

The Group of Progressive European Democrats, on whose behalf it is my honour to speak, is also happy to note the positive, dynamic, evolutionary, even progressive attitude which the Commission has adopted on worker participation in the European Company.

I thus come to the second aspect of the draft before us. In each of our countries, my dear colleagues, worker participation in economic life is a central problem. It has already been debated at length. To an ever greater extent, workers, and rightly so, are insisting on democratization of economic life on all levels. Participation will allow a company to be managed while respecting, naturally enough, the legitimate interests of capital and the shareholders, but it will also above all ensure that the human aspect of the company is not forgotten or neglected, as is unfortunately too often the case nowadays.

On this point, we have to admit that the Commission has adopted a realistic and practical position since it recognises that it is necessary for workers to participate in the life of the company. But, my dear colleagues, what does participation really mean? To me, to my group and—I think I have heard it expressed—to our Assembly, this word means more than just decision-making, joint management. Workers must be given real power to take part in the internal and external life of the firm.

The first important thing of course is to give them much better access to information. How strange it is sometimes to see workers in a firm completely ignorant of exactly what their work is for and even completely uninterested! This has many consequences not only on the human and social level but also for the efficiency of the firm.

To understand better the Commission's contribution I will examine briefly the provisions at present in force in Member States.

All the States in our Community, without a doubt, to varying extents, wish to give workers a chance to defend their joint interests and to take a part in the making of certain decisions.

Institutions exist in our States in which relations between employees and employer are also recognized both at factory and company level. Thus, in Belgium, France, Italy and Denmark, workers are consulted about matters concerning the organization of their work. Tribute must be paid to Germany, the Netherlands, and now Luxembourg—well done—which offer an example of joint management which merits particular interest and is a considerable innovation.

In France too, recently in fact, a working party has considered company problems and is openly in favour of participation, in accordance with the mandate which was given to it. Its conclusions are due to be presented at the end of the year.

Our group is all the more pleased with the Commission's position in that it has itself always been in favour of participation on the political and ideological level. Indeed, one of the main ideas of General De Gaulle and President De Valera has been frequently stressed, that is that the cooperation and assistance of individuals is necessary in any collective enterprise.

General De Gaulle said: 'Only one problem matters, the human problem', this is the philosophy which we find in the text which the Commission is proposing. General De Gaulle was the first in our country to understand that participation had to come about in institutions, in regional activity, in professional life and customs, in an irrevocable way.

For this reason in my own country, we have already instituted sharing in the profits of the firm and sharing in its capital, but now we must aim at wider participation, that is to say a sharing in responsibilities. All those who carry out the work on the economic level must be better informed, of course, but also must take a more effective part in decisions which concern the management and policy of the firm.

It is also necessary to make legal provisions for everyone to be regularly informed about the position and future of the firm for which they work, as is already done for shareholders who commit their money and who often complain that such information is inadequate.

In the same way, the management will have to accept and welcome regularly any proposals which people think are useful.

The Commission has realised that man, although he is caught up in the machinery of a mechani-

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zed, restrictive society, must have his security ensured and his dignity preserved. That is why the Commission, and we approve this, grants the Works Council real decision-making powers on social matters, in the widest sense of this term—the sense that we accept too—which principally concern the workers since they approve the Board of Management and since any decision under Article 123 taken without the agreement of the Works Council is inoperative.

It is these same principles which have led the Commission to choose a procedure which is analogous to that existing in Germany, and to some extent in the Netherlands and in Luxembourg, by setting up a Supervisory Board, to keep a check on the Board of Management, on which the workers are represented. The workers are also granted powers of control and joint management in addition to the powers granted to the various representative bodies in the firms.

My dear colleagues, the European Community today has approximately 100 million workers, not including migrant workers. Most of them have the right to vote, and I hope you will allow me, as someone who quite recently was the rapporteur for a draft law on lowering the age of electoral and civic majority to 18 years, which was adopted by the French National Assembly, to express my pleasure at seeing the right of vote extended at work, just as participation in democratic life has been extended to a greater number of citizens. But there are in fact so few of these citizens, of these workers, who play an effective role in the life of the firm where they work without participating. They still suffer from restraints, changes, failures, they are sacked without any real consultation. The time has come Mr President, my dear colleagues, to bring democracy into the firm. We reject the Marxist analysis of class struggle, because we think it is out of date, that it is no longer applicable to real life in our society in the second half of the 20th Century, but we are, ideologically, convinced that democracy is a whole which may not be split up, and that it does not stop at the factory gate; and we are also convinced that, in this field too, men's lives must be changed.

We have, perhaps in a modest way, but in a sure and effective way, the means to act, to play our part, to contribute something more to those who believe in Europe and to those who do not yet believe in it, since they have not yet seen it living outside the Boards of Directors of companies. If the European Parliament in turn played a positive role, set an example, and gave grounds for hope, my group would

be only too happy and would congratulate Mr Brugger, the rapporteur, and our Legal Affairs Committee for their excellent work which had led to a successful conclusion.

*(Applause)*

**President.** — After Mr Terrenoire's speech, the Group of European Progressive Democrats has a speaking-time of 29 minutes at its disposal.

I call Mr Knud Thomsen.

**Mr Knud Thomsen.** — *(DK)* Mr President, Sir Derek Walker-Smith, who spoke on behalf of our group this morning, has already conveyed our thorough approval of the principles of the proposal under consideration as well as our anxieties which have been expressed in certain proposals for amendments.

In speaking today, I draw mainly on experiences from my own country, where, in my capacity as a Minister, I helped to prepare and later, as a Member of Parliament, to adopt a new company law which, to a great extent, reflects the principles expressed here. There are, however, certain differences, and I should like to express concern on three points.

In Denmark, too, we have introduced the principle of workers' participation. We did not go so far as the tendency here, and I should like to say how concerned I am lest the Community Statute go too far in relation to national legislation instead of culling the experience of sound principles and allowing them to develop in the individual Member States. There is a risk at present that the European Company will simply become a theoretical possibility which is not used in practice if it differs too greatly from national standards.

I should like to say that the Danish parliament almost unanimously introduced worker participation in the control of companies. We went so far as to include all companies with more than fifty employees.

For us, there was no question of differentiating between workers and management; it was merely a question of employees. For example, in banking, there are a great many white-collar employees but very few workers in the usual sense of the term, but naturally white-collar workers in a bank have an equal right to participation.

There is another difference in Denmark to the Statute under consideration. We have expressly laid down that employees' representatives eligible for election to the Board shall be elected from amongst the employees, and I personally feel that, in the European Company,

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this should be a logical extension of the idea of participation. There should be no question of external representatives, since it must surely be the employees of an undertaking who should participate in solving the company's problems, since they fully understand them, but not representatives of specific unions or other interest groups. This is likely to counteract participation, distort the picture and bring irrelevant and perhaps purely political views to bear on the problems of an undertaking.

There are two other points I wish to mention, taking up again the idea frequently put forward by the European Conservative Group, that measures laid down at European level should be flexible enough to align themselves with the best aspects of national legislation—and there are a great many good points to be found in the various countries. Here I have in mind, above all, the establishment of the Works Council, discussed in Articles 100 following. For years, in Denmark, we have worked not with works councils, but with what we call cooperation committees. These are not based on legislation but, like so much else in Denmark, arose spontaneously from an agreement between the two social partners, and in time these cooperation committees have developed into exceptional bodies where representatives of blue-collar and white-collar workers and management can meet.

We consider it a good thing to have such cooperation committees—or shall we say works councils—but we undeniably also feel that their activities should be predominantly on a local basis and that they should be set up voluntarily. The concept of cooperation itself, the need for cooperation, is closely bound up with the local production unit, and for this reason a European Works Council for all European Companies seems to us to be inappropriate.

Finally, I should draw attention to the great practical difficulties entailed in putting into practice the work of a works council as soon as it is a question of splitting this up into subdivisions for each of the nine European countries. There is a considerable difference between practices in the various Member States.

In another area also there is a considerable difference between what is proposed and circumstances elsewhere. For example, Articles 146 and 147 speak of collective agreements at European level concerning specialized and central matters. In Denmark, where the labour market is particularly well organized, certain problems tend to be solved by the two sides of industry alone. We too have a number of foreign undertakings, and, in our experience, foreign firms setting up subsidiaries in Denmark

avoid industrial unrest if they comply with the agreed local conditions. This leads to peace in industrial relations, and I do not regard it as practical—I would even go so far as to say it is unrealistic—to imagine that a collective agreement could hold good for all the European unions.

As I have already mentioned, other Member States have experience in this matter, and I feel that it would be expedient to do everything possible to maintain the better aspects and then allow the situation to develop, so that we do not go too far initially.

I should like to add, though, that I did not want to table proposals for amendments on all these various points. In my view, there are quite enough amendments on the table and this is probably not the last time that Parliament will deal with the matter. I would, however, like to speak later in the evening on my own behalf concerning one particular proposal for an amendment.

**President.** — After this speech, the European Conservative Group has a speaking-time of 12 minutes at its disposal.

I call Mr Broeksz.

**Mr Broeksz.** — (NL) Mr President, capitalism was able to develop when the charging of interest on monetary loans was no longer considered 'immoral', as it had been declared to be by the Roman Catholic church until the sixteenth century. The Calvinists in particular had other views. They even created another condition for capitalism. They believed that life consisted not only of prayer, but also of work, thought and learning. They also considered idleness to be the father of vice. Unfortunately, they also stopped a number of religious and official holidays, with the result that of all the EEC countries my country has retained the smallest number of holidays. You will understand my regret on this point.

These were the basic conditions under which, during the following centuries, first commercial and later industrial capitalism was able to develop in a number of stages. The limited company is a late product of capitalism, but has nevertheless not been able to keep pace with developments in this century. Whereas it was once the entrepreneurs working under their own names who required more capital for the expansion of their business and wished to reduce their own personal responsibility and therefore converted their firms into limited companies, such persons have now given way to managers virtually

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everywhere. In all the Member States, the limited liability form of company was set up and maintained as a form of company in which management and capital were in the same hands. However, developments in the last few decades have shown that this form hardly ever occurs, not only because the managers are no longer owners or even major shareholders but partly because there has been a large increase in the number of shareholders and in the number of persons providing capital, such as banks, and this has widened the gap between the capital and management elements.

On top of this, there is the increased interest shown by the democratically-organized employee and his trade union in the firm in which he works, and his readiness to take on co-responsibility for the running of the company, this being something which greatly affects the life of the employees in general.

Indeed, more and more entrepreneurs are recognizing the importance of this interest and co-responsibility, which shows that the interests of capital and labour are merging. This is particularly evident when things are going badly for a limited company. Then it becomes clear to what extent the interests of capital and labour run parallel in their attitude to the company and the management. Capital and labour are both entitled to proper protection and a reasonable say in the running of the company.

Mr President, in 1971 a Christian-Democrat Minister in our country spoke of 'dead capital' and 'living capital'. By 'living capital' he meant labour performed in a firm. He said that he did not see why the shareholders should have a right to ask the management what had been done with their money if the employees were not also entitled to make the management responsible for what it had done with their work.

The importance of the division between the management of a firm and the supervision of that management should be increasingly emphasized. The conventional system is no longer appropriate in the modern limited company. The questions then arise: Who should have this supervision? What powers should the organs have? How should they be constituted, and what should be their rights and responsibilities? At the same time, the management must, in all normal cases, be given enough scope to be genuinely able to manage the company.

The present form of the large limited company requires flexible new legislation, in this case for the European company. There is also the fact that it is not feasible to base the European company, as a supranational legal form, on an

amalgam of the minimum standards set for limited companies in the various Member States.

In those Member States where labour and capital enjoy greater rights this would hardly be acceptable, and what chance would a firm have if the management did not have these two factors on its side? The new European Company must set the same course as that taken in practice in many Member States.

When the first draft for a European Company was being elaborated it was undoubtedly given a most acceptable basis, but much work was done in the sixties on the drafts for a proposal for a directive as submitted to the Council in 1970. Since the first report, prepared in the sixties, the debate on changes to the first proposal and, in some cases, to national legislation, has reached an advanced stage in virtually all the Member States, including the new ones. Since October 1970, when the present proposal for a directive was submitted, this has been reflected in the reports by Mr Pintus and subsequently Mr Brugger.

It appears that since the publication of the proposal in October 1970 ideas on how a limited company should be constituted have suddenly started to move more rapidly. Our group is grateful to both the rapporteurs for the way in which they have come to terms with the complicated subject and for their excellent reports.

We are especially grateful to Mr Brugger for his well-considered and well-thought-out annexes. He has indeed accomplished a prodigious piece of work.

One first question which arises in our consideration of the European company is whether a new supranational legal form was necessary and whether it was right to base it on Article 235 of the Treaty. In our opinion, the answer to the first of these questions, on the supranational legal form, is an unequivocal 'yes', since we believe that national legislations, even if adapted to the five directives proposed by the Commission, do not contain acceptable legal and economic foundations for economic cooperation beyond national frontiers and expansion of economic units, or at any rate not with sufficient protection for the interests of all those concerned, not least the employees.

We accept Article 235 of the Treaty as a basis and reject any so-called *loi uniforme*, which could be only too easily changed at national level even though the Court of Justice of the European Communities had the power to correct wrong policies.

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The question whether a European company can be based on Article 235 is related to the question whether, as the article stipulates, 'action by the Community [is] necessary to attain, in the course of the operation of the common market, one of the objectives of the Community and this Treaty has not provided the necessary powers'. In all the years during which this subject has been under discussion—that is to say, since the first draft elaborated by Professor Sanders and his working-party in 1967—not a single doubt has been expressed on this point. One question which has been discussed is whether it was necessary to base the proposal on Article 220, which makes possible mergers between companies or firms governed by the laws of different countries. There would, in that case, be a number of identical problems; but Article 235 makes it possible to go further than just mergers, and this possibility is realized in Articles 2 and 3 of the present proposal.

The very fact that the creation of holding companies and subsidiaries is made possible is enough to reject the possibilities offered by Article 220. For the time being, we are prepared to accept the fact that the Commission has come to the conclusion, since the first discussions, that the formation of European companies should be restricted to three forms mentioned here, not only because the first, broader conception was the subject of much criticism in the original Member States but also, partly, because this is a completely new concept, and as such should not have too broad a basis. If in the coming years it should prove in practice desirable, as we expect it will, for this to be applied to private companies and cooperatives, the regulation can easily be supplemented. Furthermore, the present text does not allow for participation by American limited companies—something we believe to be right since that country has hardly any co-participation and what it has is only on the basis of private agreements.

The question of co-participation is instrumental for the socialist group. In the new European system, well-regulated co-participation and protection of shareholders—not only of the small shareholders, since many shares are owned by social funds—is for us a *conditio sine qua non*. At the same time I should like to point out that during the last few years, as a result of increasing ploughing-back of profits and reserves for expansion and replacement in many limited companies, the power of the management has increased at the cost of the shareholders.

As we have already said that a European company should not choose its headquarters on exclusively fiscal criteria, the question auto-

matically arises whether we should allow them one or more headquarters. The latter choice would naturally make it easier to satisfy national demands. At the same time, however, there are many doubts about the competence of the court in the different countries in which such headquarters are established, with regard to both the external and internal affairs of the company.

Mr Gundelach is naturally right when he points out that we already have the Convention on Jurisdiction and the Enforcement of Civil and Commercial Judgments. This Convention has been in force since 1 February 1973 for the Member States, including—though I should like to have my opinion on this confirmed—the three new Member States.

There is still, however, the question whether the provisions of this Convention are adequate and whether there is not a danger of discrepancies in the administration of justice. What is the opinion of the Commission, which advocates the possibility of more than one headquarters? Moreover, this Convention does not cover bankruptcy, compoundings and the like. It is for this reason that we support Mr Brugger's proposed amendment to Article 5 to the effect that the number of registered offices should be reduced to one. If the European Parliament or the Commission does not accept this amendment there will have to be, in our opinion, supplementation of Article 262 of the proposed regulation to the effect that if the European company has more than one registered office by virtue of Article 5(2), bankruptcies, compoundings and related procedures will have to be pronounced upon by the judge to whom the procedure is first referred.

When the matter was being considered by the appropriate parliamentary committee, it was clear that most of the observations made and amendments proposed concerned the first five titles. Hardly any comments were passed on Titles VI to XIII; and the comments that were made principally concerned the wording, except for a proposed amendment to Article 262, the intention of which is to prevent—quite rightly, in our opinion—an accumulation of penal sanctions.

The Pintus report, the innumerable amendments to it which have been proposed, and the Brugger report have prompted discussions on the relationship between the rights and obligations of the various organs *vis-à-vis* one another. I would mention in this connection the management, the composition of the Supervisory Board, the General Meeting of shareholders and the European Works Council. The principal concern in

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all this must be reasonable freedom for management and reasonable supervision. Concerning, however, direct interests, sometimes even the vital interests of shareholders and employees, the latter are entitled to know what is happening in the company to which they have given their money and labour.

There is a clear-cut relationship between Articles 66, 83, 123, 124 and 125. According to Article 62, it is clear that the management should be subject to responsible supervision; but given the present social conditions, it is understandable that it should be made clear how important individual people, material and questions concerning working conditions are.

If the management is given complete freedom in the normal day-to-day running of affairs and an account is called for only once a quarter, it then becomes evident that legal operations which do not belong to everyday activities can no longer be effected by them alone. In many cases agreement must be sought not only from the Supervisory Board—our opinion here is that the word 'considerable' which occurs so frequently in the original proposal should be omitted so that we do not get involved in insoluble differences of opinion about what is and what is not considerable—but the rights of the General Meeting and also of the European Works Council must also be taken into consideration.

The Legal Affairs Committee had little difficulty in accepting the proposed additions on legal operations for which the approval of the Supervisory Board had to be sought. Difficulties only started to arise when we came to the provisions concerning the composition of the Supervisory Board and the rights of the General Meeting of shareholders, and even more so with the provisions concerning the rights of the European Works Council. Most of the additions proposed in the Brugger report which concern the General Meeting should be universally acceptable. It is hardly acceptable that the General Meeting should have to approve, for example, the winding-up of the company, but that it should not have to be consulted on the closure of the undertaking. Often, indeed, the closure of the company is more important than the subsequent winding-up.

However, the real difficulties only arose in connection with the composition of the Supervisory Board. Here there were even differences of opinion between the Legal Affairs Committee and the Committee on Economic and Monetary Affairs. This showed how difficult it is to adapt legislation to changes in circumstances. The one-third—two-thirds ratio was mainly prompted by the fear that the employees would be

too eager about the small advantages which they could obtain at work and would have neither any knowledge of nor any interest in the economic life of the undertaking. In the last decade, however, every employee has realized that the most important thing for him is a healthy, flourishing undertaking. This has become increasingly clear to trade unions and to individual employees alike.

Mr Schmidt has already given my group's views on the composition of the Supervisory Board, and I would add just one comment. On a number of occasions the distribution of seats on a fifty-fifty basis has been proposed. The Commission's proposal assumes that, with a one-third—two-thirds ratio and a Supervisory Board of at least 12 members, at least two of the members representing the employees will come from outside the undertaking.

The Legal Affairs Committee's proposal retracts somewhat from the fifty-fifty ratio and is based on the practice followed satisfactorily in a number of countries, including my own, which is that one-third are representatives of the shareholders, one-third representatives of the employees and a further third coopted by the first two categories together. This makes it possible for the Supervisory Board to represent not only the interests of capital and labour but also the general interest, which could be seen as a definite improvement on the one-third—two-thirds ratio or even the fifty-fifty ratio. This shows that the success or failure of a large enterprise—which is what is frequently at stake—is of interest not only to those directly concerned: it also affects the economic interests of the country in which the undertaking is established.

Mr President, both Sir Derek Walker-Smith and Mr Jozeau-Marigné mentioned that they feared that if this proposal was accepted it would be put on ice or stowed away in a drawer somewhere in each company. I have no such fears. I believe that, even if it is somewhat difficult for the United Kingdom to accept the proposal at first—as will probably be the case in France too—it will become clear that once the system has been shown to work satisfactorily in other countries, these countries will also be only too happy to adopt it.

In these days of separation of management and capital, it is natural for us to separate the Supervisory Board and the Management Board. This separation will also be increasingly accepted as time goes on in national limited companies. No less important, however, are the rights to be given to the Works Council. It is now considered a good thing that employees should have a say in the conditions governing the way they work,

**Broeksz**

receive their wages, are recruited and dismissed, etc. But even more important than working hours or holidays is whether the business should be permanently closed down or wound up and the subsequent drawing up of a social plan.

Mr Gundelach has pointed out that the right to approve a social plan should not be a right to exercise an indirect veto. We agree with this. We have already discussed this point with him in connection with the third directive, but no clear formulation has yet been found for the independent arbitration which he advocates. Until such arbitration exists, it is difficult for us to say that there will be no indirect veto, although we do wish to accept this principle.

On the one hand, we say that the shareholders should have a right to be consulted on the closure of undertakings and not just on winding-up, and, on the other hand, we say that in neither case may a decision be taken without the agreement of the European Works Council.

Closure is already referred to in an amendment in the Brugger report, but this article requires supplementing by a provision on the winding-up of a European company as referred to in Article 247. If we think for a moment of the economic and psychological effect of being without employment, we can then imagine what major interests are at stake here for the employee and how the matter has perhaps been treated rather indifferently in the past. We can all recall the case, not so very long ago, in which the factories of AKZO were threatened with closure, that the employees had to force the management to give them co-responsibility by occupying the works, and that it later proved possible to find another solution. If the amendments proposed in the Brugger report had been in force at the time it would have saved the firm of AKZO many millions of guilders.

It would be short-sighted, and also in conflict with those industrial interests which we wish to defend, if we were not to create healthy modern management conditions for the European company. It should also be remembered that while the European company represents a new legal form for economic activities, no single firm is forced to accept this new form. If the new form is accepted, this will lead to equality of rights in the nine Member States; in each of the Member States the 'European company' will no longer be a 'foreign company' and it will be fairly easy for anyone to become acquainted with the rights and obligations of the European company, which would be the same in all nine countries.

Mr President, we accept the legal bases of the proposal for a regulation and can almost fully

subscribe to the amendments proposed in the Brugger report on the powers regulated by Articles 66, 83, 123, 124 and 125. We see this proposal as a step in the direction of European unity not only in legal but also in economic terms.

**President.** — After Mr Broeksz's intervention, the Socialist Group has a speaking-time of 39 minutes at its disposal.

I call Mr Bersani.

**Mr Bersani.** — (I) Mr President, ladies and gentlemen, in the five or so minutes available to me I shall attempt to concentrate on certain points which seem to me to be particularly important. However, I should first like to underline the significance of this debate and the decisions which we are going to take and, briefly, stress the important role of European legislation in adapting our economic structure to the unified extended Community and to the wider context of the growth of the world economy, while respecting the rules of fair competition.

In the time available I intend to concentrate on employee representation. The principle of employee representation has found general support in this debate, though far from insignificant problems have arisen about its means of application. I think that this is a most important fact.

The idea of participation falls between the stools of the old capitalism and state management of an undertaking. However, it is not a compromise formula but an original position which seeks a positive solution to the fundamental contradictions which can be traced to the very origins of our economic system. While respecting autonomy, it permits the democratic involvement of all the social forces in the crucial moments of productive life and, more broadly, in industrial democracy as a whole.

I belong to a political and moral school which has always seen participation as the means by which to resolve these fundamental contradictions. This school has perhaps at times failed to have the courage of its convictions but has made every effort to turn it into reality and has been responsible for some of the experience on which we are drawing in this debate.

Today, in particular, some crucial points have emerged in the discussion and I should like to say a few words about them. Firstly, there is the question of the link between these measures and multinational companies. I believe that the question of multinational companies should be seen in a wider and more complicated context which goes beyond the immediate sphere of this

**Bersani**

directive. Mr D'Angelosante indirectly referred to this context.

We shall only be able to create the legal and economic framework in which the malpractices and distortions that we have in mind could be avoided if we make a tighter overall system of the rules of competition relating to dominant positions, the provisions of the fifth directive on limited companies, the measures on concentration of firms and the recent aspects of Community policy on multinational companies.

In addition to the provisions we are considering today, we must speed up and coordinate these other measures, which, taken together, may constitute an up-to-date and fair industrial policy within our Community.

In principle, we have nothing against concentrations when they are technically, economically and scientifically justified in the content of the world economy, of which the European economy is but a small part. Not do we object to the new competitive requirements imposed by the world economy. The problem is to prevent the massive financial groupings and enormous capitalistic technostructures from altering the democratic balance of one country or another and acting as dominant pressure groups which would conflict with our ideal of open economic life and social relations.

To return to the question of participation, I should like to remind you how, all too often, the very idea of it is rejected *a priori* by people, regarding it as still a vague abstraction, an attractive trap for the workers' organizations or an alienating involvement from which employees are likely to suffer. This, I think, gives rise to one of the most delicate psychological and social aspects of the problem. We must tell workers and their organizations that they too must have faith. In declaring that he had no fundamental objections to the basic contents, Mr D'Angelosante himself acknowledged that there existed, to counteract the risk that employees might become involved in the general interests of the undertaking, a strong sense of autonomy among the forces which represent the workers, which is all the stronger since their organizations have adapted to new international facts.

Now that the European Trade Union Confederation has been formed, the representative structures of the trade union force are gradually adapting themselves to the new economic, social and democratic aspects of the European continent. If we look at the problem in this light, we can see a solution to the problem which is less risky for employees.

There are certainly problems which must be borne in mind if we are not to run the risk of

approaching the problem superficially, in a mood of spurious optimism. These problems call for an expansion and change in mentality, greater and livelier efforts and a renewed sense of proportion and realism, as Mr Pêtre rightly stressed this morning. The problems of plant and industrial democracy must be looked at in a different manner. The responsibility involved should not conflict with the autonomy of the employee representative forces or of the shareholders' representative forces. Thus we are talking of responsibility based on this sense of autonomy. Looking at it from this point of view, I think that the question, referred to by various of my colleagues, of the relation between the new company bodies (the European Works Council and the Supervisory Board) and the existence, structure and autonomy of the trade union organization, may be solved by the collective joint application of some basic articles, including Articles 127, 146 and 147, in particular, which may show us how the limits and essential responsibilities of each body may be usefully harmonized.

Mr President, this argument could take us far, but you rightly remind me of the time I have been given. I shall therefore end by declaring that I am firmly in favour of the reform, especially in view of the formula adopted for the Supervisory Board: one third composed of shareholders, one third composed of employees and one third coopted by the two parties. There is effective parity between shareholders and employees and true power of co-decision relating to the fundamental economic and social problems in the life of the undertaking. In this way, we see the beginning of application in the Community of principles which I also—in my own small way—have supported, often under difficult circumstances in a country, such as mine, where the intensity of conflict has often been used as an excuse for doing little in this direction.

However, I have few illusions: it will be difficult to apply and many obstacles will arise. Many opposing forces will make it difficult to apply these principles coherently, fairly and openly, but the same is always true of any matter of importance.

I therefore join my colleagues in thanking the rapporteurs—Mr Pintus, whom I remember with gratitude, and Mr Brugger, the dedicated author of this text—and hope that this regulation marks the practical start of an effective Community social policy which will be able to attract the cooperation of the major European forces in working towards the wide aims of industrial, social and political democracy.

(Applause)

**President.** — After Mr Bersani's speech, the Christian-Democratic Group still has 24 minutes' speaking-time at its disposal, while the Liberal and Allies Group has 17 minutes' speaking-time left.

I call Mr Helveg Petersen.

**Mr Helveg Petersen.** — (DK) Mr President, on reading the exhaustive proposal on the European Company, one is overwhelmed by its scope. It gives a strong and almost frightening impression of the complex nature of contemporary society and how many regulations must be laid down for something new of this sort to be set up. And one is also faced with the great extent of research and discussion involved in such implementation.

The decisive question is whether the European Company serves a useful purpose.

It is several years since work was begun on this matter, which as the result of cooperation from all sides is now ready to be submitted. Much has happened since it first began. The optimism reigning at that time with regard to the acceleration of economic growth has long since evaporated in most quarters, and darker sentiments have taken its place. Many authoritative spokesmen believe that we shall run into extensive difficulties over lack of resources. Is it therefore advisable in such a situation to demand and encourage more competition, more efficiency, more production if we have to cut back? It is justifiable, but only on condition that efforts should be seen from the viewpoint that the resources available must be used in the most effective way. This, it may be added, is absolutely necessary.

A second question which arises, Mr President, is whether there is not an imbalance between the proposal and the desire for greater democracy, the desire to facilitate the survival of small- and medium-sized undertakings. Will the introduction of the European Company lead to further difficulties for these undertakings?

I am grateful to Mr Gundelach for stressing that the Commission had not submitted the proposal because it believed that 'bigger' meant 'more efficient', and Mr Gundelach said that more often than not the contrary was true. He went on to stress that the aim of the European Company was not to encourage growth as such, but as far as possible to enable undertakings to throw off legal, practical and psychological obstacles which they faced at present. Thus, smaller undertakings would also be able to take advantage of the proposal.

A third matter is the question of worker participation. Are there any limits in the Statute which would prevent developments in this sector going beyond the *status quo* in various countries?

It is comforting to note that the regulations proposed are fully in line with, or even better than, the situation in the individual Member States. A number of us may wish for further progress, but it is necessary that our objectives should be expressed in a balanced proposal; otherwise, we run the risk of never seeing the European Company come into being. Have we found the right balance in the long term? This is something we cannot be sure about. I am uncertain myself. We cannot be sure before we have gathered a certain body of experience, and there can be no doubt that we must regard the near future as a pilot project.

A very important consideration for me is the fact that the European Company can strengthen and guide a development which is currently under way in the Member States.

It is necessary that the employees of an undertaking should be able to participate in its management and it is also necessary to achieve economic democracy. Political democracy has been achieved, and now we should be able to introduce economic democracy. For me, this is a most important matter. We cannot count on any decisive battle against inflation unless the employees are involved in responsibility for their undertaking and can also share in profits. If there is to be an incomes policy, this is a prerequisite.

There is, however, another view which is interesting and which I should like to emphasize in conclusion. This concerns the 'quality of life' and 'human development', which we may often mention in Parliament without attempting to supply any more searching definition of what we mean by it. In national policy and in Community policy we must create opportunities for the individual to develop his living conditions and the individual must be accepted—not only for the sake of mere efficiency and competitiveness but also from a desire to put people first.

Mr President, the work submitted to us is, as far as I can see, one of the greatest joint tasks carried out within the Community and one of the most thoroughly dealt with. It does not provide a complete solution, and even if various amendments are adopted in tomorrow's vote, many questions will remain. Nevertheless, this achievement represents a strong resolve to begin a series of developments which are likely to be of great significance for events in the

**Petersen**

individual Member States and the Community as a whole.

**President.** — After Mr Petersen's speech, the Liberal and Allies Group has between 11 and 12 minutes' speaking-time left.

I call Mr Albertsen.

**Mr Albertsen.** — (DK) Mr President, the proposal now under consideration will have been under way for 4 or 5 years before its probable adoption tomorrow in its final form. With such a protracted process there is a risk that the proposal—when it eventually comes into force—may be out of step with social developments and the attitude of citizens in the respective Member States. This remark should not be taken as constituting opposition to the proposal but rather as expressing a heartfelt desire for faster procedures, not only for this proposal but also for other similar documents.

As a Danish Social Democrat, I can fully support the proposal and I recognize the quality and the progress it represents. However, the proposal is not revolutionary—particularly from a Danish point of view—although it is undoubtedly a considerable step forward for the Community, and in that sense also for Denmark.

It gives workers the right to participate in controlling their own circumstances; but it does not give employees access to co-ownership and a share in capital growth. Undertakings and their ownership are becoming increasingly exclusive, and if participation is to have the right effect, the next step must be the introduction of co-ownership.

In a period when savings have to be increased in order to accumulate the necessary investments, the only solution is to open the door to economic democracy. The unsuitable effects arising in particular during a period of steep inflation, in which ownership of increased capital must be reached by augmenting profits, cannot be tolerated. In our modern welfare states there is an increase in the concentration of capital: fewer people own more, and more people are in the position of employees. This is an unsatisfactory development: it creates a situation of conflict between the social partners and tends to encourage inflation.

Looking at the rate of inflation in the Member States, we find that consumer prices showed a growth between March 1973 and March 1974 in Germany of 7.2 per cent, in Italy of 14.3 per cent, closely followed by the corresponding increases in England, Ireland and my own

country, Denmark. This should concern us all. It is disquieting for the future. All steps—and I emphasize 'all steps'—to fight this situation must be considered and action must be taken.

One solution would undoubtedly be to stimulate savings as far as possible. However, in a period of inflation this is particularly difficult if employees cannot have the assurance of obtaining real value through the right to co-ownership. Without this, there is no psychological or political foundation. Employees recognize that a certain influx of capital to industry is necessary: otherwise, there can be no security of employment or wage benefits.

At present in Denmark we are discussing a specific proposal on the introduction of economic democracy. The aim of this proposal is not only to create greater equality of structure and distribution of income, but also to increase savings and the influx of capital to industry. The OECD holds the Danish proposal in high esteem, partly because it shows solidarity in its general application, and partly because it ensures investment and profit-sharing. It is particularly stressed by the OECD that it will help to eliminate from undertakings a considerable proportion of the inflationary threat. Naturally, there can be no control over effects from other quarters.

I was pleased to hear Mr Gundelach point out in his statement here that what we are dealing with today and are due to vote on tomorrow can only be regarded as the first step. I am therefore pleased—bearing these remarks in mind—to be able to put forward these considerations in this way.

I warmly recommend the proposal on the European Company as an undoubted step forward, but on the other hand limit my enthusiasm to regarding it as a first step in the process of democratization. The Commission—and I believe Mr Gundelach's remarks tended in a similar direction—must rapidly consider the next steps to be taken. This is urgent. I am convinced that the ideas put forward here will prove to be of great value during the next phase.

**President.** — I call Mr Schwörer.

**Mr Schwörer.** — (D) Mr President, ladies and gentlemen, in today's debate on this new law, so much has been said on worker participation that one might be led to suppose that this is the most important aspect of the European Company. However, in addition to the problems of competition and of the new technologies, there are many subjects to which we must give

## Schwörer

priority. These could be summarized under the general heading: 'Humanization of the working environment'. These problems cannot be solved by a perfect formula for worker participation; they can only be improved by patient cooperation, sparing neither time nor money, on the part of all those involved in the economic process.

The main problems are as follows: the prevention of early incapacity, the automation of jobs in particular jeopardy, the curing of industrial illnesses, production-line work, piecework or new forms of remuneration, the problem of female labour, triple-shift work, the elimination of the double burden on the working woman, the problem of elderly employees and the handicapped in the company, and particularly the problem of early retirement. This list is by no means complete. There is no patent formula for dealing with these fields. The European Company will be judged, *inter alia*, on the extent to which it is willing and able to come to grips with the difficult problems and find solutions to them. In my view, we should already have made some progress if some of the energy expended on workers' participation had been diverted to the solution of these questions. I believe that the solution of these problems is more important than workers' participation for the continuing existence of our economic system and thus of the new Company.

However, I should like to add a few comments on workers' participation prompted by the debate. In my view, the will to form a partnership is of decisive importance in the solution of this problem: this is evident from the daily pressures on an undertaking in an increasingly complex environment. For this reason, I am in favour of participation, *particularly by workers*, and thus give objective cooperation priority over any ideology.

Secondly, for an undertaking to function properly there must be no stalemate in the major decision-taking bodies. Even if the Works Council participates fully, it will still be in the interests of employees that the final decision on questions of company policy should lie with the capital investors. It is to be hoped that these investors will increasingly represent a broad spectrum of shareholders. Without the commitment of a broad cross-section of investors, it will not be possible in future to raise the necessary capital. This applies also to investors outside the Company, from officials to housewives, and in particular to people with interests in the Company. I believe that the benefits of increased productivity should be distributed on a broad basis in order to bring individual employees in an undertaking into the

decision-making process on the basis of co-ownership and to take the edge off the disputes over distribution, which have hitherto led only to higher inflation rates. The aim of this policy is to make employees not only contractual partners, but also co-owners.

Finally, I should like to make a third point, which I feel is particularly important.

The regulation controls the law relating to limited companies, i.e., essentially that relating to large undertakings in our economic area. These often determine the public's image of the European economy. However, it is often not realized that small- and medium-sized undertakings have a much larger part in the economic life of this Community. Many more people are dependent on their activities than on the activities of large undertakings. The ratio in the Federal Republic, for example, is 2:1.

Since this regulation on the European limited company opens up new possibilities for large undertakings to become economically active, something should also be done for the benefit of small- and medium-sized undertakings. An action programme is necessary. However, this has nothing to do with subsidies, but rather with conditions of equal competition between large and small firms.

In this connection, capital procurement is in my view a very important issue. At a time when investments are becoming more and more capital-intensive, ways must be found of giving medium-sized undertakings access to the capital market. This could be done by means of financing companies and credit guarantee associations. Another important point is that long-term capital should also be placed at the disposal of small- and medium-sized businesses on acceptable terms. A further important point is the development of new products and techniques. In this connection, joint institutions should bear some of the risks and costs of small- and medium-sized undertakings so that these can continue to exist alongside large undertakings.

Cooperation is another important field. Fortunately, the Commission has already submitted a regulation which is to be debated in this House. This draft is designed to overcome the legal, fiscal and psychological difficulties of trans-frontier cooperation between independent undertakings. The European Cooperation Grouping, as it is called by the Commission, is not a new company. It is a European union of independent national undertakings, of small- and medium-sized companies which wish to cooperate. I am emphatically in favour of this initiative by the Commission.

**Schwörer**

The new limited company has important tasks. It should be socially exemplary and economically successful. It must be supplemented by the existence of a number of small- and medium-sized businesses. The initiative, the willingness to take risks and the personal efforts of their owners are essential to the market economy. Only in this way can the Community's economy serve the people—which is the aim of our working together.

On behalf of the Christian Democratic Group, I welcome the Commission's proposal.

(Applause)

**President.** — I call Lady Elles.

**Lady Elles.** — In taking part in this most important debate bearing on the future of industrial practices in the Community and consequently relevant to the future prosperity of the economy, I wish to make a few observations connected mainly with social and employment problems rather than with the strictly legal aspects arising from the motion. These issues were fully and most ably dealt with on behalf of the European Conservative Group by Sir Derek Walker-Smith, and I have nothing to add to what he said.

It is regrettable that, in all the preceding discussions in committee and in today's debate, we have not been able to hear the views of those members of the United Kingdom Parliament who claim to be more intimately connected with the successful working of our industrial life.

We recognize the different attitudes of the Member States according to their already established legislation, but in the United Kingdom both unions and management can learn many lessons about the successful coordination of, rather than conflict between, the two sides of industry. We cannot but give a welcome—albeit a qualified one and subject to our tabled amendments—to measures which will undoubtedly contribute to better industrial relations which, in their turn, will lead to better living conditions for all in the Community.

Article 137 of the proposed regulation, on the structure of company boards, has considerable implications for any discussions of the direction in which industrial relations are to go in future, especially in those Member States which have not before experienced the supervisory board in their national company legislation.

The subject of workers' participation has been of considerable concern to all sides of industry, a concern based primarily on preserving certain established areas of power and control and certain methods of operation as between the dif-

ferent industrial forces. Thus, whilst at present appreciating that we are only considering the European company and not the fifth directive, all sides of industry will have to renounce certain areas of power. Whether this will benefit the economic progress of industry, and so lead to those better living and working conditions for which we all hope, will depend on certain factors. The first of these is a recognition of the objectives of industrial enterprises; the second is the interpretation and methods of implementation of the statute; the third is the willingness of all sides of industry to coordinate their efforts for economic progress in a capitalist structure.

It is clearly recognized and fully admitted that the effects of decisions taken at board level are felt directly by the individual citizens, not least because of the rapid industrial development in Western Europe over the last 20 years, which demands that the voices of all those involved in industry should be heard. To realize this, we only have to see the effects of the readaptation and rehabilitation of employees necessitated by adaptations from labour-intensive to capital-intensive structures, the wholesale removal of factories from one part of a country to another, and the decline of certain industries due to changes in demand or to scientific and technological developments.

While admitting the legitimate demands of those working in industry to be heard at all levels, we must also consider the necessity for future company structures to induce a flow of capital investment, a structure which will therefore be sufficiently attractive for shareholders to be prepared to take certain risks with their capital, which, of course, includes the savings of those who have been working all their lives and also, *inter alia*, trade-union funds.

Article 137 aims to achieve a balance between encouragement to shareholders to risk their capital in a commercial enterprise, protection and encouragement for employees at all levels to benefit from that capital as a means of earning their living, and fulfilling the needs of the community as a whole.

What benefits are to accrue from workers' participation at board level? Probably not all that much in progressive companies where major decisions are already taken at shopfloor level. Nevertheless, there are certain inbuilt advantages in this new structure. The first is the establishing of a method and channel of communication recognized and enforceable by legislation. Secondly, it will mean a participation in major decision-making. Thirdly, it implies a share of power in the running of the company concerned.

**Lady Elles**

There are two matters of immediate concern on which I should like some answers from the Commission. First, how is the representation of employees to be operated? Will minority groups be properly represented on the supervisory board, and not only minority groups but those groups of workers who until now have invariably been discriminated against and either unrepresented or misrepresented? I do not think that I have to enumerate the categories of which I am thinking.

Secondly, by the definition of shareholder and employee on the supervisory board, will those categories be mutually exclusive, or will both shareholders and employees have to declare an interest should a shareholder happen also to be an employee, or an employee happen to be a shareholder? Those are two specific issues on which it would be helpful to have answers.

A further subject for concern are the principles that will guide the representatives on the supervisory board in the process of decision-making. Will their decisions be based on sectional interests, or will they be for the benefit of the company as a whole, including both the welfare of the employees and the attainment of the company's objectives? Only on this latter principle will industrial democracy be successfully improved and implemented for the benefit of all.

In conclusion, it seems that there will be certain criteria by which the success of the new statute will be judged. I am sure that all Members of this Parliament wish every success to the birth of this new European legislative baby. However, one of those criteria will be whether it is to the benefit of the economy of the Community as a whole, for the peaceful and profitable conduct of industrial practices according to the legislation laid down in the statute, taking account of prevailing circumstances as well as the economic and social effects of those industrial practices. If they are neither peaceful nor profitable to the Community as a whole, the statute will not be successful.

A second criterion is whether it will be to the simultaneous benefit of workers, shareholders and consumers. A third is whether by it we shall have created an instrument by which improved standards of living will be made available to all, including the poorest sections of the Community.

**President.** — I call Mr Härzschel.

**Mr Härzschel.** — (D) Mr President, ladies and gentlemen, I should like to add my comments to what has often been said about the proposed

statute for a European Company. In my view, it constitutes an important step towards uniform legislation on undertakings and business, and I believe that it could act as a model for the harmonization of company law in the Member States of the Community. We are trying to achieve, improve and perfect an economic union; this regulation may help us to realize this aim. In fact, I believe it is a necessary prerequisite.

In particular, I welcome the principle that such a statute for a European company should be concerned not only with questions of capital, technical prerequisites for mergers, and the tasks and responsibilities of the Board of Management and General Meeting, but should also lay down the rights of workers and make provision for their participation. These worker participation rules are in my view essential for the development of undertakings and for profitable cooperation in partnership. I am convinced that the European company's only chance for the future lies in placing workers and capital on an equal footing.

I believe that this proposal represents a change of direction in company policy. If we believe in our economic system, and wish to preserve it, then we cannot do so without allowing employees to participate fully in all important questions and decisions concerning them. It must therefore be our task to involve employees in important company decisions in the Supervisory Council and to give them the opportunity of participation in appropriate working conditions. Mr Schwörer has already pointed out several factors which are also important in addition to worker participation. For example, we might mention the humanization of the working environment, which the Commission is also striving to achieve. The aim of worker participation may be realized at two levels: through equal representation in the Supervisory Board and by the European Works Council, and through the undertaking's works council.

In its foreword to Title V, the Commission points out that employees have a special relationship to the undertaking, and that they should be given the opportunity of joint representation and participation. The Commission did not draw the obvious conclusions from this, allowing workers the right to only one-third representation, but the Legal Affairs Committee has fortunately remedied the situation, providing for equal representation of capital and labour and bringing in a third group. I welcome this decision, since it points the way to future regulations.

Some people believe that this gives rise to the danger of an imbalance in favour of the

**Härzschel**

employees. I do not share this view; I rather incline to the belief that the proposed regulation does not place shareholders at a disadvantage. Equilibrium—i.e., taking the same account of both factors—is crucial. If greater weight were given to shareholders, this would again give rise to a lack of equilibrium that the other side would not accept. In my opinion, this would fail to provide a lasting solution, since a regulation which is not based on equal representation cannot in the long run succeed. Imbalance in favour of the shareholders would jeopardize peace in an undertaking and intensify disputes. Anyone who tries to prevent solutions being found on the basis of partnership will in the ultimate analysis promote the class war which the majority of us do not want. We want to secure and improve peace in undertakings and must therefore create a better atmosphere if we wish to avoid disputes. I believe that our decision may help in achieving this aim. Worker participation undoubtedly also implies co-responsibility, and we have always realized this; but it is only through the principle of equal co-responsibility that employees will come to realize that they also actually share this responsibility.

Moreover, when making our decisions we should not fail to appreciate that regulations of this kind already exist to some extent or are being debated in several Member States of the Community, although in some other countries the proposal naturally breaks new ground. In any case, it provides a golden opportunity for Europe and for a progressive social system. It should be added that the opportunities for workers from different countries to meet and exchange ideas could be increased, and this is something we should look on positively.

The objection has been raised that these plans are all very well, but the European company might not get off the drawing-board. This objection must certainly be taken seriously; but it would be wrong of Parliament to offer a solution which did not take account of the future and which did not point the way to the harmonization of company law. In addition, as I have already said, some countries will be laying down national rules, so it is important that we should give practical guidelines and not simply theoretical ones. We can only hope that all reasonable authorities will support the achievement of this European company and will use any legal apparatus provided.

Optional legal bindingness is certainly a weakness. It is crucially important, however, that after long discussions in the Council this regulation will be adopted and translated into action. Enough time has already been wasted, and I

believe we should make every effort to implement this regulation as soon as possible because, among other things, the approximation of nine national systems will be difficult and this is only one step which others must follow.

Finally, one practical step forward is better and more productive than any number of solemn declarations.

*(Applause)*

**President.** — I call Mrs Goutmann.

**Mrs Goutmann.** — *(F)* Mr President, ladies, gentlemen, my dear colleagues, I will not speak on the proposal from the Commission of the European Communities on the regulation concerning the Statute of the European Company as a whole since my colleague Mr D'Angelosante has made a very authoritative analysis of it with which I agree, and since he has condemned with particular vigour all the dangerous aspects so damaging for workers in the Community and the whole population of the Member States.

I would simply like to return to the social aspects of the problem, dealing in particular with worker participation and representation in the European Company.

Title V of the Statute, which deals with this subject, reflects current developments in the world on worker participation and the contradictions which are undermining our economic system.

With scientific and technical developments, with the development of productive forces, with their internationalization, the necessity for workers to participate in the management of firms and in the management of public affairs becomes more and more evident. It is no longer a question of their carrying out simply what is asked of them. They demand not only better working conditions, professional training and qualifications corresponding to modern requirements, but also a more effective and more aware participation in the management of firms, in the determining of aims and objects, in the drawing up of plans, and a more effective participation in the economic and social life of the country.

The capitalist firms, the multi-national firms and companies whose outline can be seen behind the European Company cannot ignore this necessity and are obliged to adapt themselves to it. They certainly do not do this with willing hearts. They multiply the obstacles and barriers to attempt to limit this participation, and this morning's discussions shows this again, but above all, they attempt to water down this participation, to divert it to serve their own needs and their own interests.

**Goutmann**

They cannot totally prevent this irreversible process of participation, but with the development of concentrations, of centralized decision-making powers, the bureaucratic remoteness of the decision-making centres, is encouraged by the supra-national concept, along with more and more deliberate attacks on collective and individual freedoms and trade union rights, the anxiety of the big companies and most governments is to give employees the feeling, but only the feeling, that they are taking part in discussions, sharing in the profits of management, that they are real participants in the creation of these companies. Whichever procedure is used, profit sharing, employee shareholdings, participation in management by objectives, the aim is to make believe that the firm interests and the workers' interests are the same and that there is a real solidarity.

In fact, everything hinges on this concept of solidarity, dealt with at length yesterday by Mr Sauvagnargues and Mr Ortolì. Solidarity in competition by capitalist companies, by multinational companies, the solidarity of the Member States of the Community in the face of the crisis which is shaking it, the solidarity of the workers supposedly having a stake in the development of their companies, as if, in the present state of affairs, benefits and profits were equally distributed among all the members of the Community.

The proposal for a regulation before us on the possibility of representation of workers demonstrates clearly this double reality: at once recognizing the right to participation and at the same time attempting to limit this participation, indeed even to absorb it. This is shown in a document which contains, on the one hand, some positive features in so far as it recognizes and even extends the role of European Works Councils in national groups and admits of the possibility of drawing up collective European agreements with the representative trade unions in Member States and, on the other hand, negative features since as regards the conditions of eligibility and the methods of elections, it attempts to limit workers' representation; since the prerogatives of the works councils are still inadequate and since attempts are still being made to reduce them to mere amendments, but even more through the Supervisory Board which has instructions 'to look after the interests of the company and its staff'. Thus an attempt is made to make workers admit that there is some kind of community of interest between the European Company and its staff.

To ask workers to play a game of solidarity and common interest, to accept a policy which is in fact decided unilaterally is a snare. The monopolist nature of the European Company

creates unavoidable conflicts between the interests of the companies and those of the workers. Contrary to anything that might have been said in this Assembly, the class struggle has not disappeared and it will not be the European Company which will make it disappear. I would go so far as to say that the companies wish, through this statute, to stem, at least in part, the class struggle. Faced with the present crisis in the Community, at a time when austerity is the order of the day, the role of the workers is not to accept this penury, but on the contrary to defend even more vigorously the rights and benefits acquired in their noble struggle and to fight for their demands to be met.

We know that the workers will not allow themselves to be taken advantage of. We do not doubt that they will fight in the European Company to defend their most vital interests, the preservation of the economic interests of their country, and the national independence of each of the Member States. For the only means for workers to achieve real participation in the management of firms and in the management of public affairs, is first of all to guarantee national independence, the development of the national economy of each of the States of the Community, by giving special encouragement to internal consumption.

The provisions in the statute of the European Company which we judge positive are nevertheless very limited and in no way solve the basic problem of real and democratic participation by workers in the management of firms.

This can only be conceived of in the event of the setting up of a new economic and social system as advocated, for example, in France in the 'Common Programme' of government subscribed to by the parties of the Left, whose principle aim is to satisfy the needs of the whole population—the only method, we believe, to encourage an increase in production and technical progress.

For drawing up a statute is not in itself sufficient to settle all the problems of participation, especially if the statute is disputed by the most representative of the central unions.

Democratic management cannot be set up in a firm unless the political institutions themselves become largely democratized and a wide public sector is developed to serve the nation. One cannot really separate the possibilities of democratic management and participation from the necessity to develop national economies, nor from the necessity to give workers, at all levels of public life, access to democracy and participation. It is on this basis alone that wide inter-

**Goutmann**

national cooperation can be established, based on justice and respect for national sovereignty, and new Community relationships which will put an end to regional imbalances and our inflationary system.

Democratic management of companies therefore, presupposes agreement on the objectives of the economy and the aims of workers' participation.

As regards the objectives of the economy, the chasing of profits and the accumulation of capital have to be replaced by the satisfaction of the material and cultural needs of the people.

As for the aims of workers' participation, these are clear: instead of the consultations proposed by the monopolies and the capitalist states to encourage workers to distribute their penury among themselves—that is to say, to bear the burden of the sacrifices—we propose the following objectives: the defence of the rights which have been achieved, the meeting of essential demands, the extension of collective and individual freedoms. These aims are a necessary precondition for our development and growth. This means that the Statute of the European Company should include a real statute for our employees, including not only guarantees about recruitment, employment, wages, working conditions, training and social welfare, but also the definition of new responsibilities in management aims and organization.

Workers must be given the possibility and the means to make a contribution on questions concerning production and the means of production, on research, investments, financing, and industrial and economic planning.

To achieve this, much more is needed than the present regulation; European and national works councils and group works councils should be given greater rights in the formulation of policies of firms and companies, and the rôle and participation of the trade unions should be strengthened.

At the same time, instead of making decision-making powers and decision-making centres more remote, encouragement should be given, in a democratically planned way, to the autonomous management of firms under the control of the workers.

One is obliged to note that the present draft statute is far removed from this open-minded and democratic conception of management and worker participation. One even gets the impression that it is attempting to use the European Works Council and, if possible, the trade unions as a buffer to moderate any social upheavals at the European level.

This is doubtless what the proposal for a resolution is hoping for when it calls for a healthy European trade unionism. I think some explanations are needed about this idea of 'healthy'!

In any case, this takes no account of reality, and overlooks the fact that the new European dimension creates the conditions for great united action in Europe, on the basis of a community of interests among the workers in the capitalist countries, in the face of the action of the multinational companies, be they American or European.

These, Mr President, are some of the reflections inspired by the draft Statute for the European Company, which the Communist Group opposes and on which it has laid down a series of amendments, which we will defend in the interests of the workers and peoples of the Community.

**President.** — The speaking-time allotted to the Communist and Allies Group is now exhausted.

I call Mr Artzinger.

**Mr Artzinger.** — (D) Mr President, ladies and gentlemen, only four minutes of the speaking-time allocated to my group remains. I will therefore keep my comments brief, and confine myself to just a few areas covered by the proposal for a regulation. I should like first of all to mention Title XII, which deals with taxation, and to which the Legal Affairs Committee made a welcome amendment. We do not even have the beginnings of any tax rules for this European company. This is not the Commission's fault: we must bear in mind that at present there is no European tax law and that this statute does not provide one. The Council should remember that at least some pointers should be given so that the founding of the European company is not impeded by the lack of any tax law. I am thinking of the directive on a common system of taxation for mergers, etc., which has been taken. The same applies to the common system of taxation for parent companies and their subsidiaries. We must also welcome the fact that in the motion for a resolution the Legal Affairs Committee mentioned the necessity of harmonizing the company tax system.

We are also pleased that the Commission has had the courage to tackle the question of law relating to groups of companies. As we know, this attempt has only yet been made in one Member State. Articles 237 to 240 of the draft statutes were not changed by the Legal Affairs Committee. This does not mean that it has ignored them, as can be clearly seen from the extensive explanatory statement which the Legal Affairs Committee and, in particular, the

**Artzinger**

rapporteur, have devoted to this Title. As you know, there is a discrepancy in groups of independent companies under unified direction—a conflict of interests between minority and majority creditors and particularly creditors of the subsidiary companies. The Commission has proposed a very flexible system for balancing interests, for which we should be grateful, since developments in this field are in such a state of flux that any perfectionist rules would be doomed to failure. In its explanatory statement, the Commission has rightly emphasized that the Statute for a European Company is not the place to go into the question of the desirability of groups: this is a question of competition policy, and we in the European Parliament have already given our opinion on it in our discussions on preventive merger control. Moreover, the formation of groups of companies is a development which cannot be prevented.

One final word on the Title relating to the preparation of accounts. Title VI of the proposed regulation is large and contains almost 80 articles. The Legal Affairs Committee has left this almost unchanged, although the explanatory statement shows that it has devoted some thought to it. We are pleased that in Article 181 the Commission has introduced replacement cost as a method of valuation. This is necessary at a time when the value of money is constantly falling. We are also pleased that the Commission has not dealt with the principle in great detail, but has left the elaboration of this blanket provision to science and further development. All in all, we thank the Commission for its courageous proposal.

**IN THE CHAIR: MR BERKHOUWER**

*President*

**President.** — I call Mr Rivierez.

**Mr Rivierez.** — (*F*) At this stage of the discussion, Mr President, I shall confine myself to some very brief comments.

One of the speakers has said—and very eloquently—that it would have been much quicker if matters had been discussed between nations and concluded by an international convention.

The draft we are now discussing has been in hand for a very long time, first in the Council of Europe, then in the European Parliament and the European Communities. It dates back to 1964, when a working party was set up by the Commission. And now it is 1974!

I agree with Mr Broeks that, on the basis of Article 235 of the Treaty, the Commission was perfectly entitled to take up the proposal for a regulation and submit it. Mr Pintus' report contains some very interesting comments on this point.

But we must break loose from the regulations, we must be realistic and find out the effect of the Commission's and Parliament's work on this important problem. If things had been settled between the states, it would perhaps have been quicker, but the effect would not have been the same.

The draft, as I say, has been in hand for several years on the initiative of the Community institutions. What has happened? There has been a change in the way of thinking. First of all, and no one has pointed this out, we have a European company that is going to be governed by Community law. The revolution was expected, I agree, but all the same it is a revolution and we should bear it in mind. That is obvious, but it is still worth mentioning.

On the other hand, work has progressed; the Commission and Parliament have put ideas into action. It is true that for some years there have been ideas of a closer connection between capital and work and of a better organization of the European company. Much time has been needed, I assure you, to put these ideas into practice. In some countries, France and others, there was no question about having a two-tier system. As you know, it was instituted in 1966 in the French limited company; but, of every hundred limited companies, hardly ten have chosen to have a board of directors and a supervisory board; that is not the custom in our country. With the appearance of the fifth directive, a very important act, the two-tier system is going to appear in all company reports in the Nine. That too is important. Now, quite naturally, the two-tier system and labour participation in the management of certain points, with labour representation on the supervisory board, is being imposed on us. Until now, that was quite out of the question in certain countries, including my own; workers were staff delegates or members of the works council. As a result of our work, they have been granted considerable power. Greater demands can always be made, but the facts must be faced; it is now a question of acts to be introduced in all the Nine.

I repeat that I have followed the proceedings of multinational companies, which have made considerable progress but sometimes have not shown enough heart. It is quite unacceptable that a subsidiary of a multinational company here in Strasbourg could disappear tomorrow

**Rivierez**

because one of the General Directors six or eight thousand kilometres away so decided. But with the European company that we are creating, which gives the workers certain rights, multinational companies will have to adopt a different attitude. It is worth saying, and stressing, that we are going to improve the moral standards of the multinational companies, and these sometimes leave much to be desired.

I therefore think it is good that we did not follow the international treaty procedure, but used Community law to reach the result we have arrived at this evening.

I have one further comment to make. There has been criticism of the fact that trade unionism is gradually taking a European form, because of these multinational companies and the amendment of national laws on national limited companies. I say it is a good thing, because it is yet another way of achieving harmony in the well-being of Europe. Because of this new instrument, we must continue to make progress so that there is something resembling equality in all regions of Europe.

The European company can help in that respect too.

And now, Mr President, I have three brief comments to make.

There has been criticism of the powers granted to works councils, and it has been said that provision should perhaps have been made for requiring their opinion instead of their agreement, especially in the case of the closure of parts or the whole of an establishment coming under the jurisdiction of a European company. It is a point worth considering.

It has also been said that you expressed yourself badly in Article 7 and that the judge would find himself in difficulties when he could not find grounds for his decision in the Statute and had to interpret the article. I think the reproach is unjust and that Article 7 is correctly worded. In Article 7(1) you say that the Statute must be applied and then, in subparagraph (a), that where necessary, reference should be made to the general principles upon which the Statute is based; hence the judge will have no difficulty. You do not refer to the laws of the Member States, but to the rules or general principles common to the laws of the Member States—in other words, to Community law. That is the kernel of the matter. It has not been put as solemnly as that, but you may be considered to have said it, and that is how the judge will think when he has to decide whether there is a difficulty. We therefore have general Community principles; the Court of Justice has

stated as much, going so far as to talk of a Community public order.

There is another difficulty on which I should like the Commission to give us assurances. I refer to the question of offences and to Article 282 of the Statute, amended by the committee. We should like the Commission to give us some clarification here. If I remember correctly, the committee said that provision should be made for establishing penalties, and amended the Commission's original text accordingly. I think that the Legal Affairs Committee is wrong and that you have no right to establish penalties. The Commission's original text states that Member States should introduce into their law provisions for creating the offences set out in the annex. I think you were wrong to confine yourselves to the annex and that the committee was right to go further in inviting you to establish the nature of offences. I am merely stating my thoughts, but it is worth considering.

What lesson is to be learned from this important text that we have awaited for so long? As I have said, that nothing has prevented improvements being made throughout Europe as far as companies and labour participation are concerned. We live in a market economy. Some would say that we are still living in a capitalist system, and I read somewhere that some trade unionists think that such participation should be rejected and should be accepted only in a planned socialist economy. As a matter of fact, it is an intelligent adaptation of the capitalist system. On the other hand, the system has stood the test of time; day after day we see the underprivileged making progress, and the system continues to bring progress and social justice a step nearer without alienation or loss of liberty. For if it is a good thing to speak of class struggle, the trouble is that one class triumphs and the other is crushed. The one that is crushed is alienated. I personally dislike alienation; that is why I prefer progress which proves that a system, even if capitalist, can enable man to liberate himself and at the same time remain free. I say it is still proof of intelligence. How will things develop? Trade unions may well refuse, since their traditions are not the same. In some countries, it is the trade union tradition to improve the lot of the worker, to improve his status, his standard of living and to achieve a greater degree of comfort for him without upsetting the social order. That is the normal trend. But in other countries with different trade union traditions, it is to be feared that we will sometimes meet with opposition to the supervisory board and the works council. But we must not play the prophet. We have a good instrument which deserves to be improved, and I know that after this discussion the Commis-

**Rivierez**

sion will once again turn to the task of amending it and, if necessary, improving it to take account of the considerable amount of work put into it by the relevant committees under Mr Brugger's guidance. Thus we have an instrument. Let us hope that, as Mr Terrenoire said before me so eloquently, that it will again lead to greater freedom for man.

(Applause)

**President.** — I call Mr Van der Gun.

**Mr Van der Gun.** — (NL) Mr President, after everything that has been said on this subject, I still have a few observations to make. Two different aspects stand out in the speeches which we have been listening to and the documents written in preparation for this debate. On the one hand, there is the view that what we are talking about is a legal structure which will not be used very much in practice, and, on the other hand, the opinion that this proposal may be well-intentioned but does nothing to change the relationship between the two factors capital and labour.

In my view, both these ideas conflict with reality. I believe that while giving due regard to the problem of participation, the financial and economic potential of the European company should not be overlooked.

I do not believe that we have not gone far enough on participation. The Legal Affairs Committee proposes a major step forward. Employees and their organizations should be entitled to a large measure of participation and should therefore also bear a large measure of co-responsibility for the progress of the business. It is only right to experiment in this field. I would therefore suggest that the Commission's proposals, as amended by the Legal Affairs Committee, represent a happy medium.

The degree of support given to this opinion also depends partly on one's philosophy. It naturally sounds very unenterprising to describe only the distinctions between shareholders and employees. I agree with my colleagues, Mr Broeksz, that the interests of the two groups are, in practice, more or less merging.

Apart from all this there is also a joint interest—which, I regret to say, has hardly been discussed—the interest of both share-holders and workers in guaranteeing the continuity of the firm and the jobs it represents. This is an aspect of the matter which we must not disregard.

I also fully agree with Mr Gundelach that the proposal should not be seen in isolation, but

against the background of the increasing internationalization of business life, against the background of the problems of the *multinationals*, against the background of the problems of coordinating company law, to which the fifth directive refers, and also in relation to the Commission's latest proposal on the protection of the workers' interests in cases of mergers, transfers, concentrations and the like.

I am therefore somewhat surprised by the observation just made by my Communist colleague, that the national governments of the Member States should be given extensive powers with respect to the European company. I believe that this is simply not possible and that it would be a retrograde step. We are attempting to create a form of European legislation, and in such cases the European institutions should have the main responsibility, and not the Member States of the Community.

Mr Gundelach also stated this morning that the Commission was prepared to reconsider its position on the composition of the Supervisory Board. This gives me very great pleasure. I believe that the Legal Affairs Committee's proposal offers better opportunities which are more in line with modern views in this field than the Commission's original proposal.

But however much one must praise the work of the Legal Affairs Committee I believe there is a lacuna in its proposed amendments. I can fully subscribe to the committee's proposal that a third of the Supervisory Board should consist of representatives of share-holders and one-third of representatives of employees, these two groups acting together to coopt the remaining third. I do, however, object to the fact that nothing is said of what happens if the employees' representatives and the shareholders' representatives are unable to reach agreement on this last third.

We should therefore have a provision to cover this possibility. If the first two groups are unable to agree on the third it should, in my view, be possible to have recourse to an independent authority: here I am thinking of the Commission itself.

Another important point is the kind of persons this third part should consist of. Both Mr Schmidt and Mr Broeksz mentioned this point and the description 'representatives of the public interest' was proposed. The question is: What does this mean? In purely formal terms, it could be said that these should be individuals who are concerned for the well-being of the entire population. I do not find this description very satisfactory and would therefore propose 'independent experts who have no connections with

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shareholders or organizations of shareholders or with employees or organizations of employees'. It is my view that this would ensure a greater measure of independence than the term 'public interest'. I would also point out that the interests of the workers are not always necessarily the same as the public or general interest. Anyone who has anything to do with national politics—as we all do—has been made aware that certain conflicts exist between the two types of interest. I would therefore rather not talk of 'representatives of the common interest' but rather something like 'independent experts' who have no direct or indirect connections with either of the two organizations involved in the designation of this third group of representatives. I should be glad to hear the Commission's opinion on this suggestion.

**President.** — I call Mr Cousté.

**Mr Cousté.** — (*F*) Mr President, having followed with great interest the discussions on the statute for European companies, both in plenary sitting and at several meetings of the Legal Affairs Committee, I should like first of all to say how much I appreciate the fact that the Legal Affairs Committee has accepted the amendments I tabled with Mr Triboulet, then chairman of my group, on Articles 8, 19, 55, 58, 77 and 87 of the Commission's draft.

In fact, we are still the authors of amendments since we feel that the proposed statute should be shortened, that the statute for groups of companies is too restrictive and at present exists in only one Community country and that, finally, undertakings should be given genuine guidance, in other words there should be people responsible for their administration.

Neither I as the former president of the '*Jeunes Patrons*' or as the former president of the Federation of Young Heads of Enterprises in Europe—which I was until not so long ago—not the present manager of an undertaking has to be told what an undertaking is.

If an undertaking is not above all a community, then we don't know what an undertaking is. And if we want such a community to develop and progress as a living entity, we must first of all set things to rights; in other words, it is not the law that makes man, it is man that makes the law.

That is why I find it very interesting that the form of company proposed is only optional and receives no preferential tax treatment, in other words, the competitive capacity of the European undertakings of which Mr Gundelach, the com-

missioner responsible for these matters, has just spoken, is quite fundamental.

Let me say in this connection that it has nothing to do with their form or size, but with the quality of the products made and the services rendered to meet requirements, and, similarly, with the value the employees and the investments made in the undertakings. The economic and social performance of an undertaking is a reflection of the value of its employees.

Thus, to a manager of an undertaking who wants to assess the new statute, there remains the basic problem of staff training. Training and promotion of staff is, in my opinion, the basis of a more satisfactory development of working relations with all trade organizations represented in the undertakings. If we really want to achieve progress—and we do—all who work in the undertaking, especially members of the managerial and engineering staff, must offer their assistance. However, as we have before us a legal instrument, allow me to add a few remarks to what Mr Terrenoire and Mr Rivierez have said so eloquently.

This optional statute will not and cannot be accepted unless it is balanced. It will be useful and acceptable only if it is reasonably 'forward-looking'. For that reason it must also ensure the cohesion and efficiency of the undertaking before it fits in with an idea that, for some people, is based on Germanic rather than Roman law.

Thus, as the two members who spoke on behalf of our group have said, we must accept the general terms of the proposals made by the Commission of the European Communities. This first step, this first attempt to allow all workers in an undertaking genuine participation, has been better expressed by the Commission than by our Legal Affairs Committee.

Thus, in my opinion, and I hope you will excuse my frankness, we must continue to try find out why the Commission has found much more inspiration in a Germanic model than in new ideas. It is precisely because I do not find sufficient evidence of new ideas in it that I think this initial model should not be the only model proposed as the new instrument for harmonizing the law governing limited companies in the Community.

I do not think the Commission has had an overall picture of the requirements of the various European undertakings, be they small or medium-sized, commercial industrial or public utility undertakings. I think it is a great pity that we do not also have to consider a statute for European companies applicable to large as

**Cousté**

well as small and medium-sized undertakings. I also regret that we do not have to consider the statute of the European cooperation group which would be indispensable for aligning undertakings regardless of their form if at least it had a European dimension. We can see how successful such groups are in some countries: the 'Organschaft' in Germany or the 'groupe-ment d'intérêt économique' in France, for instance.

Thus, in my opinion, there has been no overall picture, but I do not reproach the commissioner present for that; he took over a file prepared by others, and it must not be forgotten that it was all started on the initiative of the French government in 1965, that—as Mr Jozeau-Marigné has just pointed out—the first official document on the European company was produced in 1970, that the present report was submitted on 26 June 1974, and that life continues. And it will continue whether we adopt the statute or not.

It therefore seems obvious to me that, since in some Member States, such as Ireland and the United Kingdom, workers have no right to organized representation, it is not surprising that we cannot meet all the requirements of European undertakings. That is why, either intuitively or inspired by the best minds around you, you have thought it necessary to reduce the size of the establishments to be affected by the new statute, in other words 50 employees per establishment for two countries at least. We are voting for a European company with at least one hundred employees.

Is that really what inspired those who wanted a European company? Certainly not! They were thinking only of large undertakings.

Having listened closely to what Mr Gundelach said, I noticed that he mentioned at one point, in very vivid language, that there are small and large trees. It is true that forests are composed of small and large trees. But industry, commerce and agriculture, the economic life of Europe, is dependent on undertakings, persons, societies, limited companies, limited liability companies, private companies, limited partnerships, in other words, on many forms. Therein lies the complexity and the diversity of European economic life. We cannot ignore the facts.

We are quite clearly asking the Commission and the Council to take care not to see in the European company a sort of myth covering all possibilities. The statute contains all the most exacting provisions applicable to the undertakings of each country. Thus, by not drawing up a flexible statute, an attempt has been made in my opinion to go into too great detail on

what I see as the result of a highly intellectual approach. At the same time it is insufficiently pragmatic and innovative to overcome the conflicting interests and customs of States with different legal traditions and of both sides of industry that are above all affected by the rules governing industrial and commercial undertakings.

Those are the comments I wanted to make. I shall reserve the right to speak later in the debate on the problems raised by our amendments. I shall just add that we were tempted and that I personally was very tempted to propose that the debates should be postponed so that the Commission could become acquainted with all the work carried out by the Legal Affairs Committee, the Committee on Social Affairs and Employment and others, and make a genuine effort to consolidate it by indicating the place of the European company alongside the other legal instruments that we expect to be introduced for the economic development of Europe. I know for example that Parliament will have no means of penalizing offences under Article 282 of the new statute until all our parliaments have approved it—which will take some time yet—and that is why I felt very inclined to ask for postponement. But we did not want to do so, because, as we were not against worker participation or trade union participation in the management of their undertaking, we might have been misunderstood. In brief, we wanted to present a picture of progress and of the progressive men that we are—and will continue to be—in all fields, not only for the benefit of the construction of Europe, but for all the peoples of Europe, be they intellectuals, manual workers, directors, research or production engineers, for all who work in production or management—and so there had to be a discussion of principle. That is why I think—and this will be my last comment—that in our attempts to improve the lot of men, the form of companies is inseparable from economic and social progress and tax harmonization and from the progress we have already made in intellectual rights, in other words, European patents, inseparable from all the efforts for company rights and trade-marks, inseparable from all that goes to make up the economic life of Europe—which we want to transform into an Economic and Monetary Union.

We want to establish the European identity even in difficult spheres such as company law, and we shall bear in mind what Europeans expect of us; that we should always be innovators.

*(Applause)*

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I shall try to be brief in making a few remarks about the debate, as we still have to go through, in all, about 140 amendments and much has still to be said. Certain specific questions have been put to the Commission, directly or indirectly, and I think I ought to take up a few ideas and questions in winding up this general debate, not because I have much to add to my statement of this morning, for it touched on nearly all the subjects raised in the debate and even covered specific questions put to me, but because, perhaps, some misunderstandings still exist.

I should like first to pay tribute to this Parliament. This debate, following the work of the various Parliamentary committees, has been of a very high level, virtually the highest level that I have experienced during my eighteen months as a member of the Commission. The reason has been that this Parliament today has been fulfilling the function of a parliament—namely, dealing with legislation. It has been presented with a Bill, with a proposal that is specific, important and far-reaching, and Members have risen to the occasion. I have been happy to participate in and listen to the debate, because it has given a resounding answer to the critics of this Parliament.

Having received your advice, both in the general debate and later in the form of amendments, the Commission will be greatly assisted in its subsequent task of amending the European company statute. Here I would answer Mr Cousté and others, and say that it is going to be amended and brought into conformity with new developments, with other pieces of legislation which are before this House or which will come before this House, so that we get a certain coherence out of the whole exercise.

Therefore, Mr Cousté, I do not think that we are lacking in vision. We are building up a vision where this particular matter that we are discussing today is important, but it is only part of the picture. For instance, you referred to the *mouvement européen*. I am happy to inform you, in case you are not already aware, that I have got the Commission to accept such a proposal: it is before the Council, and it will come before this Parliament very shortly. I mention this as one example to show that we consider this as part of a totality where innovation and imagination are necessary. In particular, I attach very great importance to what I said this morning—which you were good enough to quote—that our industrial life in Europe must be a healthy forest with some big trees, a lot of medium-sized trees, some small trees and a lot of bushes. A number of measures will be needed, all about this statute, to bring

about that kind of policy. We have referred to the *mouvement économique*, but I should like to refer to a number of measures that we are taking with regard to the internal market, making the customs union more flexible and better managed, and all kinds of steps in the industrial field which, we hope, will eventually give life to this kind of concept, which, of course, is of the utmost importance.

But I should like to insist on what I said this morning. This is also an answer to the spokesman of the Communist Group, Mr D'Angelosante. This piece of legislation has not been designed merely for the purpose of regulating mergers, for creating more big multilateral companies. That is not the object. I remain convinced, not living in an ivory tower but living every day with European industry, including the small industries, that they need this type of legislation more than the big multilateral companies, because the big companies, operating over a vast area, can easily overcome all the legal, fiscal and psychological obstacles because they have the money to employ lawyers. It is the small and medium-sized companies that cannot afford it. Therefore, you were not right. This is more important for the small and medium-sized companies than it is for the big multilateral companies.

I agree with you that we have a problem—the Commission has stated so previously—with regard to the multilateral companies which is not solved by this piece of legislation. Multilateral companies are a fact of economic life. They are there to stay. They are not going to disappear just because we are afraid. They also have meant an infusion of technology into the backward areas of our economy. They have during the energy crisis served a function which this Community was not capable of fulfilling at that time. I hope it will do so in the future. So there is a balance. But it is true that the checks and balances which one normally has in an earlier stage of industrialization between public power and economic power within the frontiers of a national state have been broken away from because economic integration has taken place faster in the private area than between governments, and we therefore need to move on from the national level to that of broader functions—for instance, on the EEC level, the legislation necessary to deal with the problem of multilateral companies.

I was only making the point—you were kind enough to agree with me here—that in certain respects this piece of legislation would help in bringing about a higher degree of transparency in the operation of multilateral companies. In this connection, I should like to make it clear that I agree with Mr Scholten that the demands

**Gundelach**

contained in this company statute in respect of the accountancy of companies should be stricter than is at the moment provided for.

With regard to the rules of competition, I should like to make it clear that the adoption of the Statute will in no way conflict with or detract from the Community's rules in regard to competition of the newly-presented proposals concerning the controlling of mergers.

There is absolutely no contradiction between, on the one hand, seeking to remove obstacles which prevent a sensible use of economic forces and, on the other, having the necessary control in companies which move into a dominant position. Obviously, the two things can be done at the same time and, so far as the Commission are concerned, will be done at the same time. Reference was made to the fact that this has been a source of trouble ever since 1965. The suggestion was made that it might have been better to have some international conventions such as Euro-Control, Euro-Chemie, and Euro-Fima. The answer is that it would not, because these conventions setting up the European firms all concern firms that serve specific purposes. For instance, Euro-Fima, to which reference was made, was established to rationalize the railway equipment used by the various public railway companies in Europe. That kind of thing is obviously much more limited than what we are trying to do with a European company statute. An international convention is a very stiff instrument. It needs long discussions, that are not subject to control by this Parliament, and later on, when it has to be adapted, you have to call a large new conference to go through the whole matter again.

We have seen the troubles that have arisen over patents, where we should have been in an easier position if we had not had to yield to the desire of the Council to have a convention instead of the usual legal instruments dealt with by all the Community organizations.

Some questions were put to me by Lady Elles on how the supervisory board—the workers' representation—will in fact function. She asked whether the representatives of the employees would indeed be working in the interests of the firm. She asked whether in the elections account would be taken of minority groups. The answer is yes, because there will be a system of proportional elections. For that precise reason her point will be taken into account.

Many other questions have been asked, and I have tried to pick out the most important ones. As regards the really important political issue, there will be representation of workers—employees—in the management of the firm,

principally in the form of participation in the supervisory board and in the form of the works council.

I am glad to say that, as a listener, I have been able to observe that the parties have not moved away from each other but, on the contrary, have, during the course of the whole of today, been moving closer together.

I have considerably greater confidence in the possibility of eventually arriving at the kind of formula which has a sufficient consensus behind it. Without a considerable consensus behind it, this kind of operation is not going to function. From one side of the Chamber, emphasis has been placed on the wish for real workers' participation. That means more than the one-third of the whole which was suggested by the Commission in the original proposal. Here I want to correct the misunderstanding on Mr Van der Gun's part. I did not say this morning that I was against the proposal, made by the Legal Affairs Committee, of one-third, one-third, one-third. On the contrary, I said that the Commission would not insist on its original proposal of only one-third but would be prepared to seek a more advanced solution.

From the other side of the Chamber, the principle of participation has been fully accepted, but there is concern about modes of procedure. Speakers have said that they do not want this thing to reach the point of workers' control, or a situation where firms cannot operate effectively, because in that case no one would gain anything and either the statute would not be used or if, by any miracle, we were, through the fifth directive, to introduce a harmonization of company law and it became the law of the land in the whole of Europe, it would not work.

Thus, one side of the House has not asked for workers' control, while the other side has accepted that the system must be able to function. That is why I say that, irrespective of differences of opinion still existing with regard to modes of procedure, there is agreement on the principle. We must have effective workers' participation; we must have a system which will not be a theoretical model but will be taken up and used and will, furthermore, influence the development of national laws in the various European countries. It must be a system which will work because there is a longer perspective behind all this.

Confronted as we are with very serious economic difficulties, we have to conduct our economic policy in such a way as calls for very close cooperation between the social partners and the government. That is not in the piece of paper we have been debating, but is in accordance

**Gundelach**

with the same philosophy. What remains for us is to find balanced modes of procedure which will satisfy the two main principles — effective participation and effective management.

On behalf of the Commission, I have neither the right nor the authority to say what the formula is. I have said that we are willing to seek another and a more advanced formula. I have listened with great interest to the various proposals made. They are all trying to move forward, and that is why I feel that the debate has been very constructive.

On behalf of those who strongly advocate the proposal of one-third, one-third, one-third—which I personally have a certain sympathy for—suggestions have been made which interested me very greatly. For example, it has been suggested that the middle third must not be just divided up so that later on we have a 50-50 rule which someone might say would block the decision-making in the company. I have heard it claimed that that third must include someone representing the general public. Mr Schmidt referred to the public interest. Mr Van der Gun referred to independent people. That phrase came closest to what I like to hear. I underline these points because I have referred to the flexibility of this part of the Chamber, and it is fair also to refer to the inherent flexibility behind the one-third, one-third, one-third proposal which is very important if this system is eventually to become a practical proposition.

The time has come when Parliament as rapidly as possible must deal with the amendments and proceed to vote on them. This type of vote naturally gives additional guidance to the Commission, and therefore is important. But the most important guidance to the Commission that we have received is to be found in the debate itself, in the views you have all expressed. Be they on the problems of jurisdiction or on the problems of the plurality of seats and so on, they will all be considered by the Commission. I gave our position on these matters this morning and I need not enlarge on it now, except to say to Mr Broeks that he is right: if we do not have a legal directive we must deal with the problem of solvency either with an addition to the European Company Statute or with an addition to the General Convention on Jurisdiction. We have explained that to the Legal Affairs Committee, but Mr Broeks is right—it must be one or the other.

I feel that in essence I have answered the questions. The debate has developed in such a way that I look forward with interest and a quiet heart to having the amendments dealt with and to the voting.

*(Applause)*

**President.** — Ladies and gentlemen, Mr Gundelach has paid tribute to the constructive attitude displayed by the House in this debate. On behalf of this House, I should like to return the compliment, addressing myself to the Commission and more particularly to Mr Gundelach.

The general debate is closed.

The proceedings will now be suspended until 9.00 p.m.

The House will rise.

*(The sitting was suspended at 6.35 p.m. and resumed at 9.00 p.m.)*

IN THE CHAIR: MR MARTENS

*Vice-President*

**President.** — The sitting is resumed.

We shall now proceed to the discussion of the amendments.

We have divided them into groups, for which the allocation of speaking-time was agreed this morning. These groups are composed as follows:

On the title 'General provisions', one amendment; on the title 'Formation', 1 amendment; on the title 'Administrative organs', 14 amendments. The authors have 19 minutes, other speakers 23 minutes' speaking-time.

On the title 'Representation of employees in the European Company', 40 amendments. The authors have about 50 minutes, other speakers 87 minutes' speaking-time.

On legal questions, including the registered office of the European Company, 6 amendments. The authors have 5 minutes, other speakers 10 minutes' speaking-time.

On Title I, 'General Provisions', 1 amendment has been tabled—namely, Amendment No 7, by Mr Cousté.

I call Mr Cousté to propose this amendment. He has a speaking-time of 2 minutes.

**Mr Cousté.** — Mr President, Amendment No 7, which I have proposed, is fairly straightforward. It requires the word 'unchanged' to be substituted in paragraphs 2 and 3 of Article 6 for the wording proposed by the parliamentary committee, or rather, by the rapporteur, Mr Brugger.

The concept of the dependence of an undertaking has to be defined. The Legal Affairs Committee has proposed the following wording for paragraph 2(b):

**Cousté**

'or to appoint more than half of its board of management or of its supervisory body'.

In proposing that the original Commission text be restored, I am touching on the fundamentals of the problem. To be frank, I wish to exclude the very idea of compulsory parity on the management and supervisory bodies.

That, then, is the basis of my proposal, which will, I imagine, be opposed by Mr Brugger.

The parliamentary committee's text amounts to saying that a controlling influence is presumed to exist when one undertaking exercises a decisive influence on the management of another! This is close to being a platitude.

The Commission text, on the other hand, seems to me much more lucid: an undertaking is considered to be a member of a group when it is dependent on the leading company in the group and the latter has control over its management. Dependence and the existence of a single decision-making or management structure are, as you know, the two characteristic criteria of the group.

I have stated the essential point of my amendment Mr President. I would add that the Legal Affairs Committee's proposed amendments would make an undertaking dependent, in the sense that it 'belonged to a group', only if the shareholders had less than 50 per cent of the votes or could not appoint more than half the members less one of the board of management or the supervisory body.

The criterion of control over management, that is the existence of a single decision-making structure, would apply only where a controlling influence is presumed. This is the fundamental difference in law. In any case, this concept could perhaps be contrary to the very provisions of paragraph 1 of the same Article 6, where the European Parliament, which is to say the Legal Affairs Committee, retains the Commission text.

The text proposed by our Legal Affairs Committee does not, therefore, seem to me to be sufficiently precise. The Commission text is, in my opinion, much more satisfactory. My amendment therefore proposes restoring it.

**President.** — Does anyone else wish to speak?

We proceed to Title II. On Title II, 'formation', 1 amendment has been tabled—namely, Amendment No 8, by Mr Cousté.

I call Mr Cousté to propose this amendment. He has a speaking-time of 2 minutes.

**Mr Cousté.** — Amendment No 8, Mr President, affects article 15. Its objective is to have inserted after the words 'legally organized' the words 'or recognized'.

The point of this amendment is to take account of the situation as it now applies to two States which have recently joined our Community: Ireland and Britain.

Examination and admission procedures enabling professional accountants to obtain the necessary qualifications are not organized by the State in these two countries. The professional organizations, 'The Institute of Chartered Accountants' and 'The Association of Certified Accountants', have been granted a Royal Charter and they themselves organize teaching and examinations.

Recognition by Charter is equivalent to official approval by the State, hence my proposal for the addition of the words 'or recognized'.

I do not think this will cause any difficulty with our friends on the Legal Affairs Committee and I would very much like to see my amendment approved by the Assembly.

**President.** — Does anyone else wish to speak?

We proceed to the next title.

On Title III, no amendments have been tabled.

On Title IV, 'Administrative organs' 14 amendments have been tabled.

I call Mr Bangemann to propose Amendment No 5. He has 2 minutes' speaking time.

**Mr Bangemann.** — (D) Mr President, I should like to move this amendment on behalf of the original proposer and also on behalf of my group.

The amendment is based partly on the Commission proposal, specifically where it is stated that the decisions of the Board of Management are only subject to other procedures if they concern for example closure or transfer of part of the undertaking or if, as in sub-paragraph (c), substantial organizational changes within the undertaking are involved. Like the Commission itself, we wish to make it clear that not every change and not every closure of any small part of an undertaking should call for special measures, and we should like to emphasize—again like the Commission—that such measures are only appropriate when the changes are substantial.

That is one point. We are also proposing that such substantial changes shall not be subject to the approval of the Supervisory Board but shall be recorded in a report.

**Bangemann**

This is, if you like, a very strict separation of responsibility between the Supervisory Board and the Board of Management. However, because the statute is based on this separation, we are of the opinion that responsibility should indeed lie to that extent with the Board of Management and that the Supervisory Board should not be included in this responsibility.

**President.** — I call Mr Springorum to propose Amendments Nos 35, 38 and 41, on Articles 66, 74 and 83. He has a speaking-time of 5 minutes.

**Mr Springorum.** — (D) Thank you, Mr President. On Article 74 I should like to say that in the Christian-Democratic Group we take the view that the number of members of the Supervisory Board should be uneven and divisible by three. This means that there is an uneven number of seats to ensure that, in the case of a dispute, majority decisions are still possible. We consider this essential. This must apply to each organ and not just the Supervisory Board. We have therefore proposed that the Supervisory Board should not consist of at least twelve persons but nine, fifteen, or twenty-one persons.

In Amendment No 41, concerning Article 83, we have proposed the deletion of paragraph 4. In our opinion, Mr Broeksz's amendment fits in here. Paragraph 4 reads: 'In the case of paragraph 2 and 3, the absence of approval by the General Meeting may not be relied upon to defeat claims by third parties'. This would mean, in fact, that agreements concluded between the Board of Management and a third party will remain valid even if the third party knows that the Supervisory Board or even the General Meeting is responsible for making decisions. We take the view that contracts between the Board of Management and third parties may not react upon the undertaking. They may only be concluded by the Board of Management subject to approval by the Supervisory Board or the General Meeting as laid down in this ruling. We therefore request deletion of paragraph 4.

**President.** — I call Mr Bangemann to speak on a point of order.

**Mr Bangemann.** — (D) Mr President, I should like to ask whether you could not depart from your proposal and allow discussion on each amendment. It is really very difficult, when an author has spoken on three or four amendments, to speak on them all afterwards. I think it would be better to call each amendment separately. You could call upon the authors in succession but, when the author has spoken, you should give the Chamber the opportunity to

comment on each amendment if so desired. I think that would be more convenient.

**President.** — Much work has been done on the sorting of amendments. I fear that if we depart from the procedure proposed, we shall never be able to orientate ourselves.

I propose that we finish the group with which we are at present occupied. Afterwards we can see whether the procedure cannot be modified.

I call Sir Derek Walker-Smith to propose the following amendments: Amendments Nos 46 and 47, on Article 66; Amendments Nos 55 and 56, on Article 71; Amendment No 57, on Article 72; Amendment No 58, on Article 78; Amendment No 59, on Article 83; Amendment No 60, on Article 96; Amendment No 61, on Article 99.

**Sir Derek Walker-Smith.** — As you have indicated, there are a large number of amendments in this fasciculus which I have the honour to present to Parliament tonight. There are nine of them. I see that in your wisdom, Mr President, you have allocated to them 10 minutes, which is fractionally over one minute an amendment. I am no mathematician. Perhaps if I were, and I were to seek to evaluate the amount of time given in Parliament in relation to the consequences for the people whom this affects, it would seem a small measure.

However, let me hasten to say that I recognize the virtues of brevity and conciseness in this as in all things. Let me start, therefore, by stating that this fasciculus of amendments with which we are here concerned, Nos 46, 47, 55, 56, 57, 58, 59, 60 and 61, is part of those amendments which I ventured to refer to in my observations this morning as not being part of the major and fundamental amendments which we in our group have thought it our duty to present to Parliament. Nevertheless, these are amendments which we think are important as regards seeking to improve the mechanism and working of this important statute. May I therefore take them briefly in turn?

Article 66, as Parliament knows, deals with the matters of co-decision, the very important matters specified for the co-decision of the supervisory board and board of management.

To put it very shortly, our concern is this, as I sought to indicate this morning. In the application of the principle of co-decision, it may be the event the efficient conduct of industry and business depends may be lost sight of. Therefore we write these criteria into the relevant article of the statute to ensure that this is not so: '...regard shall be had to the effect on the nature

**Walker-Smith**

and volume of the company's business and of that that vital economic context on which in the employment thereat'.

If there is any Member present who does not think that those are relevant and proper criteria, I hope he will declare himself, because it seems to me beyond peradventure that those are appropriate criteria.

That then is the substance of Amendment No 46.

Amendment No 47 is a very important amendment, also dealing with Article 66. In substance, we revert to the original and sagacious thinking of the Commission—that is to say, we restore the word 'substantial'. I will be frank with Parliament in this, as, I hope, in all things. The word 'substantial' has problems of its own. It is scarcely a quantitative epithet, but is almost a qualitative epithet—very difficult to define. We have legislated on this in the supreme court in the United Kingdom, and I know how difficult it is. Nevertheless, to omit that word leads us into still greater problems, because it means that the power of co-decision—which means the power of veto—is given for closure or transfer of any part of the undertaking, however minuscule. So we do not want to go from the frying-pan into the fire, and I ask Parliament at any rate to revert to the wise thinking of the Commission in that regard.

Our next amendment is No 55, to Article 71(2). This is a simple point and I do not want to linger more than a moment on it. It is a point not without substance for us here, however, and, I am sure, for all of us who have regard for the rule of law. Where the onus of proof is put on people, it should be put with the maximum precision which the law-giver can prescribe. That is the minimum obligation which rests on us here, which would rest on law-givers in any parliament in any national state, and which rests with a greater obligation on those of us who here represent nine Member States. So Amendment No 55 is a clarifying amendment undertaken under the shadow, and for the reasons, of those great principles to which I now refer.

Article 71(3) is the subject of Amendment No 56, and that amendment is again designed to clarify in the sense that it seeks to show that it will be open to the general meeting of the shareholders to authorize or to ratify the act of the board of management, subject always to the fact that fraud or dishonesty or culpable negligence will not be able to be ratified by the general meeting of the shareholders. I am sure that the spirit of what is here intended is met by my amendment.

The next amendment is No 57, to Article 72(2). This is the article which, as you so well know, Mr President, and all of us here know, deals with the question of the bringing of an action against the company by a minority. None of us dissents from this in principle, but an almost equally important principle from the point of view of what this morning I ventured to call the efficient executive conduct of industry, on which the lives alike of employees and consumers in the event rest, is that there should not be harassment of those who are shouldering the difficult burden of discharging the efficient executive conduct of industry. Therefore, in Amendment No 57 I propose to make their actions subject to leave of the court having jurisdiction in the matter. I hope that Parliament will think that this is a very proper and reasonable and minimal safeguard of those principles which I have enunciated, because if there is a reasonable case the court will of course give its leave. If, on the other hand, there is simply a minority who, for whatever reason, wish to initiate a policy of harassment upon the board of management of a company, they will be restrained from so doing by the very proper processes of the discretion of the court.

I hope I go quickly enough, and I apologize if I go too quickly.

We next come to Amendment No 58, which deals with Article 78. This article, at any rate to those of us who are accustomed to the precise draftsmanship which we essay in the Anglo-Saxon world, says,

'...the supervisory board shall have unlimited right of inspection of and control over all company matters'.

To one bred in the law and the canons of construction I have been bred in, 'unlimited' means what it says. It means unlimited and it is obviously not appropriate in the draftsmanship of this article. Therefore I propose to substitute the words,

'...within the sphere of the functions assigned to it by this Statute',

because that is what is meant. If it is not what is meant, it is what ought to be meant, and I think that, on reflection, the Commission will agree with me that my draft is perhaps an improvement on its own, and that is all there is to it. I leave that one there...

**President.** — Sir Derek, your time is up. I will give you a few more minutes, but I would ask you to do your share to ensure that this sitting does not last until long after midnight.

**Sir Derek Walker-Smith.** — I have no desire to keep this Parliament beyond the Cinderella hour. I am not sure whether, in the computation of my time, Mr President, you have taken only the ten minutes which is due to me in moving the amendments or the extra three minutes to which I am entitled on behalf of my group. Would you be good enough to indicate which of these positions is correct, and then I will resume?

**President.** — You have indeed 3 minutes to speak on the amendments on behalf of your group, so that you have a total of 13 minutes' speaking-time. I have asked all speakers to observe a certain self-discipline, but I appreciate that 10 minutes is not very much for the proposal of 9 amendments. Nevertheless, I would ask you to keep it short.

**Sir Derek Walker-Smith.** — I am obliged to you, Mr President. I understand that your answer to my question is that I have had my ten minutes and that I now have three minutes. I am sure that you, in the objective and distinguished discharge of your duties, would not seek to take from my extra three minutes the time which has been taken up in these constructive exchanges between you and myself.

The next amendment is also very important. It is Amendment No 59, to Article 83. I am conscious of what you have said, so I must hurry on. What we seek to do by Amendment No 59 is to say that the general meeting may make an advisory resolution requesting the replacement of the representatives by the employees' bodies. The word there to which we must pay attention is 'advisory'. We are not seeking to put any mandatory powers here, but a general meeting may very properly seek to make an advisory resolution and I hope, therefore, that this very moderate amendment will commend itself to the House.

The next amendment is Amendment No 60 to Article 96. I looked hard and long at Article 96 in the Legal Affairs Committee, but after I had looked hard and long it still looked just as odd as at the beginning:

'Any resolution of a general meeting which is contrary to public policy or morality shall be void'.

Those are very good terms, but they are terms of imprecision. They are terms of imprecision even if applied to a single nation. They are terms of added imprecision if applied to nine nations. They are not something which need be spelled out in a statute like this, and they give rise only to a feeling of ridicule, because

these things should be taken care of in the *ipsissima verba* in the 200 or more regulations of the statute and not be written in this curious, generalized, amorphous, imprecise article, and therefore I ask on behalf of my group that it be deleted.

Now I come almost to the end, and I think that I am still about 90 seconds within my time. I come to Amendment No 61, to Article 99 (3). Again, this is an important amendment and I think that the gentlemen of the Commission will agree with me here, because they have always given such courteous and close attention to the suggestions that I and other members of the Legal Affairs Committee have ventured to make.

As this article now reads, it would assume that in any event the court would come to the conclusion that the case was proved. I have practised in the law for a great many years, but I would not have done so with any great confidence if I had had to go forward on that basis. Therefore, we must entertain within the statute the possibility that the case is not proven at the end of the day after the full and detailed and conscientious consideration of the court. Therefore, we seek to provide for that possibility by adding a sixth subparagraph to Article 99 (3) to say that the court may dismiss an application with an order for the payment of costs against the applicants or any of them.

Those are the nine amendments which, on behalf of this group and within the restrictions of this time, I have to commend to the wisdom of this Parliament. If they are not clear, I hope that the charity of the Parliament will ascribe it to the restrictions of time to which I am subject rather than to my undoubted limitations of exposition and explanation.

**President.** — I call Mr Cousté to propose Amendment No 12, on Article 74.

**Mr Cousté.** — (*F*) Mr President, in a speech just now I supported the idea of a balanced statute and this is connected with the matters on which Sir Derek Walker-Smith has just expressed his anxiety. I am therefore glad to be able once again to give him our support.

But we believe that we can also make a useful contribution with regard to article 74, and hope that our amendment will be accepted not only by the Commission but also by the Legal Affairs Committee.

We wish to have added after the word 'natural' the words 'and legal'.

**Cousté**

Obviously, the members of the supervisory body must be individuals. But we do not see why these individuals should be allowed to represent only themselves and not have the opportunity of representing legal persons, in other words limited companies, which could be European or national.

Since the European limited company takes the form of a joint stock company and is considered to be a legal personality, there is no reason to exclude the opportunity for limited companies to form a European limited company.

Companies forming a European limited company are legal persons, my dear colleagues. Why should these legal persons not then sit as such on the supervisory body and be represented by natural persons? We see all the time that within undertakings the administrative or supervisory bodies have, according to French or German or Italian national regulations, not only natural persons representing only themselves but also natural persons representing companies. Now, the European limited company above all is a company made up of legal persons—and this is in fact a criticism that has been made the composition of the European limited company, in that it has been attacked for never being formed by natural persons but always by legal persons.

Yet at the same time are these legal persons never to appear on the supervisory body? There is something here which seems to me not to conform to the logic of a European limited company Statute and not to conform to practice as we see it applied daily in undertakings constituted as limited companies.

**President.** — We proceed to the amendments that have been tabled on Title IV, 'Administrative organs'.

I remind the House that speaking-time has been allocated as follows:

Five minutes for members of the Christian-Democratic Group, and 5 minutes for members of the Socialist Group;

Three minutes for members of each of the other four groups;

One minute for non-attached members;

I call Mr Broeks. to speak on behalf of the Socialist Group.

**Mr Broeks.** — (NL) Mr President, reading these amendments, one cannot help but wonder why we in the Legal Affairs Committee should have spent months considering amendments only to

see them reappear in virtually identical versions...

(Applause)

**Mr Fellermaier.** — (D) Abuse of Parliament!

**Mr Broeks.** — (NL) ...I assume that they have only been tabled for political reasons or as a demonstration, but whatever the reason, it is not very nice for those who have to deal with them.

I am sorry that Mr Springorum feels that Mr Jozeau-Marigné's amendment is the same as his. This is certainly not the case. Mr Jozeau-Marigné would like to reduce the Supervisory Board to a board which is only informed after the event and which can express no opinion whatever until after the event. The amendment states that the acts in question must be recorded in the quarterly report; this is quite different from what Mr Springorum proposes.

In the Legal Affairs Committee we discussed at length the question of whether words such as 'substantial', 'substantial parts', 'substantial curtailment' 'substantial changes' etc., should be allowed to stand; we came to the conclusion that it would be better to eliminate them because they would only result in the Supervisory Board's discussing endlessly the question of what was substantial and what was not. For years, the Legal Affairs Committee has been in the habit of deleting from draft regulations such expressions, which only lead to protracted arguments.

As regards unemployment. I should like to tell Mr Springorum that, although we usually mention unemployment only when it is on a large scale, we consider unemployment, even if it only affects a few people, a very serious matter which it must be possible to discuss in the Supervisory Board.

Sir Derek Walker-Smith has tabled similar amendments to Article 66. I cannot go into these now.

As to the question arising from Article 74, namely, whether the number of members should be even or uneven, I can say nothing as yet on behalf of my group. I do not wish to reject the amendment in question; we shall discuss it tomorrow in the group. On the whole, I am in favour of it, but I should not like to commit myself at this stage.

The deletion of paragraph 4 of Article 83 would, I feel, be unjust and unfair towards those doing business with a European Company. Obviously, Mr Springorum assumes that anyone doing business with such an organization knows the

**Broeksz**

regulation off by heart. I would point out that, although I have studied the regulation at length, I still do not know it off by heart, and as yet I know nothing about the statutes of such a *société anonyme*. I think it is only fair that this paragraph should stay.

With regard to Sir Derek Walker-Smith's proposal for Article 71, paragraph 2, I am bound to say that I consider the Commission's proposal a better one.

As to Amendment No 6 on Article 71, also tabled by Sir Derek Walker-Smith, I would point out that Article 83 of Brugger's proposal gives a discharge to members of the Board of Management and the Supervisory Board. This amendment is totally superfluous.

The same applies to Amendment No 57. Respectfully, as Sir Derek himself always says, I would submit that this amendment too is superfluous. Claims for compensation are submitted to the Court and it is not right that leave should first be sought of the Court. In our country, at least, it would be most unusual.

I come now to the question of natural and legal persons. Listening to Mr Cousté's arguments, I am inclined to say that the amendment seems reasonable, but, if we give legal persons the right to designate representatives, then they also have the right to designate a different person every time, which would be highly undesirable.

Anyway, I do not believe that the article prevents a legal person from appointing a natural person; at least, that is how I read it.

Amendment No 58, tabled by Sir Derek Walker-Smith, requires virtually no comment, for he himself has already understood that the word 'unlimited' can only be interpreted in the way he has done in his amendment. I would respectfully ask him what else it could possibly mean. I consider the amendment superfluous.

Now we come to Amendment No 59 on Article 83. I believe that this addition to sub-paragraph (c) would seriously prejudice the provisions of this article. We are, therefore, firmly opposed to this amendment.

Amendment No 60 on Article 96 raises the question why resolutions contrary to public policy or morality may not be rejected. The article in question is, possibly, a trifle superfluous, for such a resolution would undoubtedly be rejected in every country. I myself have no particular views on this matter. We did discuss it at some length in the Legal Affairs Committee, but I do not think the matter very important.

The question of Article 99 was also discussed in the Legal Affairs Committee. I still do not agree with Sir Derek, although I must say that it is true that one can never be sure whether a case will be accepted by the Court or not. However, one thing is certain: the Court decides beforehand whether to consider the case; if it decides to do so, it is because the case is obviously important, so that the person submitting the application, even if in the event he loses the case, should, in my opinion, not be ordered to pay costs. This would only be acceptable if the Court had not been allowed to judge beforehand whether to consider the case. However, this is something which the Court can do, and therefore I consider that this proposal goes too far.

I also think that this proposal would discourage persons with limited means from placing matters before the Court. We therefore reject this amendment for the second time.

*(Lively applause from the Socialist benches)*

**President.** — I call Mr Springorum. I remind him that he disposes of only 5 minutes to speak on behalf of the Christian-Democratic Group.

**Mr Springorum.** — *(D)* Mr President, I shall only take two minutes and leave the remaining three to the rapporteur.

Mr Broeksz, you are confusing me with other gentlemen. What I am supposed to have said does not agree with the facts. The Christian-Democratic Group has only tabled amendments in cases where the decisions in the Legal Affairs Committee were the result of fortuitous majorities. Anyone who was present at these numerous votes in the Legal Affairs Committee knows that the results often depended perhaps on whether certain gentlemen were making telephone calls or were otherwise engaged. It simply cannot be said that there were clear majorities in every case. I am therefore of the opinion that the final decision on many things must be taken in Parliament.

As regards the deletion of paragraph 4 in Article 83, I am particularly concerned to see it deleted from this section since it simply does not fit in here. This is a list of the functions of the organs. Why insert the paragraph at this point? It simply does not fit in with the system. If I were you, I would find a more suitable place for it.

**Mr Broeksz.** — *(D)* Perhaps you could suggest a more suitable place?

**President.** — I call Mr Bangemann to speak on behalf of the Liberal and Allies Group.

**Mr Bangemann.** — (D) I should first like to make a preliminary comment on what Mr Broeksz said, but I will include this in my speaking-time.

It is, of course, true that many amendments were fully discussed in the Legal Affairs Committee, but many amendments have not been tabled either. Originally we had tabled more than fifty amendments, and now we have only seven. This is a lucky number and considerably less than fifty. Finally, I find the fact that we have to consider amendments again much less scandalous, Mr President, than the procedure we are employing. We are in fact virtually sitting here as an enlarged Legal Affairs Committee, and the people who are to vote on this tomorrow are not even here. How are they to find out about the arguments we have expressed here? I did not take part in Parliament's decision this morning because I was unable to be present, but I do not consider the procedure to be particularly fortunate. All arguments are now, for example, being directed to Mr Broeksz alone, and Mr Broeksz—how shall I put it?—sometimes listens very attentively.

I should like to say something now about two amendments, Mr President. First, Amendment No 60, by Sir Derek Walker-Smith, which calls for the deletion of Article 96. I should like to give this amendment my full support. It is true that the amended text is somewhat better than the Commission proposal—the words 'by reason of their content' have been omitted—since it related to resolutions which by reason of their content are contrary to public policy or morality. Paragraph 2 referred to resolutions in which such an offence had been concealed. I should really like to know how the General Meeting can succeed in concealing a resolution which by reason of its content is contrary to morality. The whole of Article 96 is therefore somewhat lacking in common sense. I agree with Sir Derek that the general regulations governing invalidity are enough to reveal the invalidity of such resolutions by the General Meeting or any other organ. In the amended text, however, the wording goes much further than the general regulations. It contains such expressions as 'public policy' and 'morality'. When hearing these words, any good Liberal feels a cold shiver down his back. What is this public policy or morality? Let us assume that the General Meeting of a limited company decides on a change in the aims of the undertaking and would now like, for example, to deal in sex articles. This might well happen. Will this resolution offend morality in a Member State which perhaps has particularly strong views on this or not? I am of the opinion that Article 96 should really be deleted.

I should also like to support another amendment by Sir Derek, Amendment No 48 on Article 108. This is the very long amended Article 108. The long amendment gives the trade unions represented in the establishment concerned the right to apply for the exclusion of a member of a European Works Council.

I may comment more fully later on the relationship between trade union and Works Council; for the moment I should merely like to say that not to make a very clear separation between the powers and responsibilities of the European Works Council and the trade unions represented in the establishment is to confuse two different functions. The European Works Council has a completely different function from that of a trade union represented in an establishment. If the trade union is to be given a right to dissolve a Works Council, even if only through the courts, the result will be political pressure by an organization on an individual member of the Works Council, which I really consider to be completely unacceptable, particularly in regard to the relationship between the Works Council and trade unions. I say this not because of any antipathy to trade unions, but because practical experience which we have had of Works Councils in Germany has shown that maximum independence for the Works Council strengthens its position in every case and makes it easier for it to carry out its functions.

Sir Derek rightly attacked the ruling in Article 108 because it misplaces the responsibility, and the works Council or its individual member is subject to pressures which I consider unacceptable.

**President.** — I call Mr D'Angelosante, who has 3 minutes in which to speak on behalf of the Communist and Allies Group.

**Mr D'Angelosante.** — (I) Mr President, I should like to use a moment of the three minutes allocated to me to express my group's satisfaction and my personal appreciation of the manner in which this discussion has been organized and to thank both the Chair and the session staff for the fact that we are actually getting to the end of such a difficult debate.

My group considers that none of the amendments for which support has so far been expressed should be adopted. The truth is that some of these amendments are simply introductions to the more important ones tabled to Title V of the proposal for a regulation—under the changes suggested by many of my colleagues to Article 66, the Supervisory Board is given certain powers which the Legal Affairs Committee

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wishes to give to the European Works Council. They attempt to transfer these powers, involving compulsory and binding consultation (Article 123), to the Supervisory Board and then argue that, since employees' representatives play a part in decision-making on the Supervisory Board, it is unnecessary for the Works Council to give prior authorization as well.

We therefore oppose them. We consider that the question of an odd number is altogether irrelevant—this Parliament has an even number of members but we still manage perfectly well to conduct discussions and reach decisions. I simply do not understand why it should not be possible to reach decisions elsewhere in the same way.

I should like to add a few words on Sir Derek Walker-Smith's amendments. There are various ways of disagreeing with a proposal for a regulation—you may agree with the basic spirit of the proposal or you may not, but a third possibility is that you may not really be trying to amend it but be introducing completely foreign elements which have nothing to do with the rest of the proposal for a regulation.

I do not wish to discuss here the many amendments which try to increase the powers of the technical direction and the management (or Board of Management) at the expense of all the other bodies, including the Supervisory Board elected by the General Meeting, in other words, the share-holders' representatives. Nor do I wish to dwell on a series of technical proposals put forward by Sir Derek Walker-Smith, e.g., that which makes the bringing of a certain action subject to the leave of the Court. I am not familiar with English law, but under Italian law I am quite sure that any citizen may bring an action whenever he likes. The Court then decides whether the action is admissible and whether there are grounds for it. The final verdict settles the question. But, as a preliminary the Court cannot be asked for permission to bring the action. I therefore consider that this particular amendment is only relevant to English legislation, not to the legislation of the other eight Member States.

But I was most struck—I have nearly done, Mr President—by Sir Derek Walker-Smith's last two amendments. I should like the rapporteur, Mr Brugger, to think in depth about Amendment No 59 to Article 83 (1), subparagraph c, suggesting that the General Meeting be given special power to ask that the employees' representatives be dismissed, simply as if they were different languages.

Article 144a of this regulation stipulates that the representatives on the Supervisory Board,

including the employees' representatives, may be summoned to the Court to account for particular omissions, mistakes, etc. Sir Derek Walker-Smith, on the other hand, wants to make the employees completely subordinate to capital. I think he might as well forget it, because, in the light of experience, I can tell him that he will not obtain such results here. Even if his amendment were adopted, it would have no weight outside this Chamber, because it is not enough to adopt a law—means of applying it must be found.

Finally, Mr President, I must raise the question of Article 96. I am surprised that Mr Broeks finds it useless, since it is the only article in the entire regulation which enables—or rather, should I say, would enable—the public authority to give its opinion in cases where the resolution of the General Meeting is null and void as being contrary to public policy or morality.

This is the only article which refers to this issue, and Sir Derek Walker-Smith wishes to delete it. We naturally disagree with his amendment because we think that, where public policy or morality has been seriously violated, the company's decisions should be considered null and void and that any interested party, hence also the public authorities, should have the right to invoke this provision.

**President.** — I call the rapporteur.

**Mr Brugger, rapporteur.** — (D) Just one brief explanation, which may be important for us tomorrow. I refer only to the amendments to Article 66: Nos 5, 35, 47 and 46.

Amendment No 5 is designed to abolish the right of approval by the Supervisory Board. The other three amendments can be reduced to one, since Amendment No 35 says the same as the two Amendments 47 and 46 together.

We are therefore actually concerned here with voting on two amendments, and I should like to say in regard to Amendments 46 and 47—a purely formal matter—that if 'undertaking' is replaced by 'establishment', we cannot then say 'of the establishment' but rather 'of an establishment', since a European company comprises several establishments. If the definite article is used it becomes unclear. It must either read 'of an establishment' or 'of the undertaking'.

**President.** — Does anyone else wish to speak?

We proceed to Title V, 'Representation of employees in the European Company'. Here, 16 amendments have been tabled—namely: No 16,

**President**

on Article 101; No 18, on Article 102a; No 19, on Article 103; No 20, on Article 103a; No 22, on Article 106; No 66, on Article 108; No 23, on Article 119; No 67, on Article 135; No 69, on Article 146; No 70, on Article 147; No 29, on Annex I; No 30, on Annex II; No 32, on Annex III; No 33, on Annex III; No 34, on Annex III; and No 4 on Annex III.

I call Mr Marras to propose his amendments. He has a speaking-time of 20 minutes.

**Mr Marras.** — (I) Mr President, I shall share the twenty minutes assigned to our group with Mr D'Angelosante and speak to six of our amendments to Title V, *viz.*, Nos 16, 18, 22, 67, 69 and 70. These amendments all have something in common. They deal with the relation between trade-union representation and the European Works Council and safeguard any more favourable provisions which employees may have acquired through trade-union struggles.

In the majority of our countries, trade unions have always been historically responsible for safeguarding employees' interests. In this and other measures under consideration by Community bodies, various forms of representation are being introduced based on experience in some countries which have been under a social-democratic régime for many decades.

We Communists have always kept a close eye on these experiences, especially where, as has been often remarked, they showed signs of overcoming or even eliminating the main characteristic of the industrial society which we live in, *viz.*, the clash and hostility between capital and labour as scientifically analysed by the great Socialist figures and experienced by the proletariat movement, as a mass political expression, for over a century.

With the passage of time and shift in tendencies, circumstances have certainly altered. We have passed from individual entrepreneurs to limited companies and, today, from limited to multinational companies, but class antagonism remains, though possibly on another scale. It must not be imagined that simply because the growth and encroachment of the major transnational financial groups stimulated the process of trade-union consolidation in Europe, with the creation of the ETUC, no sacrifice was involved.

How is it possible to resolve this contradiction? Clearly no one can seriously deny that it exists. Title V, to which our amendments refer, proposes that the European Company should be one of the forms in which a solution to this fundamental question is sought, as our colleague, Mr D'Angelosante, pointed out this morning. Some hope that this institution will provide a

forum in which the various opposing interests meet and thus act as a synthetic force tending to diffuse social issues. I think that this is the aim of some factions of the most advanced form of monopolistic capitalism: they wish to involve employees in defending interests which, far from being their own, are objectively opposed to their own.

Others who still pay lip-service to socialism feel that co-management and other formulae (proletariat share-holding, worker-ownership) may afford a final answer to their problems in the class struggle. But I feel that anyone who stops here hardly deserves to be called a socialist.

Others still adhere to socialist ideals and consider that this sort of representation—economic democracy, as some call it—may provide an opportunity for the proletariat, acting in the light of its role as liberator, to prepare the conditions for a society in which there are no longer any employers.

This is our attitude to participation. In other words, we support a socialist society.

In this light, having decided that we were basically against the general lines of the document, we decided to concentrate on the particular proposals put forward in Title V, the social part. As our spokesman stated this morning, we have no fundamental objections to either the European Works Council or employee representation on the Supervisory Board.

We should nevertheless like to make it clear that this is not the participation and democracy that employees have in mind. However, acting on the faith which we have in the conscience of the wage-earning classes, on the belief that we can safeguard their autonomy from those who wish to hem them in, we have tabled a group of amendments which aim, in the context of Articles 101, 102a, 116 and 147, to guarantee the liberty and autonomy of trade unions and national works councils. We regard it as impossible that the principle of class autonomy should be suppressed. The trade unions and their grass-roots organizations within the establishments must be allowed (indeed, it would be impossible to refuse them) the right to negotiate. The authority and prestige which they draw from the fact that they have never compromised with the owners of capital entitle them to this rôle.

Our amendments to Articles 135 and 146, on the other hand, are designed to safeguard previous acquisitions and harmonize them upwards since, as all my colleagues know, this is one of the main aims which we adopted for this year's social policy for all the Community.

**President.** — I call Mr D'Angelosante.

**Mr D'Angelosante.** — (I) Mr President, I am going to speak very briefly in favour of the other amendments to Title V tabled by myself on behalf of my group. Since they cannot easily be grouped together, I shall deal with them rapidly, one by one.

The first two amendments in numerical order, Nos 19 and 20, refer to the Legal Affairs Committee's Articles 103 and 103a respectively. They aim to restore the Commission's version of paragraphs 2 and 3 of Article 103. The rule embodied in the original paragraphs was extremely simple. They stipulated that, if a European company took over another company, the members of the works council of the company by which the transfer was made should become members of the works council of the company to which the transfer was made. This rule is extremely simple and clear, and it is hard to see how anyone could fail to understand it.

However, the Legal Affairs Committee, of which I am a member, seemed to become intoxicated with its own subtlety and introduced a rule which is in any case inappropriate since, in making laws, certain formal criteria of *sedes materiae* must be respected. In an altogether contorted and unacceptable style, its text stipulates that there shall be an exception to this obligation to increase the number of members of the works council of the company to which the transfer is made. All those words simply to say that if there are less than fifteen months to go to the election, these employees shall not be represented.

As usual, Mr President, someone is trying to be too clever. Well, I suggest that Parliament should ignore the wise guys and go back to the Commission's text, which is both logical and reasonable. I also appeal to the Commission not to accept blindly certain amendments which I can hardly describe without being rude. It seems to me that they serve no purpose other than a play on words and should therefore not be adopted, since, in this question, the rule is clearly spelt out in the Commission's text.

I move on to Amendment No 66, which deletes the last paragraph of Article 108.

There are two mistaken ideas here, Mr President. The first is legal madness and, if you will allow me to say so, would expose the European Economic Community and this Parliament to universal ridicule, since it states that I-know-not-what court must be applied to serve I-know-not-what notice. Now, any schoolchild knows that serving a notice is not a legal act and does not require the authorization of any court. I am therefore not speaking on my own behalf, nor simply on that of my group, but thinking of our

general image when I urge you to correct this error, which, in any school in my country, would be crossed out in red.

The very last part of this paragraph, Mr President, stipulates that, where the Board of Management disregards a judicial decision, a fine of 5 000 units of account shall be imposed. Perhaps Mr Brugger is simply pulling our leg: after all, we are talking about nine advanced democratic countries, in which the rule of law applies and in which no one, not even the holy college of cardinals, may refuse to follow a court's decision. This would give the impression that a Board of Management which had lost, say, 5 million units of account in a case could ignore the law and simply pay a fine of 5 000 units of account. This, Mr President, is a ridiculous toy and, in the interests of us all, I urge that it be deleted.

Amendment No 23 refers to Article 119. Paragraph 2 of this article introduces a concept which has just been explained by my colleague Mr Marras. I refer you to his statement. We think it would be better to restore the original text, because it defines the field of competence more clearly and, in the report, the European Works Council is given the additional responsibility of concluding collective agreements, which we do not think it should be given.

The general principle behind this regulation is that the European Works Council should not have the right to conduct negotiations, and I do not see why it should be able to negotiate collective agreements. Local employee representative bodies are quite capable, probably more capable than the European Works Council, of negotiating collective agreements.

Mr President, I altogether wish to avoid a situation in which workers in an Italian establishment must reach an agreement with others in order to negotiate a collective agreement. We make the Italian collective agreements and I think we know how to do so, Mr President. This power should be left to the trade unions and local organizations.

To be quite blunt, this is another field in which it is true that the written law is not enough—the force must be found to apply it. Where will Mr Brugger, who, though he speaks two languages, is as Italian as I am, find the means to prevent a national works council from making its agreement apply? It is much better not to try and fetter the true forces of the social clash but to behave realistically, pragmatically and responsibly and leave the rules as they are.

Mr President, this morning, in my speech giving the overall opinion of my group, I pointed out

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that the discriminatory treatment of workers in relation to the election of representatives laid down in Annexes II and III was totally inadmissible. Article 2(2) of the second annex, in fact, stipulates that any employee shall be excluded who has incurred any penal sentence debarring him from public office.

However, another article of this regulation lays down the circumstances under which persons are excluded from sitting on the Board of Management. A person may not be appointed to the Board of Management if he does not have legal capacity or if, under the laws of a Member State, he is prohibited from performing the functions entailed by this office by reason of criminal conviction.

I therefore ask the Commission to afford employees the same treatment as members of the Board of Management. I suggest, in my amendment, that the Commission's text on the appointment of members of the Board of Management should be used.

Finally, our Amendments Nos 33 and 4, to Articles 21 and 23 respectively of Annex III, aim to prevent the Board of Management from becoming in any way involved with the process of electing employees' representatives. The election of employees' representatives is the business of the workers, and the Board of Management cannot be butt in the whole time, as Mr Brugger would have it. He even suggests that the Board of Management should be entitled to propose to the court that the date of the election be brought forward or postponed. We intend to respect the workers' autonomy and interests, and therefore ask that the Board of Management should not be given these powers.

In conclusion, Mr President, in Amendments Nos 32 and 34 to Annex III, my group proposes demolishing the groaning contraption which I criticized this morning, involving a two-tier system of elections, the centre of effective management as the seat of the election and the court within whose jurisdiction it falls as the court of jurisdiction over any contestations of the validity of the elections.

It should be clear that we hope that the Commission, when reviewing the text, will wisely delete both these annexes. We did not feel that we could present a blanket amendment along these lines, because this might have seemed to be overdoing it; so, for the meanwhile, we simply ask the House to delete the most excessive points in these annexes.

**President.** — I call Mr Gundelach.

**Mr Gundelach, Member of the Commission of the European Communities.** — Mr D'Angelosante has appealed to me to go back to the old text of the Commission. I sympathize with him.

However, I wish to make it clear that my line of conduct this evening has been not to interfere in the brief discussions on the amendments, to save time and because the Commission's point of view has been made abundantly clear in the Legal Affairs Committee and in plenary session, including my two interventions in plenary session this afternoon.

I shall not therefore intervene except *in extremis*.

I wish to make this statement clear now in order that Mr D'Angelosante should not feel that he was appealing to me without receiving any reply. I sympathize with him on the point that has been raised, but it is my line not to intervene as I have made my position clear unless unexpected situations arise.

**President.** — I call Mr Springorum to propose Amendment No 43, on Article 108; Amendment No 36, on Article 123; Amendment No 37, on Article 125; Amendments Nos 39 and 40, on Article 137; and Amendment No 42, on Article 144a. He has a speaking-time of 8 minutes.

**Mr Springorum.** — (D) Mr President, on Article 108 I should like to say the following on behalf of our group: we are asking for the words 'or a trade-union represented in the company' in the fourth paragraph to be deleted. We believe that complaints about breaches by the Board of Management may only be judged by the Works Council itself and not by a trade union which is outside the establishment. Otherwise, institutions outside the establishment would be given rights which cannot be exercised from outside. This would represent a radical change in the legal situation.

The next amendment concerns Article 123. In the Legal Affairs Committee, the view was still held at that time that the principle of codetermination on a parity basis (Article 137) would not prevail and that the Commission's proposal would be adopted. Hence this subparagraph stipulating that the Works Council must approve permanent closures or closures for an indefinite period of time. While, as Christian-Democrats, we are in favour of parity, we consider that this is a matter for the Supervisory Board, which is appointed on a parity basis, and not the Works Council. Because the Supervisory Board is appointed on a parity basis, half of it enjoys the confidence of the Works Council. We therefore move that sub-paragraph (h) of Article 123 should be deleted.

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Now to Article 125: no distinction needs to be made between permanent closures and closures for a definite period on which the Works Council is to be consulted. We are of the opinion that closures for a definite period or permanent closures require consultation of the Works Council. The decision will be taken by the Supervisory Board, which is appointed on a parity basis. The same applies to establishments and parts of establishments.

On Article 137, we have proposed the following amendment: The wording of paragraph 2, second sub-paragraph, in the version by the Legal Affairs Committee reads: 'However, where the number of employees' representatives on the Supervisory Board is three, one of them shall be a person who is not in the above-mentioned employment relationship.' We propose that it should read: '.. one of them *may* be a person who is not in the above-mentioned employment relationship'. We think, in fact, that it should not be compulsory and that the decision should be made by the establishment itself as to whether a person from outside the establishment shall be brought in. The same also applies to the third subparagraph, i.e., in the case of four employees' representatives, two persons may be elected who are not in an employment relationship.

We are also of the opinion that in such a precise regulation as that represented by this draft, which covers everything in the finest detail, it is simply not satisfactory to say: 'the Supervisory Board shall consist as to one third of representatives of the shareholders, as to one third of representatives of the employees and as to one third of members co-opted by these two groups.'

We think rather that it should be made clear how this latter third is co-opted. Hence Amendment No 39. In view of the shortage of time, I do not need to read through it. In this amendment, we have left the casting vote with the Commission in the event of a stalemate. We shall probably, however, suggest a Court of Arbitration, which we consider to be even more neutral and which would be appointed by both sides in order to ensure complete equality. We deliberately wanted the co-opted third to be independent of the two other parties. We consider that it must be independent of the establishment itself because, on the one hand, it must have the necessary expertise and, on the other, it must represent the interests of all concerned so that it must be independent of both capital and labour interests.

There should be a third force capable of dealing with conflict situations. We say 'Candidates must obtain a two-thirds majority to be elected'

('co-opted' would be more correct) because we do not wish to make it too easy by recommending a simple majority, but we also want to prevent an individual who rejects everything from being able to prevent any appointment; hence the proposal 'Candidates must obtain a two-thirds majority to be elected'.

If several new proposals are made and still no agreement can be reached, this arbitration procedure shall take effect. The law will then actually provide for such a stalemate in the case of codetermination on a parity basis—the possibility is unlikely but it must be covered—and so it will be complete.

**President.** — I call Sir Derek Walker-Smith to propose his amendments—namely, Amendment No 48, on Article 108; Amendment No 49, on Article 123; Amendment No 50, on Article 125; Amendments Nos 51, 52 and 53, on Article 137; Amendment No 54, on Article 144a; Amendment No 62, on Article 120; and Amendment No 63, on Article 122.

In addition, Mr Thomsen has tabled Amendment No 64, on Article 138.

I call Sir Derek Walker-Smith, who has 13 minutes' speaking-time.

**Sir Derek Walker-Smith.** — I thank you for that introduction, Mr President. I shall seek again to move the amendments on behalf of my group with the same effort, difficult as it is, to combine the highest common factor of clarity of exposition with economy of time.

So I come straight away, against the background of what I said this morning as to the generality of the purposes that animate these amendments, to the first of them, Amendment No 48 to Article 108. I am indebted to my friend Mr D'Angelosante for having referred to this at some length before the amendment had been moved and apparently answering my arguments before I had even made them.

I can deal with this aspect quite shortly, because I do so against the background of our general position as I sought to explain it this morning. In this group, we take the view that there is a valuable and important part for trade unions to take in all these matters in the interests of the employees in the European Company, but nevertheless it is right to scrutinize the actual provisions and to see how far they are necessary to the philosophy and purpose of the company statute.

In Article 108, power is given to a trade union to bring proceedings. We take the view that if there has been a serious breach of an obligation

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incumbent on the board of management, it is inconceivable that the European Works Council, being at close first-hand in these matters, would not bring the proceedings itself. Therefore, we suggest that it is appropriate to delete the power given to a trade union as being redundant and unnecessary in this regard.

My next amendment, No 49, is even more important. It would delete sub-paragraph (h) from Article 123(1). As the House will recall, Article 123 is that which specifies those matters requiring the co-decision of the European Works Council. Among those there has been inserted in the course of the statute's going through the Committee the permanent closure or closure for an indefinite period of the undertaking or of parts thereof.

As that stands, although well-intentioned, it is an impracticable requirement, because the phrase 'or of parts thereof' is unlimited as to size and content and would mean that the board of management would be deprived of any power to effect a closure of an uneconomic part, however small, of the undertaking. That is not a subject which should give rise to a right to co-decision, which, in plain terms, means a right of veto.

So, in accordance with the philosophy which I spelled out this morning, although these are appropriately matters for consultation, to make them the subject of veto may well frustrate the possibility of the efficient conduct of the industry, or its conduct at all.

Then we come, in the same context, to Amendment No 50 concerning Article 125, in which we seek to restore the Commission's thinking in respect of paragraph 1(a). This really reflects the same point. The Commission wisely wrote in the word 'substantial'. I said earlier that it is not necessarily easy in practice to define what is 'substantial', but to omit that word leaves the matter at large and any part, however minuscule, is then the subject of the article. We think that the Commission's original thinking was right, and we propose to return to it.

Our next amendment, No 51, comes to what is, I suppose, or appears to be, in a sense the most important or at any rate the most controversial article of this statute, that dealing with the composition of the supervisory board. Here I can be very brief, because we have had this matter rehearsed many times and I referred to it in my observations this morning—as to whether there should be a one-third representation of the employees or whether it should be done on a parity basis, as suggested by the amendment emerging from the committee.

I do not think I can usefully, or indeed should, at this hour of the night, add to what I said in regard to this this morning, simply to the effect that what appears *ex facie* to be a parity in regard to representation if you look solely at the supervisory board constitutes, of course, an imbalance when you take into effect, as you logically must, the impact, the composition and the powers of the Works Council. I have no doubt that all these matters were in the mind of this sagacious Commission when it reflected week in week out, month in month out, on the problems and when it postulated the constitution of the supervisory board in the way that it did. We say therefore—perhaps it is becoming for a Conservative group—that we should revert to the original thinking of the Commission in this regard.

The next amendment, No 52, deals with the other part of Article 137. This point has been referred to in very fitting and persuasive terms by Mr Springorum, and the point is clear. This deals with Amendments No 52 and 53, which are both on the same point—namely, that the outside representation on the supervisory board of employees—that is, the representation of an outside organization as distinct from the representation of workers from the factory floor—should be optional or permissive, but should not be mandatory. That is a clear issue of principle. It is in my respectful submission clearly right for the reasons I gave this morning, for the reasons Mr Springorum has given and for the reasons that are, indeed, inherent in common sense and equity.

Those are the most important of the amendments that we have.

I should refer briefly to Amendment 54, regarding Article 144a. Here we seek to delete the right of a trade union as such to make these representations, because we think that if the representations do not recommend themselves to the Works Council, then there can hardly be a case in logic or in equity for making the representations at all. That again fits in with the general philosophy I sought to present to Parliament this morning.

I must now hurry on because I wish to leave time to my esteemed friend and colleague Mr Thomsen to move his amendment, and to my other esteemed friend and colleague Lady Elles—a charming and most distinguished lady—to make some comments on these matters. I will therefore refer briefly to our remaining amendments.

Amendment No 62, concerning Article 120(2), deals with information. We believe it is very right and necessary that the board of manage-

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ment should keep the Works Council fully informed. This is one of the basic requisites of a satisfactory European company. We go along wholly with that. On the other hand, we do not want to see the business management of the company fettered and hampered by unreasonable and academic requirements in regard to the periodicity, the content or method of transmitting that information. Therefore, once again we think the original wise thinking of the Commission should be reverted to in this context, and this is what we say in Amendment No 62.

Finally, Amendment No 63 is also on the subject of information. There is again a procedural, but I think a valuable, addition to the requirements made by the statute in respect of the transmission of information.

Article 122, as at present drafted, says that the Works Council may request information from the board of management on any matter which it considers of importance and may give its opinion thereon. Nothing could be less precise or more wide than that.

Thus once again, with considerable trepidation, great diffidence and much deference, I have sought to assist the Commission in their drafting by adding a new paragraph 3 to the effect that the request referred to in paragraph 1 and the invitation referred to in paragraph 2 of this article shall be accompanied by statements in writing specifying the information required and the reasons for requiring it. What could be more reasonable than that? If the information is required, there must be a reason for it. If there is a reason for it, it can be given, and so it should be, so that the board of management shall be put in the position where every legitimate and reasonable request for information shall be met, but they shall not be put in the position of being harassed and impeded in the ordinary conduct of their duties by requests for information which do not serve any useful purpose.

Mr President, within the limitations of the time allotted to me, those are the reasons underlying the amendments that we make, all of them reflecting the approach and the philosophy which I ventured to seek to expound this morning.

Now, if I may, I will respectfully give way so that Mr Thomsen can move our remaining amendment, and I hope that Lady Elles will catch your eye in the remaining few minutes of our time.

**President.** — I call Mr Broeks to propose the amendment tabled by him and Mr Adams, namely, Amendment No 65, on Article 125.

**Mr Broeks.** — (NL) Mr President, everyone will acknowledge that there is an undeniable link between the provisions of Article 123 and the provisions of Article 125. Both concern the powers of the European Works Council. When a company undergoes such serious changes as permanent closure, closure for an indefinite period or closure of parts of the undertaking, we feel it is extremely important not only that the Works Council should be consulted, but also that a decision of closure should not be taken without the agreement of the European Works Council.

It is obvious that such events affect the interests of employees to a considerable extent. In a number of cases, it would be sufficient to consult the European Works Council. Article 125 stipulates that the Board of Management must consult the Works Council before taking any decisions relating to a number of points, which are defined in the paragraph.

Sub-paragraph (a) of the Brugger proposal mentions, among other things, 'temporary closure or transfer of the undertaking or parts thereof'.

But reading through all the relevant proposals in the draft statute, we find that nothing is said about consultation of the Works Council in the event of dissolution of the company and of mergers with other undertakings. This is an omission which we feel should be rectified. We therefore recommend to the rapporteur that Article 125(1a) should not only include temporary closure or transfer of the undertaking or parts thereof, but should determine also that the Works Council be entitled to give its opinion not only on mergers but also on the dissolution of the undertaking, in respect of which you will find certain provisions at the end of the draft regulation.

**President.** — I call Mr Bangemann to propose the amendments tabled by Mr Jozeau-Marigné—namely, Amendments No 6, on Article 116; No 9, on Article 123; No 10, on Article 137; No 13, on Article 223; and No 14, on Article 239. He has 5 minutes' speaking-time.

**Mr Bangemann.** — (D) Mr President, I should like to begin with a general comment explaining more clearly the reason for these important amendments. In the question of participation by the employees in management decisions we must distinguish between several levels. First, there is the level of the undertaking itself. This comprises the Works Council, the Supervisory Board and, of course, the Board of Management. Then there is the second level—that of the responsibility represented and borne by the trade

**Bangemann**

unions. This, of course, relates to the establishment concerned, but goes above and beyond that, because the trade unions are not responsible and have not been set up merely for the benefit of one establishment, but have to deal with all matters affecting working life. The third level is that of the public, represented by the Press, public opinion or parliamentary institutions.

Anyone who mixes up these three levels, in my opinion and in the opinion of my group, is making a fundamental mistake—namely, that of combining several responsibilities into a conglomerate power which is no longer controllable. By dividing these responsibilities they can be controlled and made subject to democratic processes.

If, therefore, the trade-union level and that of the individual establishment are confused, or if the official requirements relating to working conditions, as perhaps laid down and defined by parliaments, are confused with the requirements of the individual establishment or the trade unions, the result will be a state whose power can no longer be controlled and contained. We must therefore ensure that the individual areas of responsibility do not overlap.

For this reason, Mr President, my group requests deletion of Article 116. This goes beyond what Mr Springorum proposed on behalf of his group. We are of the opinion, however, that the responsibility of the Works Council is different from that of the trade union.

The trade union will not do itself any good by becoming involved in the responsibility of the Works Council, which represents only one undertaking and has to act for the benefit of this undertaking. Consider the example of a wildcat strike which breaks out in an undertaking because of certain shortcomings there.

Such an event is much more harmful to a trade union if it has to bear some responsibility for these shortcomings because it has taken on such responsibility in the Works Council. There are many other examples. I am also of the opinion that the leader of a trade union will have food for thought if, in an election to the Supervisory Board of an undertaking in which his trade union plays a crucial part, he is not elected, as has happened in the Federal Republic. This is a striking example of the case where a trade union has neglected its overall responsibility and become involved in a management responsibility but has failed there because it did not meet the criteria applying. My group therefore believes that Article 116 should be deleted in the interests of a clear division of

responsibility between the Works Council and trade unions.

The same applies to Article 123 (h). Works Council approval of permanent closure or closure for an indefinite period of time is no longer necessary against the background of parity representation on the supervisory board, and again and in particular it blurs the clear division of responsibility between the Works Council and the Board of Management; if such a closure can only be carried out by means of a social plan, as provided for in sub-paragraph (i), then anything at all which affects the interests of the employees can be construed as part of the social plan. On the other hand, the interests of those who have capital in this undertaking—in all our deliberations here we must always consider these two sets of interests—are of course not covered by a social plan, and probably the reverse is true. These interests, however, are crucially affected by the prevention of a closure. There could, for example, be a conflict of powers and responsibilities if a Board of Management or a Supervisory Board which, for urgent economic reasons, actually had to propose and implement the closure of part of an undertaking, were to be prevented from doing so by such a decision. It would then be faced with a great conflict of responsibility.

With your permission, Mr President, I should like to add the following on my own behalf: we consider that this whole structure is based on the attempt to bring together two different interests—namely, the interests of those who provide their capital for such an undertaking and the interests of those who are working in such an undertaking and the interests of those who are working in such an undertaking. But not, dear Mr D'Angelosante—he is not here at the moment—to make capitalism easier to operate nor, as it was once expressed so beautifully, to remove quietly from the cowshed the mess produced by the holy cows of capitalism, but because there are in fact economic laws which apply to both parties. And it is simply an economic law, Mr President, that, under certain circumstances, part of an undertaking has to be closed down for reasons which are not the result of malice on the part of capitalists. Therefore, sub-paragraph (h) should be worded as suggested in our Amendment No 9.

In regard to Article 137, we propose a different breakdown of representation on the supervisory board, one which is a genuine parity representation. The division into thirds which we now have is certainly an advance over the previously proposed system of one-third participation, which was unsatisfactory; but Mr Springorum's version of the one-third system

**Bangemann**

does not avoid one danger—namely, that of confusing the public interest with that of the establishment.

We can discuss this further, Mr Springorum, and you will probably have something to say on this. I am of the opinion that the same risk which exists in your version is also still contained in the amended Commission text, where people who have nothing whatsoever to do with the establishment form part of the Supervisory Board. We consider that to be bad. We are therefore of the opinion that the Supervisory Board should be composed on a parity basis but, on the employees' side, should only consist of people who actually work in this establishment and, in accordance with the idea which the FDP once put forward in the Federal Republic, we would divide this side into one-third executive staff and two-thirds employees in line with the sociological structure of the establishment. In the German translation the expression *Führungskräfte* occurs, which only approximately coincides with the word *cadre* in the French original, but does not exactly cover what we have in mind. If the amendment is to be accepted we would have to find a better translation.

The other amendments, Mr President, actually refer more to technical matters and wordings, particularly in the question of groups of companies. I can therefore limit myself merely to moving these amendments, as no further explanation of them is required.

**President.** — I call Mr Cousté to propose Amendments No 17, on Article 148, and No 15, on Article 203. He has 3 minutes' speaking-time.

**Mr Cousté.** — Mr President, before speaking on those articles, I should like to say that we support Sir Derek Walker-Smith's amendment to article 137. We wish to retain the Commission text to the effect that the employees of the European limited company should be represented on the supervisory body, that they should delegate one member for two appointed by the general meeting shareholders and that the regulations should provide for a higher number of representatives of the employees.

We would add, and in this we support what Mr Jozeau-Marigné on Amendment no 10, that we Bangemann has just said on behalf of Mr also wish to see article 137 paragraph 2, of the Brussels Commission version deleted so that on the supervisory body there would only be representatives of the employees or employees belonging to the undertaking. These could be executives, engineers, labourers but they should

belong to the undertaking even if they belong to a trade union.

That being the case, I should like to add a few brief words on Amendment no 17 to Article 148. This article deals with the supervision of annual accounts, which include the balance sheet, the profit-and-loss account, and I should like to have added 'and the finance sheet.' It is in fact unthinkable that the employees should have access only to the balance sheet and the profit-and-loss account. They must see the finance sheet as well, because this shows the sources of investment finance, and the employees must know where the money comes from.

Amendment no 15 to Article 203 also involves auditing. We propose the addition to paragraph 2, line 4, after the word 'organized' of the words 'or recognized'.

The text of paragraph (I) runs: 'The annual accounts and, in so far as it reviews developments in the company's business and position during the past financial year, the annual report shall be audited by an independent auditor acting on his own responsibility.'

And paragraph 2 states: 'Only persons who are suitably qualified and experienced may be appointed auditors. They shall have obtained their professional qualifications by 'satisfying the requirements for admission and by passing a legally organized examination...' We propose: 'a legally organized or recognized examination.' I explained the reason for this earlier: it concerns the situation in Britain and Ireland. Harmonization with respect to a situation peculiar to those countries is required.

**President.** — We now proceed to the amendments on Title V, 'Representation of employees in the European Company'. For these, the speaking-time is allocated as follows:

Twenty minutes for members of the Christian-Democratic Group and 20 minutes for members of the Socialist Group;

Twelve minutes for members of the Liberal and Allies Group; Ten minutes for members of each of the other three groups; Five minutes for non-attached Members;

Mr Thomsen and Lady Elles have a total speaking-time of 10 minutes together.

I call Mr Thomsen.

**Mr Knud Thomsen.** — (DK) Mr President, I am a little surprised that there has been a change in the order of speakers, but in the Danish Parliament it is customary not to argue

**Thomsen**

with the President and so I shall not do so here. On the other hand, the Danish President, when in his primal wisdom he changes the order of speakers, is usually prepared to justify such changes.

I need no more than a moment, Mr President, to present the proposal for an amendment I tabled with regard to Article 138.

In my group—and I am now speaking on my group's behalf—we consider it a normal democratic principle to reach decisions by an unqualified majority. According to the Commission's proposal, a little over one-third of the employees in a company will be able to decide on participation in the control of that company. We consider it would be appropriate and in accordance with democratic principles for something of this sort to be decided by a simple majority, and that there should not be an attempt to legislate *via* this Parliament in such a way as to enforce a proportion other than a simple majority.

As a rule, this Parliament has not had any great sympathy for the idea of a qualified majority, and I see absolutely no reason to support a decision whereby a majority of two-thirds would be necessary to prevent participation in the control of a company. It must be conceded that in some areas of company law a qualified majority is admissible. This generally acts as a safeguard to minority interests. However, it does seem to me that the Commission's proposal according to which one-third may take a decision might lead to a dictatorship of the minority. I therefore suggest that the decision of whether or not employees should take part in control should only be reached by a simple majority of all employees of the undertaking concerned.

**President.** — I call Lady Elles.

**Lady Elles.** — I want to speak on behalf of the European Conservative Group merely to explain our attitude and the philosophy which guides us when considering the amendments proposed by other groups on the question of representation on supervisory boards. Sir Derek Walker-Smith has ably moved our own amendments, many of which overlap amendments submitted by other groups. I will not, therefore, comment on them.

The principles which guide us in our decisions on these amendments are basically four. First, we believe in the necessity of making the Statute effective in the light of political realities and the prevailing circumstances. Secondly, we also support amendments which we think would make the Statute more effective and more workable and which at the same time would

maintain a reasonable balance between the interests of the shareholder, who risks his capital, and the conditions of the employee, whose livelihood depends on the effective and efficient management of the company. Thirdly, as Conservatives we are well known for our support of change where change is needed but for the fact also that we do not support change where we consider that the original draft is not only adequate but excellent. Fourthly, we support the very perceptive comments of Mr Gundelach today on the fact that there is a certain consensus which we in this Assembly are moving towards.

We in our group are also trying to move forward in a constructive manner to reach a consensus on the drafting of a successful Statute.

These are the four principles which guide us in reaching our opinions of the amendments. I want to refer briefly to the amendments tabled by Mr Jozeau-Marigné and the Liberal Group and moved by Mr Bangemann. We agree to Amendment No 6. We think that the principles expressed by Mr Bangemann are in accord with our own.

With regard to Amendment No 9, we have basically the same attitude to the problem, but wish to point out that in Article 123(1), while subparagraphs (a) to (g) and (i) list matters on which decisions would require the 'agreement' of the European Works Council, subparagraph (h) refers to 'opinion'. As I know my distinguished leader on the Conservative Benches would agree, that is not in accord with the best forms of legal draftsmanship, and we would rather see the second part, subparagraph (h), put back into Article 125 as it was in the original text. Therefore, although agreeing with the sentiments expressed in Amendment No 9, we do not go along with its present drafting.

With regard to Amendment No 10, we are again conscious of the sentiments which promote this. We should like to see members of the executive staff on the representation of the supervisory board, but here again our Conservative principles lead us to support the original proposition of the Commission in regard to the composition of the supervisory board.

With regard to Amendment No 39, proposed and tabled by Mr Springorum on behalf of the Christian-Democratic Group, we agree in principle with this amendment to Article 137 adding a new paragraph 3, but we should just like to comment, with respect, that we do not consider, referring to the last two lines of the new paragraph, that it is the function of the Commission of the European Communities to act as decision-makers or arbitrators in a case of this

**Lady Elles**

kind and we should like to submit some form of verbal amendment, such as that in this case a simple majority would decide the issue. So, although we go along with the sentiments expressed in the amendment, we should like to see it slightly altered before we could give it our full support.

I will not take up the time of the Assembly any more. We have expressed our sentiments quite clearly, and we shall show in our voting tomorrow our support for as many of the amendments as we feel can really improve the statute and make it a workable document.

**President.** — I call Mr D'Angelosante, who has 10 minutes' speaking-time.

**Mr D'Angelosante.** — (I) I shall not need so long, Mr President.

We can consider almost all the amendments tabled by the other groups to Title V simply by referring to the principal points which we have already made.

Firstly, broadly speaking we have nothing against the European Works Council, but this does not imply that we are prepared to accept any form of this important body established in the regulation under consideration. We are therefore totally opposed to all the amendments, particularly that tabled to Article 123 (1), subparagraph (h), concerning the compulsory consultation of the European Works Council and its right to give a binding opinion on closure of the establishment.

I should like to add that retention of subparagraph (h) is one of the key points in our attitude to this regulation as a whole.

We also said this morning that, in principle, we have nothing against employee representation on the Supervisory Board. This has similar implications—i.e., the fact that we have nothing against it in principle does not mean that we are prepared to accept all forms of a Supervisory Board. Thus, from our point of view, it is essential that Article 137 be amended as suggested by the committee since it seems realistic to suggest that numerically-balanced employee representation will prevent the representatives from being involved in interests which are not those of the employees. However, if the proportion of employees on the Supervisory Board should be reduced to a third, the line of argument which I have put forward so far would become ingenuous and unduly optimistic. We could certainly not continue to adhere to it.

The only justification for employee representation involving only a third of the members is that it would involve them in defending interests not only differed from their own but might actually be contrary to them.

Thirdly, we have said over and over again that it is essential to us that the autonomy of trade unions be safeguarded, and we accordingly oppose all the amendments tabled, I think I am right in saying, by the Conservative Group which limit the power of the trade unions in the machinery which we are considering.

I have almost finished, but I feel I must say a few words about two amendments which seem particularly interesting to me. The first in question is Mr Springorum's Amendment No 39 to Article 137. I must admit that this amendment has been very cleverly dreamt up, since it is completely removed from the general scheme of the proposal for a regulation which we are discussing and actually lies outside the logical categories to which the author of the proposal for a regulation which we are discussing and actually lies outside the logical categories to which the author of the proposal refers. We all know what is meant by co-opting, since, after all, it is a procedure familiar to us in other connections, so that we can hardly pretend not to know what it means in order to change this meaning. Co-opting means the recruitment of external elements by a previously-existing body acting on its own initiative.

When Article 137 stipulates that the third of the Supervisory Board which represents employees and the third which represents capital are to coopt the remaining third, it is intended that they should choose according to their respective interests. We cannot allow any conditions to be laid down for the process of co-opting, since it is, by definition, the absolute power of the members of an existing body to include other persons in it. Mr Springorum's reasoning is therefore insidious as well as cunning. His entire text could be replaced by the stipulation that the third of the Supervisory Board shall be appointed by the Commission of the European Communities.

This is not altogether complimentary to the Commission, for, if he feels that certain interests can only be satisfied by excluding the possibility of co-opting by employees' and shareholders' representatives and giving this power to the Commission, he must implicitly consider that certain interests are better defended by the Commission. Now I do not share this particular form of pessimism and ask that the present wording of Article 137 be maintained.

**D'Angelosante**

Finally, if I may, Mr President, I would ask Mr Broeks and Mr Adams a friendly question about Amendment No 65, concerning the Works Council. In the proposal for a regulation under consideration, the Works Council is a body which must be consulted by the Board of Management but not by other boards of other bodies. Amendment No 65 consult the Works Council before making any decision relating to the winding up of the undertaking.

However, since sub-paragraph h of Article 83 gives the General Meeting—and that body alone—the right to decide to wind up the company, I think that this amendment is founded on confused ideas likely to give rise to a dangerous play on words which will once more open to discussion various rules which are close to Mr Broeks's and Mr Adams' heart as they are to mine.

I realize that the reference here is to winding up the undertaking, but what difference is there in practice Mr Broeks, between winding up the company and winding up the undertaking? Strictly speaking, from a legal point of view, the undertaking may not be wound up—only the company may be wound up. The undertaking may cease, this is the exact legal term—it ceases to exist. We therefore have one of two choices. We could take the phrase 'winding up of the undertaking' literally, in which case it is the same thing as winding up the company, and it is not clear how the General Meeting should have the last word on the winding up of the company while the Board of Management has the last word on the winding up of the undertaking.

Alternatively, we could mess around and say that, if there is only a non-binding opinion relating to winding up, it is not clear how there can be a binding opinion in relation to closure. Then some clever well-paid lawyer will arrive and try to destroy sub-paragraph (h) of Article 123 (1), provided that we manage to hang on to it during the vote tomorrow and that the Council of Ministers adopts it.

For this reason, since I know how fervently Mr Broeks has supported all arguments in favour of increasing the powers of the European Works Council, I should like, with all due respect, to ask him to withdraw this amendment if he considers it wise. Though there may be many points in favour of it, you can hardly say that it safeguards the interests of the employees and the organs of the European Company as it intends to if you read it objectively, irrespective of the authors' intention.

**President.** — I call Mr Broeks, who has 20 minutes to speak on behalf of his group.

**Mr Broeks.** — (NL) Mr President, we have first an amendment from Mr Jozeau-Marigné, proposing the deletion of Article 116. This surprises me somewhat, since I feel that we should then have an amendment proposing the deletion of Article 102a. If Article 102a is retained, and I hope it will be, I feel that Article 116 should also be retained.

Now we come to one of the most important points in this evening's debate, namely, the true powers of the European Works Council. We debated this matter extensively in the Legal Affairs Committee, particularly in the light of real cases which had occurred. There had been works which had been closed temporarily, although it was not clear at the time whether the closure would be temporary or permanent.

I mentioned the case of AKZO this afternoon. The Legal Affairs Committee wondered whether it was right that when establishing the powers of the European Works Council no mention was made at all of closures of establishments, whether temporary or permanent. For the people working in it, it is of vital importance to ensure that the undertaking can continue to operate as long and as well as possible.

As was demonstrated this evening, it is commonly feared that, if the European Works Council is confronted with economic difficulties in the establishment, the employees will think only of their own direct interests, preferring to see the undertaking go bankrupt rather than lose a few weeks' salary. In practice, however, the Works Council has never acted in this way. Of course, we hope that a satisfactory system will be found as regards the laying off of personnel, and, in fact, the Brugger report does make certain provisions in this respect. Once this system is accepted, both the Works Council and the trade unions will acknowledge that an undertaking cannot continue to operate in the same way without going bankrupt, and this would be of no use to anyone, because then everyone would be out of work.

We cannot agree with the amendment tabled by Mr Jozeau-Marigné and supported by Mr Springorum's group, proposing that the approval of the Works Council should not be required for closure for a definite or indefinite period, and that the Council should have only an advisory capacity on this point. Mr Jozeau-Marigné and Mr Springorum both propose that decisions be taken with regard to permanent closure only after consulting the Works Council. This means that this idea is no longer upheld in Article 123, but transferred to Article 125, although the amendment does not make this clear. This places Article 123 and Article 125 in a very strange relation to each other, because we would then

**Broeksz**

have two articles stipulating that the Works Council may only be consulted, which I consider wrong. For technical reasons alone, I feel that this amendment should be rejected.

For the Socialist Group, it is a matter of some importance that it should not be possible to put workers out in the street and simply say: sorry, but we have to close this establishment. I simply cannot accept that people will act in this way when an undertaking is confronted with these very real difficulties. In countries where Works Councils are already in operation, there are no instances of such action.

I can even give a clear example of what a Works Council could have done if it had been asked for advice. I refer to the projected closure of the AKZO in Breda; I imagine this is a very clear example indeed.

With regard to Mr Jozeau-Marigné's amendment, I acknowledge that a distinction might be made between managerial staff and other employees, but that they are difficult to separate. I think it would be difficult to put his proposal into practice.

As to Mr Jozeau-Marigné's amendment No 13, I am willing to consider this amendment further, but taking into account Article 225; I think that the only conclusion we could then reach would be that this amendment was superfluous.

I do not have the time to speak on the amendment which proposes the deletion of the first paragraph of Article 239, but we shall vote against it.

As regards Mr Springorum's Amendment No 43, I would point out that, if we accept Article 102a, we must also accept the consequences thereof. Trade unions as such are not represented in companies in all countries, as can clearly be seen from Article 102a. If they are nevertheless admitted, they must also be given certain rights. We cannot admit them and, at the same time, deny them any rights; I would consider this most unfair.

Tomorrow we shall debate in greater detail the modification proposed by Mr Brugger with regard to Article 137. At the moment, I should not like to take a stand on this point, because I know that Mr Springorum intends to alter his own amendments, at least in order to indicate to the Commission an alternative for electing the last third of the Supervisory Board, which must represent general interests or comprise important personalities, and is not to be appointed by the Commission of the European Communities.

I regret that I am unable to agree with Mr Springorum's Amendment No 40. He is, in my opinion, merely splitting hairs, and I shall not dwell upon the matter.

When dealing with Amendment No 42, I must also refer to Article 102a; the same applies to Sir Derek Walker-Smith's Amendment No 48. Anyone wishing to delete paragraph 1 of Article 123, as proposed by Sir Derek Walker-Smith on behalf of the European Conservative Group, must belong to a very conservative group indeed, at least according to the Dutch text. In my opinion, no one will accept this amendment. Even the more conservative members of other groups must consider this rather excessive.

According to Amendment No 50, the Commission text is to be restored for Article 125.

I have already spoken in a different context about whether such expressions as 'substantial curtailment' and similar vague terms should be used. The Legal Affairs Committee has always been against this, and I feel that it should remain so, since such provisions only give rise to interminable arguments in the undertaking, which would be better avoided.

Amendment No 51 proposes that the Commission text be restored for Article 137(1), which deals with the composition of the Supervisory Board in a ratio of one-third and two-thirds. I am fairly certain that Parliament will reject this amendment and support the modification proposer by Mr Brugger, although certain suggestions might be made to the Commission concerning the co-opted third.

In my opinion, Sir Derek Walker-Smith's Amendment No 53 merely expresses the same idea in different words and I therefore do not feel inclined to devote any more time to it.

We now face once again the same problem: whether to accept Article 102a or not. If we accept it, Article 120(2) must be changed. I must say that I find the text of the article proposed by Mr Brugger clearer than that proposed by the Commission; we shall therefore continue to support the amendment proposed by Mr Brugger.

The amendment proposed by Sir Derek Walker-Smith on Article 122 is an amendment on which I would be glad to hear the rapporteur's and the Commission's views. I agree that, if discussions are to be held, it would seem necessary to know just what was involved. I would therefore not reject this amendment out of hand.

On the other hand, I am inclined to reject Mr Thomsen's amendment on Article 138. This states that employees shall not be represented

**Broeks**

on the Supervisory Board if the majority of the employees so decide. However, the principles of democracy demand that rights be granted also to a minority. I feel that the rights of a minority really are being trampled underfoot here. We are therefore firmly opposed to this amendment.

I do not fully understand Mr D'Angelosante's objections to the amendment tabled by Mr Adams and myself. We thought it was a justified addition, which concerns only the winding up, temporary closure or transfer of the undertaking or parts thereof, and mergers with other undertakings.

Feeling, as we do that one of the powers of the European Works Council to be specified in Article 124 should be that there shall be no permanent closure or closure for an indefinite period without the agreement of this Council, we must ask ourselves whether the same should not apply in the case of winding up.

This is a debatable point. Mr Adams and I have given it considerable thought. Reading Article 247, which deals with this very point, we find that winding up is generally attributed not to the fact that the undertaking is doing badly, but rather to such things as expiration of the period for which the company was formed or other such technical reasons. This is why we felt that consultation alone was sufficient.

Then there are two amendments tabled by Mr Cousté. With regard to Amendment No 17, I personally have no objection whatever to the finance sheet being added to the profit-and-loss account. I imagine that neither the rapporteur nor the Commission is likely to object much either.

Amendment No 15, however, constitutes yet another effort to neutralize the Works Council right from the start, thus removing any real significance it might have had. You will understand, Mr President, that we do not wish to accept this amendment.

**President.** — I call Mr Wieldraaijer to speak also on behalf of the Socialist Group.

**Mr Wieldraaijer.** — (NL) Mr President, I should like briefly to add something to what my friend, Mr Broeks, said, with particular reference to the position of trade unions.

A number of references have been made to trade-union organizations from various sides, in particular the speakers for the Liberal and Allies Group, the European Conservative Group and Mr Springorum, but, at the same time, amendments aimed at curtailing their powers have been put forward. It usually makes me

suspicious if I hear people say that they have nothing against trade-union organizations and then proceed to attempt to weaken their position. I therefore object to these amendments on the following grounds.

To begin with, a trade-union in an organization is certainly not a foreign body, a *Fremdkörper*, because the trade-union is present and alive in the form of members of the organization. There are numerous trade-union organizations which have adapted the structure of their organization to suit the undertaking.

Secondly, and I believe this is the most important argument, the position of employees in an undertaking can only take on any real significance if the employees constitute an organized power and pool their knowledge and experience. Only then will the right of participation granted them acquire true significance. This is why my group is opposed to any amendment attempting to weaken in any way the position of the trade unions. I am also struck by the fact that these attempts come from the Liberal and Conservative benches.

I felt it was necessary to add this to what my friend, Mr Broeks, had already said.

**President.** — I call Mr Springorum to speak on behalf of the Christian-Democratic Group.

**Mr Springorum.** — (D) Mr President, I will be brief and only refer to what Mr Broeks said, as the others—Lady Elles and Mr Bangemann—have already left.

Please, Mr Broeks, if you wish to retain Articles 125 and 123 in spite of the parity representation on the Supervisory Board, I should like to tell you a story from my own experience: when the Works Council was consulted on a closure, the same employees voted against it who later abstained from voting in the Supervisory Board, even though they had not changed their minds; it was simply that in the other body their responsibility was different.

I believe that an establishment which—as you envisage it—demands from the Works Council approval for closure is simply asking too much. I do not think that you are sufficiently clear about the possibilities that exist.

Allow me to make a general comment on the Works Council, the employees and the trade-union. We too have introduced the word 'may' instead of the word 'must' in certain places. The trade-union is a body whose function is to support the employees, and as such it simply cannot be ignored in the running of our undertakings; on the other hand, the trade union

**Springorum**

'cannot intervene above the heads of the employees in the management hierarchy, etc. I think that principles governing collaboration between the employees and the trade-union must be assured and remain secure. In the Federal Republic, there have been examples in the last few weeks showing that it really cannot be otherwise without harm to both parties.

I should like to say a few more words on our Amendment No 39, referring to Article 137. We should like to request tomorrow that, in the event of agreement not being reached, decisions shall be taken by a Court of Arbitration consisting of one representative of the employees and one representative of the shareholders, who will appoint a chairman by mutual agreement. Only if they again are unable to agree will the President of the competent court for the registered office of this company appoint the chairman. We hope, of course, that this exceptional situation of conflict will never occur, but when we formulate a law we should also provide for this eventuality.

In submitting this supplementary amendment I have been criticized for taking the view that two-thirds of the votes are necessary. Some ask why a simple majority is not enough, and others ask why complete agreement is not stipulated. I am afraid that in all such bodies there are non-conformists, so that one man from one side or the other can, if he wishes, obstruct everything. One must always expect such difficulties. Hence the two-thirds majority, which reduces the risk of obstructiveness on one or the other side in that it deprives the person concerned of the power to wreck co-determination. Such an institution should not be at the mercy of one individual.

**President.** — Does anyone else wish to speak?

We proceed to the amendments relating to legal questions.

Mr D'Angelosante has tabled the following amendments on behalf of the Communist and Allies Group: No 24, on Article 262; No 25, on

Article 276; No 26, on Article 277; No 27, on Article 282; No 28, on Article 283; and No 31 on Annex III.

I call Mr D'Angelosante to propose these amendments.

**Mr D'Angelosante.** — (I) Mr President, there is no need to speak in support of them because I already covered them in my speech in the general debate this morning.

If necessary, I will come back to one or two of them tomorrow morning.

**President.** — Does anyone else wish to speak?

This item on the agenda is closed.

#### 8. Agenda for the next sitting

**President.** — The next sitting will be held tomorrow, Thursday, 11 July 1974, at 10.00 a.m. and 3.00 p.m., with the following agenda:

- Vote on the motion for a resolution and the amendments to the Statute for the European Company (Brugger supplementary report);
- Joint debate on:
  - Report by Mr Leonardi on energy supplies,
  - Report by Mr Pintat on the new energy policy strategy,
  - Report by Mr Noè' on a research and education programme for the Euratom;
- Oral Question with debate by Mr Creed to the Commission on regional policy;
- Second report by Mr Flämig on Community research and the revision of the multi-annual research programme.

The sitting is closed.

*(The sitting was closed at 11.50 p.m.)*

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## IN THE CHAIR: MR MARTENS

Vice-President

*(The sitting was opened at 10.05 a.m.)***President.** — The sitting is open.

## 1. Approval of minutes

**President.** — The minutes of proceedings of yesterday's sitting have been distributed.

Are there any comments?

The minutes of proceedings are approved.

## 2. Regulation embodying a Statute for European companies

(Continuation of vote)

**President.** — The next item is the vote on the motion for a resolution contained in the supplementary report by Mr Brugger, drawn up on behalf of the Legal Affairs Committee, on the proposal from the Commission of the European Communities to the Council for a regulation embodying a Statute for European companies (Doc. 67/74).

We held an extensive debate lasting about eight hours on this report yesterday, followed by discussion of the various amendments to the

**President**

motion for a resolution. As we decided earlier, voting must be concluded by 1 p.m. at the latest. Speaking time is limited to two minutes each for the rapporteur and the authors of amendments.

Before we begin, I call Mr Gundelach, member of the Commission of the European Communities.

**Mr Gundelach, member of the Commission of the European Communities.** — I merely wish to make a comment on the procedure adopted for today. A large number of amendments are to be voted on and I understand that the procedure will provide brief opportunities for the rapporteurs and for the member of the Commission responsible to comment, in that the Commissioner may say that an amendment is acceptable or not. However, since there are so many amendments, we have to finish by 1 p.m. and I have made the Commission's views clear already, I do not propose to avail myself of that opportunity and will not intervene unless an issue of very great importance arises which I consider has not been adequately covered by my previous interventions.

I felt that I should make this position clear in view of the relationship between this House and the Commission. I remind the House that silence by me on an amendment does not necessarily mean acceptance by the Commission.

We cannot accept quite a number of amendments; on others, we have reservations and will consider them further. But I repeat that silence on my part does not mean that the Commission is bound to accept an amendment if adopted by the House. Naturally, we consider carefully any amendment which is adopted by the House, but the fact remains that basically many of the amendments we are considering are not in accord with the views of the Commission, and if I remain silent about them, that does not mean acquiescence.

**President.** — Thank you, Mr Gundelach. Naturally Mr Gundelach may speak whenever he so wishes.

Before putting the motion for a resolution contained in the supplementary report by Mr Brugger to the vote, we shall consider the amendments tabled to the text of the Commission's proposed regulation.

On Article 6, I have Amendment No 7 tabled by Mr Cousté on behalf of the European Progressive Democrats Group and worded as follows:

**Article 6**

Delete the wording for Article 6(2) and (3) proposed by the Parliamentary committee and replace it by the word 'unchanged'.

I call Mr Cousté to move this amendment.

**Mr Cousté.** — (F) Mr President, in tabling this amendment, I request that we restore the Commission's text.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, the Legal Affairs Committee was of the opinion that sub-paragraph (c) in the paragraph relating to undertaking that are in any event considered dependent on others should be deleted and inserted instead in the paragraph specifying where a controlling influence is to be presumed. With many agreements it is often not clear whether dependency exists or not, especially in the case of agreements with banks. I therefore ask the House to reject Mr Cousté's amendment and retain the next proposed by the Legal Affairs Committee.

(Applause)

**President.** — I put Amendment No 7 to the vote.

Amendment No 7 is not adopted.

On Article 15, I have Amendment No 8, tabled by Mr Cousté on behalf of the European Progressive Democrats Group, and worded as follows:

**Article 15**

After the words 'legally organized' add the words 'or recognized'.

I call Mr Cousté to move this amendment.

**Mr Cousté.** — (F) Mr President, this amendment to Article 15, which also applies to Article 203, takes account of the special situation of accountant's organizations in the United Kingdom and Ireland. I hope it will be adopted by Parliament.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, if we can agree on the term, I feel Parliament should adopt this proposed amendment.

I should like to point out that in the German text, instead of saying 'legally organized' one could perhaps say 'legally organized or recognized examination'.

But I think I have spread more confusion than necessary. Basically, I consider this amendment should be adopted.

**President.** — I put Amendment No 8 to the vote.

Amendment No 8 is adopted.

**President**

On Article 66, I have the following four amendments:

- Amendment No 5 by Mr Jozeau-Marigné and Mr Hougardy;
- Amendment No 35 by Mr Springorum on behalf of the Christian Democratic Group;
- Amendments Nos 46 and 47 by Sir Derek Walker-Smith on behalf of the European Conservative Group.

Amendment No 35 by Mr Springorum on behalf of the Christian-Democratic Group is worded as follows:

## Article 66

I. Sub-paragraphs (a) to (c) of paragraph 1 to read as follows:

'1. The following acts of the Board of Management shall be subject to prior authorization by the Supervisory Board:

- (a) closure or transfer of the establishment or of substantial parts thereof;
- (b) substantial curtailment or extension of the activities of the undertaking;
- (c) substantial organizational changes within the undertaking or...
- (d) unchanged.'

II. At the end of paragraph 1, add the following sentence:

'In applying the provisions in accordance with sub-paragraphs (a), (b) and (c) of this paragraph, account shall be taken of the consequences for the nature and extent of the activities of the undertaking and for employment.'

I call Mr Springorum to move this amendment.

**Mr Springorum.** — (D) Mr President, my group proposes that in sub-paragraph 1(a) the word 'undertaking' should be amended to 'establishment'. It certainly refers to the transfer of establishments, not undertakings. The same with closures. Otherwise one would speak of liquidation. Only establishments can be closed or transferred. So this must be amended.

For the rest of 1(a) the Commission's text should stand with its reference to 'substantial' parts, for this makes it clear that we are not talking of every small shed and workshop, but sections of substantial importance.

In (b) we also want the Commission's phrase 'substantial curtailment' retained and in (c), 'substantial organizational changes'.

Then comes part II of our amendment, adding this sentence at the end of paragraph 1:

'In applying the provisions in accordance with sub-paragraphs (a), (b) and (c) of this paragraph, account shall be taken of the consequences for the nature and extent of the activities of the undertaking and for employment.'

That means that the Supervisory Board does not need to be brought in on every trifling act, but only important ones. I ask the House to adopt our amendment.

**President.** — Amendments Nos 46 and 47 by Sir Derek Walker-Smith on behalf of the European Conservative Group are worked as follows:

Amendment No 46:

## Article 66(1)

After (d) insert the following:

'In the application of the provisions under (a), (b) and (c) of this article regard shall be had to the effect on the nature and volume of the Company's business and of the employment thereat.'

Amendment No 47:

## Article 66(1)

Points (a), (b) and (c) to read as follows:

- (a) closure or transfer of the undertaking or of substantial parts thereof;
- (b) substantial curtailment or extension of the activities of the undertaking;
- (c) substantial organizational changes within the undertaking;

I call Sir Derek Walker-Smith to move these amendments.

**Sir Derek Walker-Smith.** — Our group has two amendments to this article. The most important of them is Amendment No 47, which is designed to restore the Commission's text and to qualify the co-decision power in regard to closure and transfer by the reintroduction of the word 'substantial' in the English text and 'importantes' in the French text. It is therefore in substance identical with Amendment No 35 on behalf of the Christian-Democratic Group and to which Mr Springorum has already spoken.

Amendment No 46 from our group is designed to introduce a criterion into the co-decision of the Board of Management and the Supervisory Board, and that criterion will be the effect on the nature and volume of the company's business and of the employment thereat. It is therefore a wholly unexceptionable criterion which, it may be, would be applied in any event, but which ought to be expressly incorporated in the text.

**President.** — Amendment No 5 by Mr Jozeau-Marigné and Mr Hougardy is worded as follows:

**President**

Article 66(1)

This Article to read as follows:

'The following acts of the Board of Management shall be recorded in the quarterly report:

- (a) closure or transfer of the undertaking or of substantial parts thereof;
- (b) substantial curtailment or extension of, or changes in, the activities of the undertaking;
- (c) substantial organizational changes within the undertaking;
- (d) establishment of long-term cooperation with other undertakings or the termination thereof'.

I call Mr Bangemann to move this amendment.

**Mr Bangemann.** — (D) Mr President, I am asked briefly to clarify Amendment No 5 to Article 66 on behalf of my group. This amendment has been tabled by Mr Jozeau-Marigné and Mr Hougardy, but also on behalf of the Liberal and Allies Group. It concerns, first, the same point as Mr Springorum and Sir Derek Walker-Smith have made, that is the need to restore the word 'substantial' to the text.

The argument used by Mr Broeks, that such a description is unclear, is not convincing, for most of the expressions we use in our language are insufficiently precise for legal use and therefore have to be interpreted.

If we were to accept this criterion, Mr President, we might just as well withdraw the whole proposal, for everything in it would need interpreting. To imagine that there were enough precise words in our language which needed no interpreting would be a legalist's illusion, if I might use the phrase.

**Mr Broeks.** — (NL) You don't know your own amendment!

**Mr Bangemann.** — (D) I am speaking about Amendment No 5 concerning the re-introduction of the word 'substantial'. I have not quoted the proposal in detail, but of course I can if necessary and if Mr Broeks has not yet understood the connection.

Then we propose that, instead of the authorization of the Supervisory Board being required, the Board of Management should have to record the acts in a quarterly report.

We think this makes the responsibility of the Board of Management and the Supervisory Board quite clear. The Board of Management does not need to apply for authorization but is alone responsible.

We ask the House to adopt this amendment.

**President.** — I call Mr Broeks.

**Mr Broeks.** — (NL) Mr President, first of all, I wonder how someone can defend an amendment he has not tabled.

Moreover Mr Bangemann opposed the word 'substantial', but this word does not appear in the Dutch text of the amendment by Mr Jozeau-Marigné and Mr Hougardy. He is therefore defending something which has not been proposed.

**President.** — I call the rapporteur.

**Mr Brugger, rapporteur.** — (D) Mr President, we have four amendments on Article 66.

Amendment No 5 tabled by Mr Jozeau-Marigné and Mr Hougardy involves a specific issue. I ask for this proposal to be voted on first. It would mean that the Supervisory Board's consent was no longer required. This would radically alter the proposal of the Commission and the Legal Affairs Committee.

I recommend that this amendment be rejected.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — As we are here dealing with one of the more important articles of the Statute, I think I ought to make the Commission's position clear.

Amendment No 5 to Article 66, submitted by Mr Jozeau-Marigné and Mr Hougardy, would, I must make clear, upset the whole balance of powers and counter-powers which has been built into the European Company Statute, and the Commission could not accept it.

The other amendments submitted are No 35 by the Christian-Democratic Group and Nos 46 and 47 by Sir Derek Walker-Smith. These have some merit, and the Commission would be willing to consider them if that were the desire of Parliament.

**President.** — We shall vote first on Amendment No 5, concerning the first part of paragraph 1, since it departs furthest from the Commission's text.

I put Amendment No 5 to the vote.

Amendment No 5 is not adopted.

I call the rapporteur.

**Mr Brugger, rapporteur.** — (D) Mr President, Mr Springorum's amendment, No 35, overlaps

**Brugger**

with Amendments Nos 47 and 46 tabled by Sir Derek Walker-Smith on behalf of the European Conservatives.

If Amendment No 35 is adopted, both of Sir Derek's amendments will be adopted in essence, too. Therefore, we must vote on Mr Springorum's amendment first.

If should like to add, however, that personally I agree with part II of the amendment, but as spokesman for the Legal Affairs Committee I must abstain on part I, since it alters the committee's text.

**President.** — We shall now vote on the first part of Amendment No 35, that is the part concerning the text of paragraph 1 up to and including item (d) of Article 66.

As the result of the show of hands is not clear, a fresh vote will be taken by sitting and standing.

I put the first part of Amendment No 35 to the vote.

The first part of Amendment No 35 is adopted.

I call Mr Memmel for a procedural motion.

**Mr Memmel.** — (D) Mr President, with voting going on in this way I should like to make two serious observations. There are people sitting in this Chamber who are not Members of this Parliament. They might be counted in on the voting, even if they do not wish to be. As long as voting is proceeding I ask you to prevent all those who are not Members from occupying delegates' seats.

Secondly, I am somewhat perturbed, Mr President, that you do not count the votes yourself. We do not want to suggest you do so; but you do not have any clerks or tellers as they have in every other parliament. You have to rely on the counting of the six officials beside you.

I do not think this is a good arrangement. Really, with a vote of this importance we ought to adopt the roll-call system and call out names.

(Protests)

**President.** — May I remind Mr Memmel that today we are facing the difficult task of concluding this item. Yesterday we did extremely well, and for today too I would ask for your full cooperation and as few procedural motions as possible. The Bureau and its officials have prepared this item with great care so that the voting can proceed in a very orderly manner.

We shall now vote on the second part of Amendment No 35, which adds a new sentence at the end of paragraph 1.

I put the second part of Amendment No 35 to the vote.

The second part of Amendment No 35 is adopted.

There is no need to vote on Amendment No 46, since the contents are the same as those of the second part of Amendment No 35 on which we have just voted.

On Article 71, paragraph 2, I have Amendment No 55 tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and worded as follows:

Article 71(2)

This paragraph to read as follows:

'No such member shall be held liable for any default on the part of the Board of Management if he shows that he did not contribute to such default by any default or culpable negligence on his part'.

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — I need not keep the House more than a moment over this amendment. It is simply a clarifying amendment designed to retain the position in regard to liability of directors but to make the question of the establishing of the burden of proof more precise. It is not a fundamental matter in the sense in which the last amendment that we discussed was, and I hope it can have the approval of the House without delaying our proceedings.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, I could accept this amendment on condition that the second clause of Article 71(2) was retained so that the paragraph read as follows:

'No such member shall be held liable for any default on the part of the Board of Management if he shows that he did not contribute to such default by any default or culpable negligence on his part and if he brought it to the attention of the Supervisory Board without delay after it had come to his knowledge.'

If this last clause is included, I agree to the amendment, otherwise not. As it stands, the amendment could mean that the last condition was omitted and I think it necessary.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I very strongly agree with the rapporteur. This is also the position of the Commission. Without the second sentence, it will not work.

**President.** — Does the rapporteur wish to speak?

**Mr Brugger, rapporteur.** — (D) To make my position absolutely clear: if the amendment as it stands is adopted, replacing paragraph 2, then I am against it unless the second condition is included.

**President.** — I call Sir Derek Walker-Smith.

**Sir Derek Walker-Smith.** — I hope you will give me the opportunity to say that for my part and that of my group, we are entirely willing to add the words suggested by the rapporteur and by Commissioner Gundelach.

I should be grateful, therefore, if you would put to the vote the amendment not in the form in which it appears on the agenda as tabled but in the form as orally amended now.

**President.** — If the Assembly agrees I shall put the amendment as orally amended to the vote.

The following words are, therefore, added:

'...and if he brought the relevant acts or omissions to the attention of the Supervisory Board, in writing and without delay, after the same had come to his knowledge.'

Amendment No 55 so amended is adopted.

On Article 71, paragraph 3, I have amendment No 56 tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and worded as follows:

Article 71(3)

Add the words:

'but the General Meeting may by a specific resolution to that effect validly authorize or ratify any act or omission on the part of the Board of Management other than an act or omission involving fraud or dishonesty or culpable negligence and provided that full disclosure has been made to the shareholders in the notice convening the meeting of the nature of the act or omission and its effects or anticipated effects on the company and on the personal or family interests of any member of the Board of Management.'

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — Article 71(3) as drafted excludes our exoneration of the Board of Management arising from the authorization granted by the Supervisory Board. This is of course right but it is also right that there should be some qualified power in the general meeting retrospectively to ratify or validate such acts. This amendment is designed to implement that principle.

I wish however to mention two matters here. The power of ratification or validation will not

extend to any act involving fraud, dishonesty or culpable negligence. Secondly—and I think this is relevant to the point made by the rapporteur on the last amendment—full disclosure has to be made to shareholders in the notice convening the meeting, that is, full disclosure of the act or omission for which validation is sought and its likely effect.

This is, I think, a useful amendment with those safeguards. As such I commend it to the House.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, I have serious objections to amendment No 56, for it means that the General Meeting can decide by majority vote on matters on which a minority of the shareholders can bring an action.

Let me refer Members to Article 72(2)

'An action may also be brought, on behalf and for account of the company, by one or more shareholders holding 5% of the capital or shares, etc. etc.'

If we give the General Meeting the right to exonerate the Board of Management in these cases when action could be brought, then we are curtailing the rights of the minority.

For this reason, I cannot accept the amendment.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — The proposal will be inconsistent with Article 72(2) of the Commission's proposal giving to minority shareholders the right to bring an action against the members of the Management Board on behalf of the company.

Consequently, I agree with the decision taken by the rapporteur.

**President.** — I put Amendment N° 56 to the Vote.

Amendment No 56 is not adopted.

On Article 72(2) I have Amendment No 57, tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and worded as follows:

Article 72(2)

Add the words:

'provided that no action shall be brought pursuant to this paragraph without leave of the court having jurisdiction in the matter.'

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — Amendment 57 relates to Article 72(2) which gives to minority shareholders a right of action in certain circumstances against the company. That right of action is, of course, perfectly appropriate and the amendment does nothing to interfere with the implementation of that principle.

The amendment requires a condition precedent to the initiation of such an action at the leave of the court. This means that the right of minority shareholders to bring an action is left intact, but the company is saved from a possible harassment by minority shareholders bringing actions without any reasonable *prima facie* cause in that the leave of the court would be required. It is a modest but I think a useful amendment.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, the author of this amendment showed it to me for my approval before tabling it. I must confess that I may have given the impression that I approved it. Since then, I have studied it more closely. It relates to a procedure only possible in the United Kingdom. It is not possible in the other States for a court to authorize an action before it is brought before it. This procedure only exists in the United Kingdom. The amendment relates exclusively to the British legal system. Because of the general nature of the Statute, I cannot accept it.

**President.** — I call Sir Derek Walker-Smith.

**Sir Derek Walker-Smith.** — In view of the explanation, I will not take up the time of the House by pressing the amendment if it could only have such partial application. It is more appropriate that I thank the rapporteur for his explanation and withdraw the amendment.

**President.** — Amendment No 57 is withdrawn.

On Article 74, paragraph 1, I have Amendment No 38, tabled by Mr Springorum on behalf of the Christian-Democratic Group and worded as follows:

Article 74

Paragraph 1 of this article to read as follows:

'1. The number of members of the Supervisory Board shall be uneven and divisible by three. Where an S.E. has establishments in several Member States, the Supervisory Board shall comprise not less than nine members.'

I call Mr Springorum to move this amendment.

**Mr Springorum.** — (D) Mr President, if the ideal of co-decision is to work, then it must be practicable. This will not be so unless, in the case of even numbers, provision is made for a casting vote to avoid stalemate situations. A company cannot wait for endless revoting until a majority is obtained. We wish to amend this article so that the Supervisory Board would consist of an uneven number of members, so that a decision would be reached every time: otherwise, co-decision will not work.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I can accept this amendment because it deals with alterations to the text of Article 74 which the Legal Affairs Committee has already approved.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I can see some merit in what has been stated by the mover of the amendment, but the matter is closely related to other very serious matters we shall come to later, so I will reserve the position of the Commission.

**President.** — Does anyone else wish to speak?

I put Amendment No 38 to the vote.

Amendment No 38 is adopted.

On Article 74, paragraph 2, I have Amendment No 12 tabled by Mr Cousté on behalf of the Group of European Progressive Democrats and worded as follows:

Article 74

In line 1 of Article 74(2), after the word:

'natural'

add the words:

'and legal'.

I call Mr Cousté to move this amendment.

**Mr Cousté.** — (F) Mr President, obviously natural persons have to be members of the Supervisory Board, but they may represent either themselves alone or companies, since, as we know, it is companies that merge and constitute the European company. It is therefore good that natural persons can represent legal persons.

It is a practical problem. To my mind, there is no question of a legal person, a company which is a European company, being able to change at any given time the natural persons representing it. Rather, such natural persons should

**Cousté**

have the same terms of office as the other members of the Supervisory Board. That is why I am submitting the amendment. I think it is wise that natural and legal persons may be members of the Supervisory Board.

I hope that Parliament will approve my proposal.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, I am against this amendment, because the same amendment was put to the Legal Affairs Committee and we discussed it for a long time but it was rejected by a very large majority. I must abide by the decision of the Legal Affairs Committee.

**President.** — I put Amendment No 12 to the vote.

Amendment No 12 is not adopted.

On Article 78, I have Amendment No 58, tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and worded as follows:

Article 78

Replace the word: 'unlimited'  
by the words:

'within the sphere of the functions assigned to it by this Statute,'.

Replace the word 'control' by the word 'supervision'.

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — Amendment No 58 is a short amendment connected with Article 78. It is simply a clarifying amendment designed to make the text clearer. The words, at any rate in the English translation, say that the Supervisory Board shall have unlimited rights of inspection and control over a company's activities. If that is taken literally, it would mean that its powers of inspection would extend beyond the powers given to it for the intended inspection. That is a legal and drafting absurdity that I cannot believe to have been intended by the Commission. This modest amendment is intended to help by setting that right and as such I commend it to the House.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I have made various enquiries regarding this proposal which I assume is designed to improve administration.

As far as I have been to discover, what Sir Derek objects to in Article 78 is due to a mistranslation from the German into English. For it seems that the word 'control' is used in the English text, whereas 'supervision' would be better; these rights of inspection and supervision would, then, be much more limited than a right of control, as suggested in the English version.

I must say something else. I would ask Sir Derek to withdraw his amendment; for if, in the case of the Kölner Bank, which has just gone bankrupt, the Board had had unlimited rights of inspection and supervision, then bankruptcy would have been avoided. This incident convinces me that we should leave the text as it is for we can see what happens when the right of supervision is relaxed. For this reason, I ask Sir Derek to withdraw the amendment. I should be sorry to be forced to vote against it, but I shall have to if it is retained.

**President.** — I call Sir Derek Walker-Smith.

**Sir Derek Walker-Smith.** — I should like to thank Mr Brugger for his explanation. I think that part of the difficulty arises from the semantics of translation, perhaps inevitable to some extent when one is dealing with multilingual statutes about complex matters. I do not think that one can hope to draft the niceties of a statute in a plenary assembly such as this. I have drawn attention to the point. There are certain difficulties. I am happy to leave it at that. If at any time I can be of any assistance to the Commission when it reconsiders the matter, I shall of course be only too delighted.

I withdraw the amendment.

**President.** — Amendment No 58 is withdrawn.

On Article 83, paragraph 1, I have Amendment No 59, tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and worded as follows:

Article 83(1)

In sub-paragraph (c), after the words 'Article 137', add the following: 'in respect of whom the General Meeting may make an advisory resolution requesting the replacement of the representatives by the employees' bodies'.

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — This amendment, No 59, concerns a point of some substance. Article 83(1)(c) was amended in committee. Article 83 deals with the power of the General Meeting to pass resolutions. As originally

**Walker-Smith**

drafted by the Commission, paragraph 1(c) gave a power to pass resolutions concerning the appointment or removal of members of the Supervisory Board. In committee the proviso was added 'provided they are not appointed by the employees in pursuance of Article 137'. It is, of course, right that the General Meeting, which is a meeting of shareholders, should not have an executive power in respect of the appointees of the employees, which is a special procedure. But that is no reason why it should not be entitled to pass an advisory resolution—not an executive resolution but an advisory one—which, of course, has no executive power but draws attention to the legitimate views of the shareholders.

For those reasons I commend the amendment to the House.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Sir Derek is not going to be pleased with me for I must once again raise an objection to this amendment and ask him to withdraw it. My objection is this: What this amendment, by adding these words, allows the General Meeting to do is possible without making specific provision therefore. The General Meeting cannot prohibit anyone from making any such advisory resolution, even if it is not laid down in the agenda or in the Statute. But if we introduce this for the General Meeting, then it is likely that pressure would be exerted very soon to allow the European Works Council the same right.

I should not like such a thing to happen, but it might—on the strength of an amendment such as this which is, in itself, superfluous. I therefore ask Sir Derek to withdraw it.

**President.** — I call Sir Derek Walker-Smith.

**Sir Derek Walker-Smith.** — Mr Brugger extends these invitations with such charm and persuasiveness that it is difficult to resist, but on this occasion I think my legal conscience must dictate that I do. I am afraid that Mr Brugger is forgetting his law. He is forgetting the old maxim *generalalia specialibus non derogant*. It is no good using general words to contradict the expressed words of a statute, still less is it any use trying to suggest that implied generalities will contradict the expressed words.

If what I wish to put into the Statute is correct in principle, as I believe it to be, it is right to do it in that way, and I hope that the House will see it in that way. I commend the amendment. I am afraid that I must on this occasion

resist Mr Brugger's kind invitation to withdraw it.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I see in this amendment the introduction of a certain amount of disequilibrium and asymmetry into our whole system, and for that reason I do not think that the Commission would be able to accept it.

**President.** — I put Amendment No 59 to the vote.

Amendment No 59 is not adopted.

On Article 83, paragraph 4, I have Amendment No 41, tabled by Mr Springorum on behalf of the Christian-Democratic Group and worded as follows:

Article 83

Delete paragraph 4 of this article.

I call Mr Springorum to move this amendment.

**Mr Springorum.** — (D) Mr President, my Group considers that paragraph 4, stating that the absence of approval by the General Meeting may not be relied upon to defeat claims by third parties, is not appropriate. Perhaps it could have come somewhere else. It cannot apply to paragraph 2. That would be quite impossible.

Perhaps the Legal Affairs Committee could agree to this paragraph being amended to read 'in the case of paragraph 3' only. My group could, no doubt, agree to this.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, we are talking here of amending or deleting a point which has been inserted by the Legal Affairs Committee.

I agree up to a point with Mr Springorum's remarks. However, I cannot agree that this paragraph should be deleted. I therefore could not vote for Mr Springorum's amendment unless a chairman or vice-chairman of the Legal Affairs Committee is prepared to state that his committee does not insist on this paragraph being added after all.

**President.** — I put Amendment No 41 to the vote.

Amendment No 41 is not adopted.

On Article 96, I have Amendment No 60, tabled by Sir Derek Walker-Smith on behalf of the

**President**

European Conservative Group and worded as follows:

Article 96

Delete this article.

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — This is not a matter of very great moment. I find Article 96 as drafted very odd indeed. It is very odd to read a provision like that into a company statute. Of course, any action of a company which is contrary to public policy in any specific state would be void under the municipal law of that state.

We then have a reference to morality, which, coming *simpliciter* in a Statute like this, is very confusing. It may be again because morality extends to all sorts of things which have nothing to do with companies that some difficulty has arisen from translation which can be explained. I hope that Mr Gundelach will be able to say what is meant and whether the drafting could be improved.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I am not going to defend the article. I agree with Sir Derek Walker-Smith that it could be dropped.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, the committee discussed Article 96 at length. We tried to improve it somewhat and some of the difficulties were clarified. After this long discussion, it was decided to leave it as it stands.

I do not wish to take sides on this. I only wanted to explain this and leave it to the House to decide how to vote.

**President.** — I put Amendment No 60 to the vote.

Amendment No 60 is adopted.

I call Mr Radoux for a procedural motion.

**Mr Radoux.** — (NL) Mr President, I would urge that Member take their seats during voting, since otherwise it becomes impossible for the officials who have to count the votes to carry out their tasks adequately.

**President.** — I agree, Mr Radoux.

On Article 99, paragraph 3, I have Amendment No 61, tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and worded as follows:

Article 99(3)

Add:

'(vi) dismiss the application with an order for payment of costs against the applicants or any of them.'

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — Article 99 is part of the fasciculus of articles dealing with the procedure whereby action can be brought against the Board of Management, the Supervisory Board or members of them for a variety of reasons.

The procedure is set out in the articles and is in my respectful view quite an appropriate one, but for the sake of completeness it ought, of course, clearly to incorporate within the possible actions of the court their right to dismiss the application in those cases where there are found to be no legitimate grounds for complaint against the board after the court's investigation. They shall also have the power to order a payment of costs in a proper case, which no doubt would be exercised only if they felt that the action had been brought on insufficient grounds. For those reasons, the Statute would be improved in my view by the incorporation of these words. They do not raise any great point of principle, but I think this would improve the Statute.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, Articles 97, 98 and 99 were discussed at length in the Legal Affairs Committee. This amendment, together with many others, was put forward in the Legal Affairs Committee. We tried there to comply with Sir Derek's expert views. We thought we had done so and also agreed with the proposal in this amendment by following his advice and inserting in Article 98 the phrase '*prima facie*'. It appears that this is normal usage in English law, although less so in that of other Member States.

If, and here I am dealing with Amendment No 99, a court dismisses a complaint without proceeding further, it goes without saying that the party which submitted the application has to bear the costs. This is true everywhere. Therefore I do not think this addition is necessary.

**President.** — I put Amendment No 61 to the vote.

Amendment No 61 is not adopted.

On Article 101 I have amendment No 16, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 101

Delete the following words:

'unless otherwise expressly provided for in this Statute'.

I call Mr D'Angelosante to move this amendment.

**Mr D'Angelosante.** — (I) Mr President, with this amendment, we are proposing that the first part of Article 101, which permits this Statute to make other provisions on the existence and the powers of national employees' representative bodies be omitted.

I believe, as a matter of principle, that this ruling (i.e. that the Statute setting up a European Company can affect the existence of national employees' representative bodies and the exercise by those bodies of the powers conferred on them by national law) is completely unlawful.

Secondly, I would like to remind the Assembly that this statement is quite empty of meaning and bears no relation to reality, since no article in this Statute attempts to preclude the existence of national representative bodies or deny their powers.

For this reason, as well as for the reasons of principle which we have mentioned several times in connection with the complete liberty which should be preserved trade unions and national employees' representatives, we recommend that the Assembly amend Article 101 as we have proposed.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I recommend that this amendment be rejected because it conflicts with Article 123, paragraph 4, on which no amendment has been tabled. Doubtless, Mr D'Angelosante has not noticed that. Article 123, paragraph 4, reads as follows:

'In respect of the decisions referred to in paragraph 1 above, employees' representative bodies set up in the various establishments shall exercise the right to participate, accorded by national law, only when the European Works Council is not competent to do so under Article 119, paragraph 2, first sentence.'

Everyone can read Article 119 for himself.

I think we would be introducing a contradiction into the Statute if we adopted this amendment and left Article 123, paragraph 4, as it is. Therefore, I am against the amendment.

**President.** — I call Mr Gundelach, member of the Commission of the European Communities.

**Mr Gundelach.** — I agree with the explanations and the position of the rapporteur.

**President.** — I put Amendment No 16 to the vote.

Amendment No 16 is not adopted.

On Article 102a I have Amendment No 18, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 102a

Add the following new paragraph:

'Trade union rights and freedom of association shall be guaranteed in all the establishments of the S.E.'

I call Mr D'Angelosante to move this amendment.

**Mr D'Angelosante.** — (I) The text of the amendment is quite clear. It is designed to add to Article 102a—which already refers to the presence of trade unions in an establishment according to the laws of the State in which it is situated—a statement which, besides being a question of principle, specifies and clarifies Article 102a as at present drafted. We are proposing to add a paragraph stating that trade union rights shall be guaranteed in all establishments of the European company.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I do not understand the connection between this amendment and the text of Article 102a. The amendment states a general principle which is part, not of a Statute for European companies, but of a European statute on workers' rights. This sort of solemn declaration might fit in there. By all means let us include such a declaration in the European statute on workers' rights when it comes! There I would be in favour of it, but here I am not. Therefore, I ask that this amendment be rejected.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I sympathize with the motives behind the proposal and I think there is a point

**Gundelach**

here. But I agree with the rapporteur that the place and the text do not match. I accept the amendment but I make it clear that I think a point has been made which must be dealt with elsewhere.

**President.** — I put Amendment No 18 to the vote.

Amendment No 18 is not adopted.

On Article 103, paragraphs 2 and 3, I have Amendment No 19, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 103

Restore the Commission's text for paragraphs 2 and 3.

I call Mr D'Angelosante to move this amendment.

**Mr D'Angelosante.** — (I) Mr President, Mr Brugger, who is behaving like a *doctor subtilis*, disputing the suitability of our amendment with arguments on which I do not want to waste any time but which are not worth much, should, at this point, explain to the Assembly the amendment which he had approved in committee and which has nothing to do with this text but simply serves to permit the European company, in certain conditions, to postpone the elections to the European Works Council, or to part of it, for fifteen months.

To achieve this, Mr Brugger and his friends presented in committee a convoluted text with no legal meaning. We much prefer the clarity and ease of interpretation of the Commission's text something which is lacking in the ruling proposed by Mr Brugger, which is aimed at removing the workers' right to be represented for fifteen months.

What I have said is in support of both Amendment No 19 and No 20. In Amendment 19, we propose a return to the Commission's text. Article 103(2) and (3), while in Amendment No 20, we propose deleting Article 103a.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I am very sorry to cause my colleague, Mr D'Angelosante, so much annoyance, but I have to state that I am against both these amendments. I will tell him why: if we restore the Commission's text, as he proposes in his amendment, then all our provisions regarding elections of representatives will go by the board, for the original text relates to the original arrangements for the election. If we

now accept the new election procedure on the basis of Annex II and Annex III, it does make things more complicated, but that is not our fault. We have to use the tricky solution contained in Article 103a. We cannot set the complicated election machinery in motion every year, as perhaps Mr D'Angelosante would wish; for then no more work would get done in the establishments, only voting! Therefore, we decided that, if there are only fifteen months to go before the next European Works Council elections, then obviously membership should not be enlarged before then. This is all bound up with the difference between the first election arrangements provided in the original text and the second set of arrangements in our Article 103a. If we were now to restore the text of paragraphs 2 and 3 of Article 103 and delete Article 103a, our arrangements for the elections would be affected. I do not wish that to happen, for it took us a long time to sort out the question of elections in view of the changes resulting from the addition to the Community of three new Member States.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — The rapporteur is right in saying that something has to be done in view of the change of election system. I take that point. On the other hand, I am not happy about the new text. I should have preferred one which was closer to the original text of the Commission. I therefore reserve the position of the Commission on this point. This has to be changed anyway.

**President.** — I put Amendment No 19 to the vote.

Amendment No 19 is not adopted.

On Article 103a have Amendment No 20, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 103a.

Delete this article.

This amendment is simply the logical consequence of Amendment No 19, which we have just considered, and is therefore not adopted.

On Article 108, I had Amendment No 21, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 108

After the first paragraph, add the following new paragraph:

'The members of the European Works Council may at any time be dismissed by the employees

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who elected them on request of a trade union or 25% of the electors. If the request for dismissal refers to the representative representatives of only one establishment, those making the request shall convene the employees of the establishment to decide on the request by secret ballot. In other cases, the election rules laid down in Annex II to this Statute shall apply by analogy.'

This amendment has meanwhile been withdrawn.

On Article 108, I have the following three amendments:

- Amendment No 43 by Mr Springorum on behalf of the Christian-Democratic Group;
- Amendment No 48 by Sir Derek Walker-Smith on behalf of the European Conservative Group;
- Amendment No 66 by Mr D'Angelosante on behalf of the Communist and Allies Group.

These amendments can be discussed together.

Amendment No 43 by Mr Springorum is worded as follows:

Article 108

In the fourth paragraph of this article, delete the words:

'or a trade union represented in the company'.

I call Mr Springorum to move this amendment.

**Mr Springorum.** — (D) Mr President, our Group proposes that the words 'or a trade union represented in the company' should be deleted.

We feel that the trade union is an organization whose purpose is to help the employees but that it should not act on its own initiative in this matter, possibly over the heads of employees. We feel, therefore, that these proceedings should be brought by the European Works Council only, though it may naturally look to the trade union for advice and help, and that the trade union itself should not become directly involved.

We would request, therefore, that this deletion be approved.

**President.** — Amendment No 48 by Sir Derek Walker-Smith is worded as follows:

Article 108

In the last paragraph delete the words 'or a trade union represented in the company.'

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — Amendment No 48 is identical with Amendment 43 just moved by

Mr Springorum. I do not want to repeat what he said.

I said in the general debate yesterday and again in the general debate on the amendments last night that we must certainly allow a very full place for trade union action in these matters. But in this particular case as Mr Springorum has said, the initiative should come locally from the establishment concerned and the workers thereat, if necessary, of course, after appropriate consultation with any trade unions that may be involved.

**President.** — Amendment No 66 by Mr D'Angelosante is worded as follows:

Article 108

Delete the last paragraph.

I call Mr D'Angelosante to move this amendment.

**Mr D'Angelosante.** — (I) Mr President, our amendment, on the other hand, concerns the last part of Article 108, in which, if Mr Brugger is consistent in his reasons for inviting Sir Derek Walker-Smith three times to withdraw his amendment (that is to say, if he maintains steadfastly the principle that any rule contained in this Statute which has no legal content under the regulations of Member States should be removed), then he should agree with me in holding that the first sentence, the first period of the last part of Article 108 is completely and universally without meaning insofar as it is in no way possible to bring proceedings before the court to terminate a breach. In this context, the position is even more serious since the French text says something completely different. It appears that the German text—which I am not yet able to read, but which has been authoritatively interpreted for me by the rapporteur himself—has the same literal meaning as the Italian text. Therefore, we find a legislative text with no legal significance containing simply a pointless limitation of the powers and rights of the parties, which does nothing else than overburden the Commission's text as do most of these amendments.

The second sentence of the last part of Article 108 is even more serious. Mr President, because it admits the possibility of the Board of Management disregarding a legal decision which has acquired binding force. At this point, we are going back to feudal law if we admit the possibility that any subject, including the high and mighty Board of Management, is able to disregard a legal decision. Therefore, I would like, as Mr Brugger has previously done with other colleagues, to humbly ask him to withdraw the

**D'Angelosante**

first part of his amendment which he presented in committee, and accept our amendment.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I am very sorry; if the Legal Affairs Committee agreed, I could possibly see my way to meeting Mr D'Angelosante's wishes...

**Mr D'Angelosante.** — (I) Did you have the Legal Affairs Committee's agreement on the Springorum amendments?

**Mr Brugger, rapporteur.** — (D) ...in fact, I abstained also on these amendments. I was not able to withdraw anything. But I was about to point out, Mr D'Angelosante, that there may possibly be nothing more here than an error in translation. After all the German text seems to me to be perfectly clear. In the event of breaches of their obligations committed by the Board of Management proceedings are brought before the court, and the court brings in its findings against the Board of Management and directs that these breaches shall be terminated. This decision is handed down in the form of a judicial sentence. I think that is perfectly clear from the German text.

As far as the other matter is concerned, namely, that in spite of a binding judicial decision offences continue to be committed in defiance of this decision, all I can say is that this happens very frequently in our bad old world. I have often heard before of cases where thieves had to be sentenced many times. The only thing that can be done when further offences are committed in defiance of a judicial decision, is to impose a penalty of corresponding severity.

I feel myself that the Legal Affairs Committee acted very wisely in drawing up this text. For this reason I cannot meet the wishes of Mr D'Angelosante and accept his proposed amendment in the sense in which he has interpreted it. If the Legal Affairs Committee were to decide upon it by a suitable majority, I could do so. As things stand, however, I must abide by the text drawn up by the Legal Affairs Committee, with which I am in agreement, especially with regard to those matters on which I have spoken.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — The most important of the three amendments to the paragraph are the ones proposed by Mr Springorum and Sir Derek Walker-Smith—Nos 43 and 48. In my view, they are politically unwise and I cannot accept them.

Those are really the two important ones in the batch in front of us.

In regard to the amendment by Mr D'Angelosante, I sympathize with him. I do not think that the latter sentence in paragraph 4 really has its place in this European Company Statute, and if it were the wish of the House I should be quite willing on behalf of the Commission to undertake to look into this again.

**President.** — We shall vote first on Amendment No 66, which departs furthest from the text of the Committee.

I put Amendment No 66 to the vote.

Amendment No 66 is not adopted.

I put Amendment No 43 to the vote.

Amendment No 43 is adopted.

There is no need to vote on Amendment No 48, since the wording is identical with that of Amendment No 43.

On Article 116, I have two amendments:

— Amendment No 6 by Mr Jozeau-Marigné and Mr Hougardy;

— Amendment No 22 by Mr D'Angelosante on behalf of the Communist and Allies Group.

These amendments can be discussed together.

Amendment No 6 by Mr Jozeau-Marigné and Mr Hougardy is worded as follows:

Article 116

Delete this article.

I call Mr Bangemann to move this amendment.

**Mr Bangemann.** — (D) Mr President, this amendment, like the amendments by Mr Springorum and Sir Derek Walker-Smith which have just been accepted, springs from the fundamental conviction that there must be a distinction between the Works Council on the one hand and the trade unions on the other. To my way of thinking and in the opinion of my group, anyone who does not draw these distinctions is doing the trade unions no service. The fact of the matter is that there are different interests to be defended. The Works Council is centred on the undertaking. It represents interests which are concentrated in the staff and workers of an undertaking. These interests can, and inevitably will, conflict with the wider interests which the trade union has to represent and which go above and beyond the interests of the undertaking.

We feel therefore that a clear distinction between the different spheres of interest should

**Bangemann**

be retained, and that this will also allow for better control over the representation of these interests. We ask therefore that Article 116 be deleted.

**President.** — Amendment No 22 by Mr D'Angelosante is worded as follows:

Article 116

Delete the words:

'The European Works Council may decide, by a majority vote, that'

I call Mr D'Angelosante to move this amendment.

**Mr D'Angelosante.** — (I) Mr President, in our view, the distinction of interests does not arise. It is clear that the trade union and the European Works Council are two separate things. However, it cannot be denied that a very close link exists between the two, so much so that this regulation considers the trade unions to be among those who can propose candidates for the European Works Council.

For these reasons, the representation of a trade union as a body from which, to a certain extent, the European Works Council derives, representation of the trade union as such and with its own authority—a representation, moreover, which already exists within firms and which should be maintained and protected—a representation, I repeat, with a consultative vote at meetings of the European Works Council should not be subject to special limitations and decisions, be they minority or majority decisions.

Mr President, when a trade union which is represented in an establishment of a European Company believes it necessary to participate in the meetings of the European Works Council, to defend—obviously—the interests of the sector it represents, it certainly has the approval of the members of the Council who have been elected for that establishment, or to represent those particular interests in the company. But the part of Article 116, which we are asking should be dropped, requires the approval of the majority of the Works Council as a whole, that is to say of members elected in other countries, proposed by other trade unions, in other circumstances, and so on.

It seems to me to be an excessive limitation, and I think it reflects the spirit of distrust of the trade unions, of workers' representatives, which should not be present in this regulation, all the more so in that the trade union is not going to take part in the meeting to impose its own views: it goes to make proposals, to give advice,

that it to say, it goes to fulfil a purely consultative function. If the European Works Council has differing views from the trade unions, it can still act in the way it thinks, and follow its own path.

For these reasons, Mr President, we ask that our amendment No 22 be approved.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) We have two amendments being proposed here. Mr Bangemann's amendment aims at deleting Article 116 in its entirety, while Mr D'Angelosante's amendment wants to see the words 'The European Works Council may decide, by a majority vote, that...' deleted. I am opposed to the deletion of the article and consequently to the approval of Amendment No 6. I am also opposed to the approval of Mr D'Angelosante's Amendment No 22 and would like to see the Legal Affairs Committee's document upheld as it stands, since it is in itself a compromise in relation to the Commission document.

In the matter of the participation of a trade union delegate in Works Council meetings, the Commission document laid down that this must be requested by at least one sixth of the members of the Council. This was intended as a brake or a safety-catch. Now this one sixth requirement has gone. I feel, however, that it is only right, as well as being a good compromise solution, that trade union delegates may be admitted by a majority vote of the European Works Council without any stipulation as to the number of people who must request the vote. It should be possible for any member to make the request. I am really convinced that Article 116, as adopted by the Legal Affairs Committee, is an apt compromise and that both proposed amendments should be rejected.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — Both amendments are unacceptable to the Commission but for opposite reasons.

**President.** — We shall vote first on Amendment No 6, which departs further from the Committee's text.

I put Amendment No 6 to the vote.

Amendment No 6 is not adopted.

I put Amendment No 22 to the vote.

Amendment No 22 is not adopted.

**President**

On Article 119, I have Amendment No 23, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 119

Restore the Commission's text for paragraph 2.

I call Mr D'Angelosante to move this amendment.

**Mr D'Angelosante.** — (I) Mr President, with amendment No 23, we are asking that the text of Article 119(2) proposed by the Commission be restored because the changes made by the Legal Affairs Committee to the Commission's text are in no way an improvement and introduce two ideas with which we are completely unable to agree.

First of all, a kind of criterion is set up by which there are certain subjects which the national works councils may not settle, but must be settled by the European Works Council. We believe, on the other hand, that these two bodies can co-exist without being mutually exclusive.

But what we believe is even more serious and constitutes an unacceptable principle is the feature of negotiations on collective agreements. With regard to the negotiations, we have said several times, in the course of this discussion, that only the trade unions have the right to negotiate, or, in the framework of national trade union activity, the national works councils. Therefore, we absolutely reject the view that negotiating powers can be conferred on the European Works Council.

But the most serious thing, something we must reject completely, since it represents an attempt to coerce and defeat by subterfuge the foremost members of the work force of the European Company, is the fact that an attempt is made to treat as a collective agreement an agreement which the European Company lays down for the whole range of its establishment, that is to say for the whole territory of the Community. We believe that a collective agreement is made only in a given establishment or a given branch of the company. We believe that a collective agreement cannot be made at a European level. An agreement at European level would have a greater territorial application than a national contract and could not be considered as a collective agreement, which is always in addition to, and subordinate to, a national agreement. For these reasons, we insist that the Commission text be reinstated.

**President.** — As time is pressing may I urge speakers to be as brief as possible. I must insist on that.

What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, all I have to say on this proposed amendment is that this text was discussed at length in the Legal Affairs Committee and in the Committee on Social Affairs and Employment. We cannot accept Mr D'Angelosante's amendment.

**President.** — I put Amendment No 23 to the vote.

Amendment No 23 is not adopted.

May I remind you that we discussed all the amendments yesterday. May I therefore repeat the need for brevity. I hope the rapporteur will confine himself as far as possible to indicating whether he does or does not agree with an amendment.

On Article 120, paragraph 2, I have Amendment No 62, tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and worded as follows:

Article 120(2)

Restore the Commission's text.

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — The original text of the Commission set out, I think with sufficient clarity, in Article 120 the matters that should be the subject of information given by the board of management. The well-intentioned effort of the Legal Affairs Committee to spell it out in greater detail is likely to lead to more doubt than advantage, having regard to the general nature of the words in the last paragraph. For those reasons, I suggest that it would be better to revert to the text of the Commission.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I do not intend to give any opinion on this point, Mr President. It is for Parliament to decide.

**President.** — I put Amendment No 62 to the vote.

Amendment No 62 is not adopted.

On Article 122 I have Amendment No 63, tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and worded as follows:

Article 122

Add a new paragraph 3:

'The request referred to in paragraph 1 and the invitation referred to in paragraph 2 of this

**President**

article shall be accompanied by a statement in writing specifying the information required and the reasons for requiring it'.

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — The purpose of this amendment is very practical. It is right that this information should be available in the way suggested for the European Works Council, but it is necessary to ensure that the Board of Management is not unduly distracted from what after all is its primary function of conducting the business of the company successfully in the interests and for the benefit of all. Therefore, we suggest this very reasonable stipulation that there should be a specific request for identified information and the reasons given therefore. I hope that this moderate, modest and reasonable amendment will commend itself to the House.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I am opposed to it, Mr President.

**President.** — I put Amendment No 63 to the vote.

Amendment No 63 is not adopted.

On Article 123, I have three amendments which can be considered together: Amendment No 9 by Mr Jozeau-Marigné and Mr Hougardy on behalf of the Liberal and Allies Group; Amendment No 36 by Mr Springorum on behalf of the Christian-Democratic Group; Amendment No 49 by Sir Derek Walker-Smith on behalf of the European Conservative Group.

The first is Amendment No 9 tabled by Mr Jozeau-Marigné and Mr Hougardy and worded as follows:

Article 123

Paragraphs 1 and 2 of this article to read as follows:

1. Decisions concerning the following matters may be made by the Board of Management only with the agreement of the European Works Council:

- (a) rules relating to recruitment, promotion and dismissal of employees;
- (b) implementation of vocational training;
- (c) fixing of terms of remuneration and introduction of new methods of computing remuneration;
- (d) measures relating to safety, health and hygiene;
- (e) introduction and management of social facilities;

(f) the establishment of basic criteria for the daily time of commencement and termination of work;

(g) the establishment of basic criteria for preparing holiday schedules;

(i) the establishment of a social plan in the event of closure following liquidation or for other reasons, or transfer of the undertaking or of parts thereof.

Decisions concerning the following matters may be made by the Board only after obtaining the opinion of the European Works Council:

(h) permanent closure, or closure for an indefinite period of time, of the undertaking or of parts thereof.

2. Any decision taken by the Board of Management in respect of the matters specified in paragraph 1 (a) (b) (c) (d) (e) (f) (g) (i) without the agreement of the European Works Council shall be void.'

I call Mr Bangemann to move this amendment.

**Mr Bangemann.** — (D) Mr President, the proposed amendment really concerns sub-paragraph (h). It covers the same ground therefore as the two other proposed amendments. Sub-paragraph (h), which deals with closure, should be taken from amongst the items on which agreement of the Works Council is called for and made an item, which there is no obligation other than to hear the opinion of the Works Council. We consider this an improvement, especially in view of the new composition of the Supervisory Board, as it means that due account will be taken of the interests of both parties and a fair balance will be struck between them.

**President.** — I now have Amendment No 36 to Article 123, paragraph 1 (h), tabled by Mr Springorum on behalf of the Christian-Democratic Group and worded as follows:

Article 123(1)

Delete (h).

I call Mr Springorum to move this amendment.

**Mr Springorum.** — (D) I do not need to repeat what Mr Bangemann has just said. The Christian-Democratic Group takes the same view.

**President.** — Finally, on Article 123 I have Amendment No 49 by Sir Derek Walker-Smith, on behalf of the European Conservative Group and worded as follows:

Article 123(1)

Delete (h).

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — Our amendment is identical with that of Mr Springorum. For the same reasons, we commend it to the House.

**President.** — What is the rapporteur's position?

**Mr Brugger.** — (D) I shall abstain from the voting on the amendments proposed by Sir Derek Walker-Smith and Mr Springorum as well as Mr Jozeau-Marigné to the text of the Legal Affairs Committee's document.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I wish only to recall very briefly what I stated on behalf of the Commission yesterday, namely, that we cannot accept that the question of closure is included in matters to be agreed by the Works Council.

We quite understand all the arguments and motives put forward for the protection of the workers in such a situation, but we feel that these matters have to be dealt with by the social plan, which is the business of the Works Council.

**President.** — We shall vote first on Amendment No 36, which is identical with Amendment No 49 and departs further from the Committee's text than Amendment No 9.

I put Amendment No 36 to the vote.

Amendment No 36 is not adopted.

There is no need to vote on Amendment No 49.

I put Amendment No 9 to the vote.

As the result of the show of hands is not clear, a fresh vote will be taken by sitting and standing.

Amendment No 9 is adopted.

I call Mr Broeks for a procedural motion.

**Mr Broeks.** — (NL) Mr President, I should like to point out that now that Amendment No 9 has been adopted and Amendment No 36 from Mr Springorum has not, Articles 123 and 125 have the same effect, that is, Article 123 says what the intention of the provisions of Article 125 is. This question will therefore have to be dealt with in due course.

**President.** — What is the rapporteur's position?

**Mr Brugger.** — (D) I can put the matter very briefly. As far as I can see, the amendment proposed by Mr Jozeau-Marigné has substantially

the same content as the amendment proposed by Mr Springorum, except that the latter would include sub-paragraph (h) in Article 125. This would give us a more orderly text. If we were to leave the sub-paragraph in Article 123, we would have said the same thing twice over.

**President.** — On Article 125 I have three amendments which can be considered together: Amendment No 65 by Mr Adams and Mr Broeks on behalf of the Socialist Group; Amendment No 37 by Mr Springorum on behalf of the Christian-Democratic Group; Amendment No 50 by Sir Derek Walker-Smith on behalf of the European Conservative Group. Mr Adams and Mr Broeks have tabled an amendment on behalf of the Socialist Group which is worded as follows:

Article 125

The beginning of this article to read as follows:

'1. The Board of Management shall also consult the European Works Council before making any decision relating to:

- (a) the winding up, the closure for a definite period, the transfer of the undertaking or of parts thereof, or a merger with other undertakings.'

I call Mr Broeks to move this amendment.

**Mr Broeks.** — (NL) Mr President, this concerns a number of cases on which the European Works Council must be consulted.

It became clear that the European Works Council had no opportunity to speak on windings up or mergers. We think that this addition is indispensable in order to give the European Works Council at least some chance of giving its opinion when winding up or merging takes place.

**President.** — Amendment No 37 by Mr Springorum on behalf of the Christian-Democratic Group is worded as follows:

Article 125

Paragraph 1(a) of this article to read as follows:

- '(a) the closure or the transfer of the establishment or of substantial parts thereof.'

I call Mr Springorum.

**Mr Springorum.** — (D) In the light of the way we have amended Article 123 provision must now be made in Article 125 for the right of the Works Council to be consulted in the case of closures, although here in the context of consultation only 'closure for a definite period' is envisaged. The words 'for a definite period' should be deleted therefore, while the words 'transfer of the establishment or of substantial parts thereof' must be retained.

**President.** — Amendment No 50 by Sir Derek Walker-Smith be behalf of the European Conservative Group is worded as follows:

Article 125(1)

Restore the Commission's text for sub-paragraph (a).

I call Sir Derek Walker-Smith.

**Sir Derek Walker-Smith.** — The only other point is the reintroduction of the word 'substantial', or 'importante', qualifying the parts of the undertaking. It is exactly the same point, in the context of the European Works Council, we have already discussed in the context of the Supervisory Board under Article 66.

**President.** — I call Mr Broeksz.

**Mr Broeksz.** — (NL) Mr President, may I make a supplementary suggestion? Since the Assembly has now accepted the point about 'substantial' parts etc, that word could be used in our amendment.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) We are getting somewhat confused now, because in Article 66 the original Commission text was restored. The original intention was to have a similar wording in the text both in Article 66 and Article 125.

For this reason it would be advisable, and here I am speaking against the Legal Affairs Committee, but only to achieve some measure of coordination, if we were to take the wording of the text from Article 66 and—this would be my own proposal—add to it what Mr Adams and Mr Broeksz have suggested in their proposed amendment No 65. This would mean putting 'winding up' and 'merger' into the same clause as matters on which the Works Council must be consulted. In this way we would have restored order to this article.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I am in favour of Amendment No 65 moved by the Socialist Group—subject to acceptance by the Assembly.

I am in favour of reinserting the word 'substantial'. I think it is a help and should not have been deleted.

**President.** — I call Mr Bangemann.

**Mr Bangemann.** — (D) Mr President, I should like to request that we take a vote on a joint

amendment, as it has been worded for us by Mr Brugger just now. Otherwise we can scarcely agree on any amendment in view of what has happened in the voting so far. We really should put the amendment proposed by Mr Brugger, as he has just now formulated it, to the vote as a single amendment.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I repeat that my proposal is designed to effect a compromise which will impose order on Article 125.

The wording we have decided on in Article 66 up to sub-paragraph (d) inclusive should be repeated in Article 125, and in addition a further sub-paragraph (e) should be added to Article 125 to read as follows: 'the winding up of the undertaking or a merger with other undertakings'.

In this way we would have achieved what we all want; at least that is the way I understand it.

**President.** — I call Mr Broeksz.

**Mr Broeksz.** — (NL) Mr President, we readily agree with Mr Brugger's proposal.

**President.** — Mr Brugger proposes inserting a sub-paragraph in Article 125 to read as follows:

'(e) the winding up of the undertaking or a merger with other undertakings...'

and to modify the wording of sub-paragraph (a) to (d) of paragraph 1 so that it reads the same as the text of Article 66.

I put this proposal to the vote.

The proposal is adopted.

This makes Amendments Nos 65, 37 and 50 superfluous.

On Article 135 I have Amendment No 67, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 135

At the end of paragraph 2, add the following:

'without prejudice to any more favourable provisions contained in national collective agreements.'

I call Mr D'Angelosante to move this amendment.

**Mr D'Angelosante.** — (I) Mr President, amendment No 67 has the very limited aim of establishing, even where collective agreements provided for in Article 135 (2) exist, the principle

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which the Legal Affairs Committee voted unanimously, to wit that in each case the arrangements which are contained in the national agreements which are most favourable to the workers shall take priority.

In effect, this does not represent a change but is an attempt to make good an omission, as this is a principle which the Legal Affairs Committee has already approved. We therefore believe that the Parliament should accept it.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I agree, Mr President.

**President.** — I put Amendment No 67 to the vote.

Amendment No 67 is adopted.

On Article 137—and this will be the crucial issue—I have six amendments:

— Amendment No 51, tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and worded as follows:

Article 137(1)

Restore the Commission's text.

— Amendment No 10 tabled by Mr Jozeau-Marigné and Mr Hougardy, worded as follows:

Article 137

This article to read as follows:

'1. The Supervisory Board shall consist as to one half of representatives of the shareholders, as to one sixth of representatives of the executive staff as to one third of representatives of the employees.

2. Delete this paragraph.'

— Amendment No 40 by Mr Springorum on behalf of the Christian-Democratic Group and worded as follows:

Article 137(2)

In the second subparagraph, replace the words: 'shall be'

by

'may be'

The third subparagraph should read as follows:

Where the number of employees' representatives is four or more, this shall apply to two of them'

— Amendments Nos 52 and 53 by Sir Derek Walker-Smith on behalf of the European Conservative Group and worded as follows:

Amendment No 52

Article 137(2)

Replace the word 'shall' by the word 'may' in the seventh line.

Amendment No 53

Article 137(2)

Replace the words: 'shall satisfy this requirement' by the words:

'may be persons not in the above-mentioned employment relationship'.

— Amendment No 39/rev. by Mr Springorum on behalf of the Christian-Democratic Group and worded as follows:

Article 137

Add a new paragraph worded as follows:

'3. The General Meeting, the European Works Council and the Board of Management shall be entitled to put forward candidates for the coopted third.

Only persons who represent general interests, who have the necessary knowledge and experience and who are not directly dependent on the shareholders, the employees or their respective organizations may be nominated.

Candidates must obtain a two thirds majority to be elected. Where this majority is not obtained, the election shall be repeated on the basis of new nominations. If, after repeating the election twice, the required majority has still not been obtained, a court of arbitration shall decide, which shall consist of one representative of the employees and one representative of the shareholders, who by mutual agreement, shall appoint a chairman. If no agreement as to the appointment of the chairman can be reached, he shall be appointed by the court within whose jurisdiction the registered office of the European Company is situated.

Since Mr Springorum's revised amendment was handed in too late, I shall ask Parliament whether this revised amendment should be considered.

I call Mr Broeksz.

**Mr Broeksz.** — (NL) Mr President, I assume that the Assembly will be prepared to do so, provided that you give the groups a minute's time to state their opinions on this new amendment, since we were not able to discuss it yesterday evening.

**President.** — I shall do so with pleasure. I call Mr Broeksz to speak on behalf of the Socialist Group.

**Mr Broeksz.** — (NL) Thank you, Mr President.

When some years ago—in connection with the Pintus report—I first put forward the idea of the three times one-third ratio for the composition of the supervisory Board, we had just accepted that principle in Holland for the first time in

**Broeksz**

the case of Hoogovens. It was a matter of course for us that the composition by thirds should not be a sort of disguised fifty-fifty ratio. Our group can agree with the method formulated by Mr Springorum for the election procedure. However, we consider that it is not yet fully polished. Once we have voted on the principle, we should be glad to have a chance of discussing its formulation once more with the Commission.

**President.** — I call Mr Bangemann to speak on behalf of the Liberal and Allies Group.

**Mr Bangemann.** — (D) Mr President, speaking on behalf of my Group, I should like to state our view also on the revised version of Amendment No 39.

We already felt some misgivings about the original version of Amendment No 39 but we have even more serious misgivings about the revised version on account of the wording 'persons who represent general interests' in relation to those who may be nominated candidates for the co-opted third. This comes even closer to the idea of representatives of the public interest. My group feels that the representation of public interests must be strictly separated from the representation of the interests both of the capital holders and the workers in an undertaking. As long as it is our wish to maintain a system in which every undertaking can act independently for itself in a free market and the public interests are upheld and defended by public opinion and by the Parliament, which after all creates the conditions within which undertakings operate, we should on no account entertain the idea of any overlapping between these two interests. It seems to me a very dangerous idea for the further reason that it would mean blurring the clear lines of political responsibilities. For this reason my group will not vote for Amendment No 39/rev.

**President.** — I call Mr Springorum to speak on behalf of the Christian-Democratic Group.

**Mr Springorum.** — (D) Mr President, I am sure that I will be permitted to claim one minute to speak on behalf of my group. I am quite prepared to concede that this is a compromise, which I had hoped could be agreed to in substance by all the different lines of thought. I am surprised, therefore, to find the idea of the general interest being given I would not say the opposite interpretation but at least a different interpretation to the idea of the public interest. I feel that with this idea of the general interest I have hit upon a compromise that should be readily acceptable to all.

Furthermore in the two-thirds majority I hit upon a compromise between complete agreement on the one hand and a simple majority on the other and I thought that this would bridge the gap between the different lines of thought. In suggesting a final court of arbitration I was attempting to find a solution which could and should be agreed to by everyone genuinely concerned about equality of representation. This whole debate on Article 137 is futile unless there is a large majority for whatever we finally agree on and unless we refrain from falling back on fine semantic hair-splitting with each one wishing to put a different wording on this or that point. This would give rise to great difficulty, as each change in wording can change the meaning and thus affect our changes of reaching agreement. I feel that my proposal keeps an eye not only to the whole notion of equal representation but also to what can be achieved in practice, and this was something that was not always easy to arrive at.

**President.** — I call Mr Cousté to speak on behalf of the Group of European Progressive Democrats.

**Mr Cousté.** — (F) Mr President, I shall confirm briefly the position taken by our group yesterday.

We are in favour of employees' representation on the Supervisory Board. That is why we approve both the text proposed by the Commission for Article 137(1) and Amendment No 51 by Sir Derek Walker-Smith. On the other hand, we do not agree to representation on the Supervisory Board of persons not employed in the undertaking, regardless of their qualifications.

We therefore oppose Mr Springorum's amendment and will vote for Amendment No 10 by Mr Jozeau-Marigné and Mr Hougardy on the deletion of paragraph 2 of Article 137.

**President.** — I call Mr Gundelach, member of the Commission of the European Communities.

**Mr Gundelach.** — I repeat what I said yesterday. In view of the problems which have arisen since the original proposal was made by the Commission, we do not believe that we can adhere to it. Therefore we do not think that amendments designed to revert to that proposal are helpful.

As I pointed out yesterday, it is of extreme importance for general political reasons and for the Community as such that as broad a consensus as possible should be established in

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respect of this proposal, and clearly that cannot be done on the basis of the Commission's original draft. I also indicated that the Commission is open to seeking a formula of a more advanced nature. I have examined the amendments submitted, including the one by the Liberal and Allies Group. Trying to define executive staff and other staffs, which could possibly be done at national level, is extremely difficult on a broad European level. The same applies to the various other proposals.

I have no mandate on behalf of the Commission to recommend any specific formula, but I am authorized to ask for as broad a consensus as possible. In my view, while reserving the right of the Commission, the broadest possible consensus is in the revised proposal contained in Amendment No 39. I believe that it provides the best possible starting point for the building of a consensus. The Commission takes this amendment very seriously in an effort to seek a consensus.

**President.** — It therefore appears convenient to consider Amendment No 51 together with the first part of Amendment No 10, and then to take the second part of Amendment No 10 together with Amendments Nos 40, 52 and 53. Amendment No 39/rev. can be considered separately.

I call Sir Derek Walker-Smith to move Amendment No 51.

**Sir Derek Walker-Smith.** — This is, of course, a fundamental part of the Statute. I shall be brief, because I spelled out the philosophy and reasoning behind our group's approach in the general debate yesterday morning and again last night.

We believe that the one-third representation is right on the Supervisory Board, but believe that to give parity in numbers on the Supervisory board would create an imbalance because of the additional rights of co-decision and consultation given to the European Works Council. I am sorry to differ from Mr Gundelach on this. He talks of political importance, but I remind him that the primary duty of the Commission is to create a Statute that will work in practice. I repeat my warnings that if an imbalance is created, people will not form European companies and this will remain a paper statute instead of a contribution to the economic and social progress of the Community and its Member States.

For those reasons we commend our Amendment No 51 and we shall press for a vote on it. We shall also support the first half of Amendment

No 10 if our amendment should not in the event be carried.

**President.** — I call Mr Bangemann to move part one of Amendment No 10.

**Mr Bangemann.** — (D) In explaining the reasoning behind Amendment No 10 I should like to point out very briefly that the Liberal and Allies Group bases its entire approach on the fundamental requirement of equal representation in the composition of the Supervisory Board, that is to say, that the ideal to be striven for is equal representation for shareholders and employees. For this reason we are rejecting the solution envisaged in the Legal Affairs Committee's amended text, as in our view it does not ensure equal representation. Depending on the result of the elections, you could have an entirely different set-up, certainly one in which equal representation would not be afforded.

Secondly, and this is an even more serious objection, this triple division in the membership of the Supervisory Board has the one great serious flaw that it undermines the responsibility of the Supervisory Board by permitting the election of representatives of general interests, as Mr Springorum puts it.

Mr President, I do not know what this word 'general' is to be taken to mean. You cannot have a more general expression than 'general', if I may put it that way. In using a vague expression of this nature you are getting away from the strict notion of equal representation and from the idea of the Supervisory Board's responsibilities within a market economy system. It is a far cry from the whole idea of joint co-decision within the framework of equal rights for capital and labour. We regret that we cannot agree with Sir Derek Walker-Smith's proposal to restore the original Commission text. This would be on all counts an unsatisfactory solution for those countries which have reached a more advanced stage in this matter. We would be very pleased, however, if Sir Derek could see his way to supporting our Amendment No 10 in the event of his own proposal being rejected, since we feel that the approach, which the Christian-Democratic Group is clearly prepared to adopt in this matter, strikes at the very foundations of our entire economic system with its emphasis on competition and free markets.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, I am opposed to Amendment No 10 and I am

**Brugger**

opposed to Amendment No 51 - I cannot put it more briefly that.

**President.** — We shall first vote on Amendment No 10, part one, which departs furthest from the Committee's text.

I put Amendment No 10, part one, to the vote.  
Amendment No 10 is not adopted.

I put Amendment No 51 to the vote.

Amendment No 51 is not adopted.

We shall now consider the second part of Amendment No 10, together with Amendments Nos 40, 52 and 53.

I call Mr Bangemann.

**Mr Bangemann.** — (D) Mr President, now that the first part of the amendment has been rejected I do not know what more I can say. I suppose that puts an end to the matter.

**President.** — I call Mr Springorum to move Amendment No 40.

**Mr Springorum.** — (D) Mr President, in the second sub-paragraph of Article 137(2) we should like to propose the following amendment; it should not read: '...however, where the number of employees' representatives on the Supervisory Board is three, one of them shall be a person who is not in the above-mentioned employment relationship'. We should like to ask that it be worded as follows: '...may be a person who is not in the above-mentioned employment relationship'. We consider it absolutely unthinkable that Works Councils or employees of an undertaking should be obliged to accept a person from outside their own establishment or undertaking, if their relationships with interests outside should be such that they cannot find any person that they wish to trust. We feel therefore that it should be an optional requirement and not a mandatory one.

In the same way then the last sub-paragraph should read as follows: 'Where the number of employees' representatives is four or more, this may apply to two of them'. In other words, for these two persons also, it should be an optional requirement and not a mandatory one.

**President.** — I call Sir Derek Walker-Smith to move Amendments Nos 52 and 53.

**Sir Derek Walker-Smith.** — The principle here is very clear and very important. Our Amendments Nos 52 and 53 are designed, like Mr

Springorum's amendment, to give a permissive power for representation on the Supervisory Board by people outside the factory or establishment, for example, a trade union representative from the central organization, but not to make it mandatory as the text now does.

It is wholly reasonable that the local people should have that power if they want it. It is wholly unreasonable that it should be imposed upon them if they do not want it. That is the philosophy behind the amendment and that is what it would achieve.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) Mr President, I shall be very brief; What I have to say can be put in two sentences. Whether we word it 'shall be' or 'may be' is a matter of indifference in this case, because it is in any case a matter for the trade unions to nominate candidates for these elections. If the trade unions are permitted to put up candidates, it stands to reason that they will not nominate persons who belong to the undertaking.

**Mr Springorum.** — (D) You are confusing the issue, Mr Brugger; after all, the three are from the ranks of the workers.

**Mr Brugger, rapporteur.** — (D) No, I am not confusing the issue. It is true that the employees are elected and that the electors are the employees in the undertaking, but candidates can also be put forward by the trade unions represented in the undertakings. If the trade unions put forward candidates for election, then they will also put forward people from outside the undertaking. I believe that in the last analysis it does not matter whether we say 'shall be' or 'may be'. People from outside are going to get in in any case. That is why I will be abstaining when the vote is taken.

**President.** — We shall vote first on the second part of Amendment No 10, which deletes paragraph 2.

I put Amendment No 10, part two, to the vote.

Amendment No 10, part two, is not adopted.

We shall now take Amendment No 52, which is identical with the first part of Amendment No 40.

I put Amendment No 52 to the vote.

Amendment No 52 is adopted. Amendment No 40, part one, is therefore no longer necessary.

I call Mr Memmel for a procedural motion.

**Mr Memmel.** — (D) Mr President, now that we have gone through this procedure twice already, I should like to ask if we could perhaps be given the result of the vote in figures. Or am I to take it that this is to be kept under wraps, known only to your officials sitting to your right and left, and that we, the Members, do not need to be told of it?

In view of the great number of Members in the Chamber, Mr President, you need have no fears that you will not have a quorum. I repeat my request therefore that the result of the vote should be given to us in figures.

**President.** — I call Mr Fellermaier.

**Mr Fellermaier.** — (D) Mr President, I should like to ask my esteemed colleague, Mr Memmel, to have a look at the Rules of Procedure before he makes such statements. The Rules of Procedure laid down that you may ask that a vote should be taken by roll call; it does not lay down, however, that the President should announce the number of votes cast for and against in every case.

**President.** — May I point out that it is not usual to indicate the outcome of the count and I shall not, therefore, do so.

I put the Amendment No 53 to the vote.

Amendment No 53 is not adopted.

I put Amendment No 40, part two, to the vote.

Amendment No 40, part two, is not adopted.

I put Amendment No 39/rev. to the vote.

Amendment No 39/rev. is adopted.

I call Mr Bangemann for a procedural motion.

**Mr Bangemann.** — (D) Mr President, it is obvious that there has been a little misunderstanding in the last vote. I would ask the committee to adapt the third sub-paragraph in Article 137(2) to Mr Springorum's amendment which has been already approved.

All we have here is an improvement in the wording of the text. When one is not asking for anything further, then there is no need to mention it. Even Mr Broeks himself will agree with that.

**President.** — I call Mr Broeks.

**Mr Broeks.** — (NL) Mr President, I also think a misunderstanding has arisen. After the first

part was adopted, a misunderstanding arose in connection with the second part. I do not think that we can adopt the first part and not the second.

**President.** — I call the rapporteur.

**Mr Brugger, rapporteur.** — (D) I agree entirely with what Mr Bangemann has said. That should not take the form of a proposed amendment at all; it is rather a textual adjustment on which we have voted here as if it were a proposed amendment.

**President.** — I agree that in fact this adjustment is necessary.

On article 138, I have Amendment No 64, tabled by Mr Thomsen on behalf of the European Conservative Group and worded as follows:

Article 138

Paragraph 1 to read as follows:

1. 'Employees shall not be represented on the Supervisory Board if the majority of the employees of the S.E. so decide'.

I call Mr Knud Thomsen to move this amendment.

**Mr Thomsen.** — (DK) Mr President, I had the opportunity yesterday of speaking on this proposal for an amendment but, since the Chamber was hardly as full as it is now, I shall briefly repeat that my group considers that decisions to be taken democratically by a vote ought, as a rule, to be taken by unqualified majority—so there is bound to be a minority—unless there are special circumstances.

We do not believe that in this case there are any special circumstances. We believe that when employees in an undertaking have to decide whether they wish to take part in administration or not, this should be done by a simple majority and not in accordance with the Commission's proposal, which stipulates that a third of the employees can carry a vote over the other two-thirds.

I therefore recommended this amendment which aims to lay down the principle of a simple majority.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I am in favour of its acceptance.

**President.** — I put Amendment No 64 to the vote.

Amendment No 64 is adopted.

On Article 144, I had Amendment No 68, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 144

Add the following:

'The members of the Supervisory Board elected by the employees may at any time be dismissed by the employees who elected them on the request of a trade union or 25% of the employees belonging to an establishment of the S.E. Dismissal shall be governed by the procedure established for elections.'

This Amendment has been withdrawn by its author.

On Article 144a, paragraph 2, I have Amendment No 42 by Mr Springorum on behalf of the Christian-Democratic Group and Amendment No 54 by Sir Derek Walker-Smith on behalf of the European Conservative Group. They are identical and worded as follows:

Article 144a(2)

Delete the words:

'by a trade union represented in the establishments of the S.E. or in undertakings controlled by it'.

I call Mr Springorum to move Amendment No 42.

**Mr Springorum.** — (D) Mr President, this is the same thing as we have already decided in connection with another article. We asked that the words 'by a trade union represented in the establishments of the S.E. or in undertakings controlled by it' should be deleted, because we take the view that such applications may be made only by the employees of the undertaking or by the Works Council.

**President.** — I call Sir Derek Walker-Smith to move Amendment No 54.

**Sir Derek Walker-Smith.** — Our amendment is the same. The principle is one already referred to; that is to say, that such action should be locally initiated. That is the purpose of the amendment.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) It is for Parliament to decide. It means a change in the document drawn up by the Legal Affairs Com-

mittee. I intend to abstain from voting on the matter.

**President.** — I put Amendment No 42 to the vote.

Amendment No 42 is adopted.

There is no need to vote on Amendment No 54.

On Article 146, I have Amendment No 69, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 146

At the end of this article add the following: 'More favourable provisions obtained in one or more establishments of the S.E. shall prevail as of right.'

I call Mr D'Angelosante to move this amendment.

**Mr D'Angelosante.** — (I) This amendment proposes the addition to Article 146 of the text which, it was decided a short time ago, could be added to Article 135, that is to say that the conditions in other agreements which are more favourable to the workers shall have priority.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I agree with the proposed amendment, Mr President.

**President.** — I put Amendment No 69 to the vote.

Amendment No 69 is adopted.

On Article 147, I have Amendment No 70, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 147

Delete this article.

I call Mr D'Angelosante to move this amendment.

**Mr D'Angelosante.** — (I) Mr President, the Communist Group proposes the dropping of Article 147, first of all because the first paragraph lays down that working conditions governed by collective agreements shall apply only to workers who are members of a trade union; secondly, because the second paragraph lays down that the European Company in individual employment contracts may incorporate the conditions laid down in collective agreements; these con-

**D'Angelosante**

ditions should on the contrary be obligatory for all, both trade union members and non-members, and the most favourable clauses should be included in individual contracts, and therefore in the contract of employment.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I am opposed to it, Mr President.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — For general reasons explained yesterday, I think it is absolutely necessary that Article 147 remain on the books.

**President.** — I put Amendment No 70 to the vote.

Amendment No 70 is not adopted.

On Article 148, paragraph 1, I have Amendment No 17, tabled by Mr Cousté on behalf of the European Progressive Democrats Group and worded as follows:

Article 148

Reword Article 148(1) as follows:

'The annual accounts shall comprise the balance sheet, the profit and loss account, the notes on the accounts and the finance sheet'.

I call Mr Bourges to move this amendment.

**Mr Bourges.** — (F) We feel it would be advisable for the documents to list all the transactions so that we can be fully informed.

That is why we are submitting this amendment

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I agree, Mr President.

**President.** — I put Amendment No 17 to the vote.

Amendment No 17 is adopted.

On Article 203, I have Amendment No 15, tabled by Mr Cousté on behalf of the Group of European Progressive Democrats and worded as follows:

Article 203(2)

In line 4, after the word:

'organized'

add the words:

'or recognized'.

This amendment is the logical complement of Amendment No 8 to Article 15 on which we

have already voted. It is therefore covered by the result of the vote on Amendment No 8.

On Article 223, I have Amendment No 13, tabled by Mr Jozeau-Marigné and Mr Hougardy and worded as follows:

Article 223

Paragraph 1 of this Article to read as follows:

'1. A controlling company and one or more undertakings controlled by it, whither existing within the Member States or not, shall constitute a group within the meaning of this Statute if all of them have freely so agreed, in particular, if they are under the sole management of the controlling company or if they are so closely linked that the dependent company has lost most of its economic independence and, finally, where one of the undertakings is an S.E.'

Delete paragraph 2.

I call Mr De Clercq to move this amendment.

**Mr De Clercq.** — (F) The following are our reasons, Mr President, for submitting this amendment. It is not possible to give a legally precise definition of the idea of dependence of management units, since groups are an empirical concept, and constituted under varying and flexible conditions.

The adoption of rigid criteria and conditions would lead to a dangerous situation, with many groups of companies circumventing the proposed legal system. At the same time, the principle of freedom to form groups should be stated. That implies that the existence of a group would not be recognized without the consent of the companies in question, following a court application by some of the interested parties.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I do not agree. That is an entirely new idea.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I agree strongly with the rapporteur.

**President.** — I put Amendment No 13 to the vote.

Amendment No 13 is adopted.

On Article 239, I have Amendment No 14, tabled by Mr Jozeau-Marigné and Mr Hougardy and worded as follows:

Article 239

Delete paragraph 1.

I call Mr De Clercq to move this amendment.

**Mr De Clercq.** — (F) Article 239(1) as proposed by the Commission states that 'A controlling company... shall be jointly and severally liable for the obligations of a dependent undertaking'. It is not in fact acceptable that a controlling company should be jointly and severally liable for the obligations of a dependent undertaking since there is no proof that the affairs of the dependent undertaking have been managed on the order and to the exclusive advantage of the controlling company. If, subsequently, the dependent undertaking were to run into difficulties, the controlling company would immediately feel the effects and its assets would be doubly affected by a situation for which it had no responsibility.

Thus, not only the shareholders but also the creditors of the controlling company would be affected by this particularly restrictive regulation.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I am opposed to this amendment. The issue at stake here is the protection of creditors and in the Legal Affairs Committee this same amendment has already been proposed and unanimously rejected.

**President.** — I put Amendment No 14 to the vote.

Amendment No 14 is not adopted.

On Article 262, I have Amendment No 24, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 262

Replace the words:

'the business of an S.E. shall always be deemed to be carried on from the registered office specified in its Statutes'

by the words:

'the court of jurisdiction shall be the court within whose jurisdiction the registered office specified in the Statutes of the S.E. is situate'.

I would have called Mr D'Angelosante to move this amendment but note that he is not present. I therefore ask the rapporteur to state his position.

**Mr Brugger, rapporteur.** — (D) I am opposed to it.

**President.** — I put Amendment No 24 to the vote.

Amendment No 24 is not adopted.

On Article 276, I have Amendment No 25, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 276

Paragraph 1 to read as follows:

'1. For purpose of taxation, the S.E. shall be treated as resident in the Member State in which the registered office specified in its Statutes is located.'

Mr D'Angelosante is not present.

What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) The same as last time—I am opposed to it.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I am against the adoption of this amendment.

**President.** — I put Amendment No 25 to the vote.

Amendment No 25 is not adopted.

On Article 277, I have Amendment No 26, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 277

In the first paragraph replace the words:

'the centre of effective management'

by the words:

'the registered office specified in its Statutes'

and replace the words:

'effective management'

by the words:

'registered office'.

This Amendment is the logical consequence of Amendment No 25 which we have just voted. It is therefore not adopted.

On Article 282, I have Amendment No 27, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 108

Delete the last paragraph.

Mr D'Angelosante is not present.

What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) This would need to be discussed at length. However, since the author of the amendment is not present in any case, I would request that it be rejected.

**President.** — Does the member of the Commission wish to speak?

**Mr Gundelach.** — I made my position on this clear and I do not want to repeat myself.

**President.** — I put Amendment No 27 to the vote.

Amendment No 27 is not adopted.

On Article 283, I have Amendment No 28, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Article 283  
Delete this article.

This amendment is the logical consequence of Amendment No 27 on which we have just voted. It is therefore not adopted.

On Annex I, I have Amendment No 29, tabled by Mr D'Angelosante on behalf of the Communist and Allies Group and worded as follows:

Delete Annex I.

I call Mr Brugger.

**Mr Brugger, rapporteur.** — (D) The amendment was withdrawn.

**President.** — I call Mr Broeks for a procedural motion.

**Mr Broeks.** — (NL) Mr President, since it is clear that neither the author of these amendments nor any other member of his group is present here, so that no one can defend these amendments, I propose that they should not be discussed.

**President.** — The amendments in question are as follows:

Amendment No 30  
Article 2(2) of Annex II to read as follows:

'2. Persons who, under the law of the Member States, are debarred from exercising such functions by virtue of a judicial decision are not eligible.'

Amendment No 31

In Article 14(3) of Annex III replace the words: 'its effective seat of management'

by the words:

'the registered office specified in the Statutes'.

Amendment No 32

Delete Article 15(3) of Annex III.

Amendment No 33

In Article 21(2) of Annex III delete the words: 'or the Board of Management of the S.E.'

Amendment No 34

Delete Article 21(3) of Annex III.

Amendment No 4

In Article 22(2) of Annex III, delete the words: 'or the Board of Management of the S.E.'

Since the author of these amendments is not present, they will not be discussed.

I have no more amendments on the text of the Commission's proposal.

We shall now consider the motion for a resolution contained in Mr Brugger's supplementary report.

On the preamble and paragraph 1, I have no amendments or speakers listed.

Does anyone wish to speak?

I put them to the vote.

The preamble and paragraph 1 are adopted.

On paragraph 2, I have Amendment No 2, tabled by Mr Cousté on behalf of the Group of European Progressive Democrats and worded as follows:

Paragraph 2

In line 4 paragraph 2 delete the words:

'particularly small and medium-sized undertakings.'

I call Mr Bousch to move this amendment.

**Mr Bousch.** — (F) Mr President, if it is true to say that coordinating national company laws is not sufficient to solve all the legal and organizational difficulties confronting small and medium-sized undertakings that want to establish transnational cooperation links within the Community, it is equally true of large undertakings. There is no better proof than the fact that since the establishment of the European Community mergers between undertakings in one or another of the Member States and undertakings outside the Community have been more numerous than mergers between undertakings in the Member States.

That is why we request that the words 'small and medium-sized' should be deleted.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I listened very attentively yesterday to the member of the Commission. As a matter of fact, I would not have been very much against this deletion myself; after what was said yesterday, however, I think we should leave the original text as it is and reject the proposed amendment.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — As the rapporteur has recalled, I made a statement yesterday and indicated my preference for keeping the words.

**President.** — I put Amendment No 2 to the vote.

Amendment No 2 is adopted.

I put paragraph 2 to the vote.

Paragraph 2 is adopted.

On paragraph 3, I have no amendments or speakers listed.

Does anyone wish to speak?

I put paragraph 3 to the vote.

Paragraph 3 is adopted.

On paragraph 4, I have Amendment No 44, tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and worded as follows:

Paragraph 4

Add the following:

'while at the same time retaining to the maximum possible extent the benefits of flexibility and responsiveness to new developments.'

I call Sir Derek Walker-Smith to move this amendment.

**Sir Derek Walker-Smith.** — Amendment No 44 to paragraph 4 would maintain the purpose of the paragraph—that is to say, the avoidance of unwanted divergences between national provisions and Community rules—but would add the words 'while at the same time retaining to the maximum possible extent the benefits of flexibility and responsiveness to new developments are obviously essential ingredients to commercial success, and, therefore, the insertion of these words must, I think, be wholly unexceptionable, and, as such, I commend them to the House.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I have nothing against the proposed amendment. However, if

these words are to be added, they will make paragraph 4 very unwieldy. I am not sure that this is a good thing, especially since paragraph 4 already says all that has to be said in a neat and concise fashion.

I will not ask Sir Derek once again to withdraw his amendment, but I think it should be rejected.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I am rather in favour of these words, and I do not think that they necessarily upset the balance of paragraph 4.

**President.** — I put Amendment No 44 to the vote.

Amendment No 44 is not adopted.

I put paragraph 4 to the vote.

Paragraph 4 is adopted.

On paragraphs 5 to 15, I have no amendments or speakers listed.

Does anyone else wish to speak?

I put them to the vote.

Paragraphs 5 to 15 are adopted.

On paragraph 16 of the motion for a resolution, I have Amendment No 3, tabled by Mr Cousté on behalf of the Group of European Progressive Democrats and worded as follows:

Paragraph 16

This paragraph to read as follows:

'16. Is of the opinion that, though access to the European company may of necessity be limited in a first stage, it should be rapidly liberalized.'

I call Mr Bousch to move this amendment.

**Mr Bousch.** — (F) Mr President, the amendment we have submitted states that if in the beginning it is advisable to restrict access to the European company, access should very quickly be given to other companies.

Our amendment, Mr President, merely indicates a possible future trend.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I am in favour of this amendment.

**President.** — I put Amendment No 3 to the vote.

Amendment No 3 is adopted.

**President**

I put paragraph 16, so amended, to the vote.

Paragraph 16 is adopted.

On paragraphs 17 to 23, I have no amendments or speakers listed.

Does anyone else wish to speak?

I put them to the vote.

Paragraphs 17 to 23 are adopted.

On paragraph 24, I have two amendments:

— Amendment No 11 by Mr Jozeau-Marigné and Mr Hougardy;

— Amendment No 45 by Sir Derek Walker-Smith on behalf of the European Conservative Group.

They are worded as follows:

Paragraph 24

This paragraph to read as follows:

'24. Considers it desirable that one half of the Supervisory Board should consist of representatives of the shareholders and the other half include one representative of the executive staff for every two representatives of the employees.'

Paragraph 24

Paragraph 24 to read as follows:

'24. Considers that the Supervisory Board should comprise two thirds representatives of the capital holders and one third representatives of the workers;'

I would point out that this paragraph 24 of the resolution is the logical reflection of the text proposed by the Legal Affairs Committee for Article 137, paragraph 1, of the Regulation.

Consequently, since Amendment No 51 and Amendment No 10, part one, have both been previously rejected, Amendments Nos 11 and 45 both stand not adopted without further consideration.

I therefore now put paragraph 24 to the vote.

Paragraph 24 is adopted.

On paragraphs 25 to 27, I have no amendments or speakers listed.

Does anyone else wish to speak?

I put them to the vote.

Paragraphs 25 to 27 are adopted.

On paragraph 28, I have Amendment No 1, tabled by Mr Cousté on behalf of the Group of European Progressive Democrats and worded as follows:

Paragraph 28

This paragraph to read as follows:

'28. Given that the process of harmonizing company law is already far advanced, in the light of the fourth Directive on the presentation of accounts, considers that the Statute for the European Company could be simplified by referring all the provisions of Title VI of the proposed Statute, 'Preparation of annual accounts', to harmonized national laws as the secondary legislation'.

I call Mr Bousch to move this amendment.

**Mr Bousch.** — (F) Mr President, the text that we are proposing lightens the very heavy Statute for European companies by invoking harmonized national laws as secondary legislation in a field where it can be done without too much inconvenience.

The aim of our amendment is to simplify the Statute and make it more flexible. I therefore ask Parliament to adopt it.

**President.** — What is the rapporteur's position?

**Mr Brugger, rapporteur.** — (D) I can on no account approve of Title VI being cut out of the Statute in this manner. I am flatly opposed to it.

**President.** — I call Mr Gundelach.

**Mr Gundelach.** — I consider this amendment quite dangerous and must strongly recommend that it be rejected.

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

Amendment No 1 is not adopted.

I put paragraph 28 to the vote.

Paragraph 28 is adopted.

On paragraphs 29 to 39, I have no amendments or speakers listed.

Does anyone wish to speak?

I put them to the vote.

Paragraphs 29 to 39 are adopted.

I call Mr Bousch for an explanation of voting intentions.

**Mr Bousch.** — (F) Mr President, although some of our amendments have not been adopted by Parliament, I wish to point out that we will vote for the motion for a resolution as a whole.

**President.** — I put the motion for a resolution as a whole, as amended, to the vote.

The resolution, so amended, is adopted<sup>1</sup>.

May I thank you all for your friendly cooperation during this morning's heavy agenda. May I thank in particular our rapporteur and the member of the Commission of the European Communities.

*(Applause)*

I call Mr Broeks.

**Mr Broeks.** — *(NL)* Mr President, perhaps you will permit me, as a member of the Legal Affairs Committee who has taken part in the discussion both of the Pintus report and of the Brugger report almost from the outset, to say how much admiration we have for the work of these two rapporteurs. The work Mr Brugger has carried out in connection with the 160 amendments we have had to struggle through over months of work is really admirable. We should like to give expression to this admiration here in the plenary sitting.

*(Applause)*

**President.** — I call Mr Radoux.

**Mr Radoux.** — *(F)* Mr President, I think I may speak for all the Members of this Parliament in thanking you, and thanking the officials who helped you in your task, for presiding over this morning's work in such an outstanding manner.

*(Applause)*

**President.** — Mr Radoux, my colleagues well deserve this praise.

I call Mr Alfred Bertrand.

**Mr Alfred Bertrand.** — *(NL)* Mr President, I should like in turn on behalf of my group not only to thank those who have already been thanked, namely the rapporteur and the President, who has presided over this very difficult sitting in such an outstanding manner, so that we have managed to work through the programme in time, but also to make the following observations. We have now taken important decisions on a problem which has been on the agenda for years. This shows that our Parliament has great experience. It is a good thing to say publicly that the European Parliament is capable of dealing even with the most difficult problems and of reaching a consensus, which puts the Council in a position to take account of Parliament's opinions. I wanted to emphasize that point.

I should also like to thank the Commission Secretariat for the large amount of preparatory work it has carried out along with Mr Gundelach, and I should also like above all to thank Parliament's secretariat for the way in which they have managed, after yesterday's prolonged debate, to put all the texts in order so that we were able to have a well-organized debate and well-organized voting. This shows that the Secretariat is well run. I am grateful to it for the effort it has put in.

*(Applause)*

**President.** — The proceedings will now be suspended until 3 p.m.

The House will rise.

*(The sitting was suspended at 1.15 p.m. and resumed at 3.20 p.m.)*

#### IN THE CHAIR: MR BERKHOUWER

*President*

**President.** — The sitting is resumed.

#### 3. *Welcome to a delegation from the Indonesian Republic*

**President.** — We are pleased to have in our midst Mr Domo Pranoto, Vice-President of the Indonesian Parliament, Mr Frans Seda, Ambassador of the Indonesian Republic in Brussels and for the European Communities and Mr Budi Hartantyo, First Secretary of the Indonesian Embassy in Brussels.

Their Excellencies have taken their seats in the Chamber. I welcome them most sincerely. I hope all those present will also welcome them with hearty applause.

*(Applause)*

#### 4. *Hearing of experts on the safeguarding of the Community's energy supplies — Communication and proposal from the Commission on a new energy policy strategy for the Community — Decision on a programme of research and education of the Euratom*

**President.** — The next item is a joint debate on the following three reports by:

— Mr Leonardi on behalf of the Committee on Energy, Research and Technology on the conclusions reached at the hearing of experts held on 29 and 30 April 1974 on the safe-

<sup>1</sup> OJ No C 93 of 7 August 1974.

**President**

guarding of the European Community's energy supplies and on the cooperation of the third countries concerned (Doc. 185/74).

— Mr Pintat on behalf of the Committee on Energy, Research and Technology on the Communication and proposals from the Commission of the European Communities to the Council (Doc. 136/74): Towards a new energy policy strategy for the Community (Doc. 184/74)

— Mr Noè on behalf of the Committee on Energy, Research and Technology on the proposal from the Commission of the European Communities to the Council (Doc. 80/74) for a decision adopting a programme of research and education for the European Atomic Energy Community on plutonium recycling in light-water reactors (indirect nuclear project) — (Doc. 163/74).

I call Mr Leonardi who has asked to present his report.

**Mr Leonardi, rapporteur.** — (I) Mr President, my dear colleagues, in presenting the results of hearings which I and some of my colleagues held, I will also mention problems which will be dealt with subsequently by other speakers. However, to be as brief as possible, I will draw your attention to the document which I have drawn up, the first part of which tries to summarize in schematic form results of these hearings. I will not, therefore, spend time on this part.

Instead I would like to draw your attention to the other, section III, in which I have attempted to analyze what seemed to me to be the various political evaluations which emerged. In my view, what became apparent from these consultations was precisely the link between energy consumption and economic growth and, in general, the discovery of a strict relationship between this consumption and economic growth itself.

Of course, accepting this position, which I believe was supported by the majority of those taking part, although with varying degrees of emphasis puts us in a fairly difficult situation as regards the introduction of an energy policy which of necessity must deal with the short and medium-term as well as with the long-term.

Consequently, during the hearings, the question of energy demand was not a major consideration precisely because it was thought no large reductions could be made in demand without influencing economic growth as a whole. Greater attention was turned to the possibility of transforming the supply structure. On the whole everyone agreed that this problem did not arise in the long-term. In the long-term a solution

will certainly be found, even if only in thirty or forty years time; but I think that everyone agreed on the fact that, in the shorter term, there are objective reasons why oil consumption can no longer increase as it has increased in the last ten years, precisely because it is no longer possible to count on the discovery of a new oil paradise such as the Middle East has been in the past, whereas an increase in production costs could be expected, that is to say, a reversal of the tendency which predominated from 1950 onwards when costs were falling.

Today therefore we have to face the situation of rising production costs.

It was pointed out that this problem raises others too, for the programme under way in the United States to achieve self-sufficiency in energy will to some extent use up physical and human resources which at least in the short and medium-term could be used elsewhere, for prospecting in other parts which could well be more promising than the United States for example in the North Sea.

Naturally the prospecting carried out by the United States and its greater self-sufficiency in energy will have an indirectly beneficial effect on our oil supplies insofar as we will have one competitor less in the market for oil: there will, however, be difficulties arising from the tying up of available resources in the short and medium-term.

It was generally remarked that the problem posed by the necessity of changing the structure of supplies could be resolved by the development of nuclear energy with a shift to electricity as a form of energy.

Everyone pointed out that the use of nuclear energy did not create environmental problems and for that reason it would be advisable to carry out publicity campaigns to dispel the doubts often expressed in various quarters, about the timeliness of encouraging intensive development of nuclear energy, which is in fact necessary.

These seem to me to be basically the essential conclusions which emerged from our hearings. I would like to deal very briefly now with section IV of the report, where I refer to the problems which remain open and which need further research: some of these will be dealt with shortly in connection with the report on the new energy policy strategy presented by Mr Pintat, on behalf of the Committee for Energy, Research and Technology.

As regards these problems—and I do believe it is fair to say that the technical experts did not contribute enough or did speak clearly enough,

**Leonardi**

because this is above all the task of the politicians—I note that not enough importance was given in the hearing to the possibilities of restricting energy demand without influencing economic growth. I repeat that this is a choice which requires a political decision, something which we could not ask of a technical expert. The experts spoke in their own capacity, they explained the difficulty in reducing the growth of energy without influencing economic growth. It is up to us politicians to see how much importance should be given to these difficulties and what is to be done by arbitrary action, so to speak, which, in my view, could not be based simply on a change in relative prices but should also include restrictive measures. To be more specific, in certain cases even rationing could be used.

I would like to add immediately—for the benefit in particular of my friend Mr Burgbacher—that we are against rationing, but we accept that in certain cases it is the fairest, most equitable means and that it must necessarily be studied and recognized. I would like to make this point clear rightaway, because I do not want us to get involved in a discussion on the appropriateness or otherwise of rationing. We do not want rationing, but we feel that the situation is difficult enough to make us ask the peoples of the Community to make an effort in this direction.

Moreover, fairly recently I read a study by the technical expert, Mr Lévy, whom we had invited to a hearing but who could not come. In this study he put forward two hypotheses, the first was a simple reduction in demand caused by a change in the price ratio (in other words by increasing prices) and the second was what he called a reduction due to austerity.

Mr Lévy came out decisively in favour of the second hypothesis, the austerity hypothesis, holding that without it there is no way out of what threatens to become an uncontrollable situation. Naturally, when I come to speak on strategy I will say where the responsibility for this lies. However, at this point, limiting myself to the results of the hearing, I must say that the underestimation by the technical experts of the possibility of restricting demand should be re-examined and studied by us from the point of view of political choice, a political choice which must involve sacrifices if we are to escape from a truly difficult overall situation.

With these words I would like to conclude: besides, the document in question is available for you to read. I would like to state simply that if we refuse to act, or accept the impossibility of our intervening in short and medium-term, we are accepting a defeatist position which affects also our efforts to take action in the long-term.

We can take long-term action only if we are capable of taking short and medium-term action, and this means above all taking action on demand, both studying and implementing changes in the structure of supply. However this cannot have immediate effects: it will require five, six or seven years.

In addition, our ability to influence demand also improves the conditions of cooperation with producer countries. These will have to realize that the biggest oil consumer is not necessarily a slave to oil consumption, but is ready to bargain, realizes that only cooperation with producer countries can give security of supplies and the possibility of maintaining more correct relationships in the future; finally, it is even ready to bear the necessary sacrifices to reduce the waste caused in the past by the situation in which low oil prices damaged both the consumers and the producers.

These were basically the comments which I wished to make. I therefore conclude by noting that what I have said is very closely linked with the problems of strategy which will be discussed later and on which I will speak on behalf of my group. I think that on some of the arguments raised by me in section IV, the Committee on Energy together with the Commission should re-examine the results of the hearing, to understand the situation in which we are operating and the various ways out, if we are to begin immediately our efforts to overcome an extremely grave and difficult state of affairs.

(Applause)

**President.** — I call Mr Pintat who has asked to present his report.

**Mr Pintat, rapporteur.** — (F) Since the end of the last world war, Europe has continuously tried to regain its political as well as its economic independence, but gradually, as a result of the policy of using low-price energy of which we have just spoken, it has lost its energy independence, and thus quite simply risked losing its independence altogether.

The crisis was savagely triggered off by the Yom Kippur war. Today we see the results. It could be said that we too have had our October revolution in 1973 and that now nothing will be as it was before. We are deluding ourselves if we think that, because of the interdependence of European economies, one country could remain for long in a privileged position when other nations around it were affected by the energy crisis.

We must therefore jointly tackle the task of recovery. In the next decade, Europe is going

**Pintat**

to have to make an immense effort with rigour and dynamism to maintain its level of expansion and gradually regain not total energy independence—which would be unrealistic—but a better strategic position on the energy market.

Those are the proposals put forth by the Commission in the document submitted to us. We are particularly pleased that it corresponds to the content of the European Parliament's resolutions of 13 December 1973 and 14 March 1974 on these subjects. There are two main objectives behind the Commission's working hypotheses: firstly, to reduce consumption, and secondly, to reduce our dependence on our traditional sources of supply. These are very wisely linked up with the idea of adapting the aims and measures of the policy at regular intervals in the light of developments in other spheres.

The aim of the policy is as follows: the Commission thinks that the estimated consumption for 1985 can be reduced by 10% if things continue as in the past, on the very reasonable assumption, with which we agree, that Europe's gross national product will increase by 4.5% a year. As Mr Leonardi has just said, if we are to reduce our dependence, we must increasingly use electricity produced from nuclear sources.

The idea, therefore, is simply to increase the rate at which we use electricity in general, which has been rather slow in the Nine.

This measure is of course the counterpart to a certain number of obvious facts which it substantiates: first of all, a possible increase in the demand for natural gas, including North Sea gas; increased oil production between now and 1980 or 1982, during which period it is optimistically estimated that between 250 and 300 metric tons of oil could be extracted per year; the development of other productive oil fields outside Europe, and particularly in Alaska and Indonesia, which even if they do not specifically affect Europe when compared with the world as a whole, will help to reduce dependence on countries that have been its traditional suppliers; improvement of the competitiveness of coal mined in the Community and better use of it; and finally, the promotion of a potentially greater demand for imported coal.

We shall not try to analyse the means available to us for implementing the policy.

To obtain a lower price for imported energy, it is a matter of urgency to find some alternative as a means of exerting pressure. As we have said, nuclear energy is the alternative, since the conventional fuel-consuming power stations would increase our dependence and since most of the profitable sources of hydro-electric power in Europe have been tapped.

Let us say in passing that there is at present no bottleneck in the capacities of nuclear power stations in Europe. On the contrary, there is an extremely fertile ground for advanced technical cooperation between the Nine and outside the Nine, since such cooperation can be extended to countries such as Sweden, Germany, Switzerland and so on. There are naturally some basic problems that need to be studied and solved: the need for the best form of environmental protection; the storage of radio-active products; the demolition of power stations when they are no longer operational at the end of twenty years.

I should like, however, to draw Parliament's attention to three problems which in my opinion are particularly important as far as nuclear independence is concerned. First of all, it is absolutely essential to make provision for several enriched uranium isotopic separation plants. There is no point in wanting to give up dependence on some countries for oil just to become dependent on other countries for enriched uranium.

There is also a need to consider the problems of storing nuclear energy produced during off-peak hours, in other words the possibility of storing it as hydrogen. In fact, the enormous power stations required for the nuclear industry cannot be stopped without as a result a considerable drop in yield during off-peak hours. Provision should therefore be made for storing the vital energy produced.

Then studies on breeder reactors which do not at present seem to reach the planned speed should also be reviewed closely. We could perhaps move more quickly than planned from power-stations using enriched uranium to the fusion stage. That is the problem. It is worthy of consideration, especially as high temperature reactors will allow better use of the heat produced and fit in more easily with the pollution standards with which some of our colleagues are justifiably concerned, and will facilitate the achievement of more powerful units on the same site.

As regards coal, the hearing of experts of which Mr Leonardi has just spoken proved that we could not expect imports from third countries to increase very much. Domestic production of coal will therefore have to exceed the Commission's estimates by a considerable amount. The requirements of some large industries, such as the iron and steel industry cannot be reduced, and it seems that the knell has been tolled for coal a bit too soon in Europe.

We are satisfied with the measures proposed by the Commission: the concentration of production and financial support from the public

**Pintat**

authorities, promoting efforts to rationalize, and support for opening up new production capacities, employment and prices policy and Community support for research projects. We await with interest the Commission's communication on the coal problem and the guidance it intends to give on the subject, which to us seems extremely important.

A reduction in the amount of oil consumed obviously depends on the attitude of the consumers. To encourage them to reduce their demands on the oil market, they must be given access to other sources of supply. The role of the multinational companies in negotiations with oil-producing countries will become more restricted since the political nature of the negotiations will call for greater participation by the states.

Multinational companies are in fact becoming more and more buyers rather than sellers as they were in the past. It will become easier for the State to control their activities. But their activities, based on major technical and logistic resources, and their knowledge of the market should remain important, even if they operate only in certain geographical regions. They also have an important part to play in the research and exploitation of new oil fields. A policy of concerted action between the Community and multinational companies is desirable. That is what the document submitted to us shows.

I should like in passing to stress the importance of the idea of Community projects to stimulate research and obtain energy independence for Europe. It is to be regretted that the regulation approved by Parliament and adopted by the Council, covering financial and fiscal support to aid research and large-scale transport undertakings and the building-up of reserves without creating distortion or favouritism, has had very limited effect and has been very seldom applied. We sincerely hope that the present proposal will be followed up by practical implementation. As regards natural gas, we should first of all like to repeat that there is a need for practical action following the decision to get Community gas projects under way.

The objectives set by the Commission and considered as desirable, seem to be difficult to attain. Further consideration should be given to the problem of imports in particular.

I should like also to mention the other sources of energy intentionally omitted from the report, as Mr Simonet told us during the hearing he had with our committee.

The Commission has set objectives for 1985; obviously, only those types of energy considered

in the report will make a substantial contribution to Europe's energy plan at that time, but it must not be forgotten that progress is very slow where energy is concerned and that decisions on energy are dogged by inertia and that their effects will be felt only in the long term.

Thus, the exploitation of geothermic energy by the end of the century, solar energy, and total energy from the recuperation of hot water will require much study. Considerable research allocations will thus have to be made available from now on if we are to have concrete results after 1985. That brings us to the problem of investments.

Availability of supplies should take precedence over the desire to obtain energy cheaply. Large long-term investments will have to be made, since our living standard and job security depend on them. The technical resources exist and can be made available when needed. Considerable investment and research efforts will also have to be devoted to their development. If we invest quickly and heavily, the future will be assured, for investing means importing less. We must therefore save our foreign currency and protect the standard of living of all.

There are four annexes to the Commission's communication; proposals for three legislative acts and a draft communication on the rational use of energy.

We are of course in agreement with those proposals, but the Commission's text deals with such a vital issue that other much more important proposals than the four now submitted, which are disproportionate to the importance of the objectives set, will have to be made.

Implementation of the communication on the rational use of energy is particularly important. A public relations campaign organized by the Member States and sponsored by the Commission, must convince all citizens of Europe that such economies are of the greatest importance to keep consumption steady for several years and to help us to solve the energy problem in the immediate future. This is where we can succeed most quickly and effectively.

In conclusion, your committee is satisfied with the Commission's communication and proposals which it considers an important contribution to a future common energy policy.

We feel, however, that if these objectives are to be attained, priority should first of all be given to the use of all Community sources of energy, particularly coal. In order to assure the availability of energy supplies, the Commission must submit proposals for the harmonization of foreign trade arrangements as soon as possible.

**Pintat**

That is the complement of and corollary to an economic strategy policy, since we can attain our aims only jointly. If we do not show a common front at tomorrow's negotiations with oil-producing countries on long-term supplies of energy, Europe will cease to exist politically.

The effects of substantially different energy situations in the various European countries would be even more serious. Such differences can be reconciled only by a genuine opening of frontiers to energy products and the products manufactured from them, otherwise we would have a general return to autarchy, with a breaking of the intra-European economic links that have been patiently forged since the establishment of the Common Market.

We must therefore do all in our power to enable Europe to assert its identity when accepting the unprecedented challenge facing it today. That is why your committee expresses satisfaction with the Commission's communication, notes that it corresponds to the resolutions adopted by the European Parliament and suggests that you should approve the Commission's communication and proposals by adopting the motion for a resolution tabled.

(Applause)

**President.** — I call Mr Noè who has asked to present his report.

**Mr Noè, rapporteur.** — (I) Mr President, Mr Vice-President of the Commission, ladies and gentlemen, the number of interventions on Tuesday in this chamber caused by Mr Härschel's question on nuclear fuel and the heatedness of the discussion which followed demonstrates the urgency of the subject which I now want to bring to your attention.

It deals with a problem connected to nuclear fuels, with respect to which—as I said on Tuesday—*The Times* of Monday morning reported on its front page that it could give rise to concern in the future. What exactly is the problem at the root of this proposal from the Commission, which I am here to describe and for which I shall later request approval? It is a question of judging whether, in the coming years—up to 1985 or a little beyond—it is advisable or not to recycle plutonium. The problem can be seen in these terms: the elements which fuel the light-water reactors at present in use will, after four or five years of operation, constitute radio-active waste which will have to be securely stored. Mr Ballardini already referred to this problem three years ago in one of his reports.

To provide fuel, it is necessary to increase the percentage of uranium-235 in natural uranium,

normally about 0.7%, to 2.7%. This enrichment process must be effected before the fuel enters the reactor. During the four or five years of operation of the reactors, this enrichment is gradually lost until, when it is finally removed it contains a percentage of fissionable uranium-235 of only 0.8%. The remainder consists entirely of uranium-238 which is a fertile material, that is it can produce fissionable material although it is not fissionable itself.

This material is a third product, plutonium, which we should now pay some attention to. This third product does not exist naturally and is merely the result of the operations of nuclear reactors.

We know that in the future, when fast reactors make their appearance on the world industrial scene, plutonium will be a vital fuel, since fast reactors will require natural or depleted uranium containing 20% plutonium. Until a few years ago there were plans to store plutonium for later use in fast reactors.

Some countries, however, showed more foresight and began utilizing this plutonium at once. The substance does in fact contain fissionable material and can thus be used now—without waiting until 1990 when the first fast reactors enter service—to fuel nuclear power-stations, replacing part of the uranium which we should otherwise have to buy and enrich. Plutonium does therefore have an immediate use.

The fact is that, up to a point, we are now facing a dilemma. Should we start stockpiling plutonium or should we use it now. May I say at once that the Committee on Energy, after a thorough examination of the subject, has arrived at the conclusion, for reasons which I shall state, that it would be best to recycle plutonium and begin to use it forthwith.

When the Committee on Energy first considered this problem, only one objection was immediately raised: would we not, in this way, be jeopardizing the future market chances of fast reactors by depriving them of the fuel they would need? This question would not have been easy to answer had we not had recourse to an extremely detailed study drawn up by UNIPEDE, which had been drawn up for the European Commission's committee on fast reactors and concluded in March of this year. This study, in my opinion has two virtues: it considers a range of hypotheses, the answers to which are based on extensive analyses of all possible events, and it covers the period up till the year 2010, which is time enough even for such long-term projects as this.

This study considers seven different possible strategies, which I shall outline briefly. It sug-

**Pintat**

gests above all that until 1990 only light-water reactors will be built in the world and that after that date fast reactors will come onto the market in relation to the availability of plutonium—and this is the interesting point—in relation to the quantity of fuel which can be made available.

According to the second hypothesis, until 1980 there will be only light-water reactors, from 1980 until 1990 there will be an equal proportion of light-water reactors and fast reactors and after 1990 only fast reactors will be used, with the same criteria as in the first case.

The third hypothesis looks at high temperature reactors, firstly with a uranium-plutonium cycle, and then with a uranium-thorium cycle.

The fourth hypothesis, finally, returns to the first solution, postulating however that from 1990 plutonium carbide will be used instead of plutonium oxide; that is, an undoubtedly more advanced technology will be applied which, however, we are today not yet certain of developing.

In addition, two unrealistic suggestions are made for the sake of reference, which can be used as points of comparison for the first five hypotheses: the utilization from now until 2010 of light-water reactors and nothing else; alternatively, again from today until 2010, the utilization of these reactors but this time with recycled plutonium.

In this general framework, and after having contrasted the first solution with the reference solution, in which an immediate recycling of plutonium was suggested—that is, a utilization of the plutonium produced by the light-water reactors and recycling it—until 1985, five years before expected entry into service of the fast reactors, two interesting conclusions emerge which deserve consideration. The first is that recycling plutonium until 1985 would not involve serious consequences as far as the possibility of then going over to fast reactors is concerned. The difference, Mr President, involves between 1 and 2% of installed power of the same reactors between 1990 and 2010. This therefore represents a very small difference. The second—and I found this surprising, not because it was impossible to imagine that there should have been a difference, but because of the size of the figures—is that the choice of one rather than another of the five strategies gives rise to variations in the costs of the nuclear fuels which are, at least for me, unexpectedly high.

I will say at once that the cost of these fuels between now and 2010 could vary between approximately 2 billion and 10 billion dollars. This could represent the difference in the total fuel cost throughout the Community of the Nine if one system is chosen rather than another.

The UNIPEDE calculations were made taking account of the cost of enriching uranium, of treating used fuels and of recycling plutonium with a view to reconstituting usable fuels. Account was not taken, however, of the cost of plant; a highly accurate analysis was thus carried out, but it referred only to the fuels and not to plant. I would say that this calculation was probably not undertaken initially because it would have been extremely difficult to include any meaningful costs.

All the same—and this strikes me as being very important—the Commission's committee on fast reactors has requested UNIPEDE to expand its analyses to also include plant costs.

I make these observations here because I want to turn to a subject which I feel very deeply about and which has concerned me on several occasions. This is the need for a systematic global approach to this whole question, something which obviously can only be done over a period of several years.

Only when—and I know it will be a lengthy task—we have at our disposal an analysis comparable to the study of these seven strategies which I have already mentioned, which includes also the reactor costs and which enables us to take account of the influence which fuel costs—thus facilitating the selection of one fuel rather than another—may have in the future; only then will we be able to make a satisfactory choice or at least be certain that we have done everything possible.

As I have already said, naming prices is extremely difficult, because some of the reactor families under consideration have only just entered service or have not yet done so at all.

We now come to the decision which we must take. I have said that there are two possibilities: either we utilize this plutonium or we stockpile it until the arrival of the fast reactors. I have said that I support—as does the Commission—its immediate utilization, because the minute difference of 1-2% which recycling will have on the introduction of fast reactors will later be reduced if the introduction of the fast reactors turns out to be more difficult than expected.

In other words, we have assumed that the fast reactors will enter into service in 1990; there are certain difficulties, however, and these technological problems will have to be overcome.

Prototypes of 250 000 kilowatts are in operation. But as yet there are none producing a million kilowatts.

In the second place, we shall have to find out what the practical economic potential will be.

**Pintat**

We have not yet established, in fact, whether a reactor, even one producing a million kilowatts, would be economically viable.

If this economic viability were only achievable with a reactor producing 3 million kilowatts, new problems would certainly arise. Finally, we shall have to see whether the safety authorities are able to declare this type of fast reactor as secure as those already in service.

These are all factors which could delay the introducing of fast reactors from 1990 until 2000—although I sincerely hope this will not be the case for reasons of which we are all aware, namely that since these reactors consume a great deal less fuel they are thus an important goal for our Community. Were this to happen my simple line of reasoning would be borne out still more.

I am therefore in favour of immediately recycling plutonium. But there are also other security reasons. A great deal has appeared in the newspapers, often exaggerated, on the dangers connected with nuclear reactors and nuclear fuels. Now it is true that plutonium should be stored securely and that no one should be able to take advantage of it, but there is no need to exaggerate by saying that anyone could easily use the plutonium to construct an atomic bomb. This is impossible for two reasons. The first, as Professor Silvestri wrote two months ago in the *Corriera della Sera*, is that there are no manuals which provide detailed enough instructions for constructing the bomb. A country can make one, but a group of terrorists would have difficulties in doing so on account of the bomb's intrinsic complexities. The second is that the plutonium produced by nuclear power stations is not the most suitable for military use, because neither the period nor the manner of its irradiation are adequate to produce plutonium rich in fissionable material, which is what is needed for constructing a bomb. More feasible would be for some criminal, at the cost of his own life, to obtain plutonium, take it for example to Basle, throw it into the Rhine, so to speak, and thus pollute a river.

The reasons I have already given are, in my modest opinion, sufficient in themselves for removing from circulation the plutonium which, because it has been re-utilized, could have no further use; we should approve this regulation which would lead—and this is important—to a saving of 15% of the fuel we need.

I shall not say anything further because I have already said that we must undertake a systematic analysis which will supply us with the precise data that we require to be able to fully comprehend this difficult subject. Whatever hap-

pens, Mr President, I urge the adoption of this resolution.

(Applause)

**President.** — I call Mr Simonet.

**Mr Simonet, Vice-President of the Commission of the European Communities.** — (F) Mr President I shall begin by thanking the various rapporteurs who have addressed the House.

I believe they will enable the Parliament to make a striking contribution to the commitment taken by the Commission several months ago now with a view to the European Community finally implementing a common energy policy.

I believe that this debate is taking place at the right time, at a moment when anxiety and uncertainty are once again giving way to optimism and confidence on the part of most Europeans.

The Community does seem finally to be recovering from the paralysis that resulted from a series of economic difficulties spread over more than two years, the last and worst of which was the energy crisis and the price rises which went with it.

In another respect, the governments of the Member States seem to be determined, for their part, to save the Community from the truly suicidal state of helplessness into which it had sunk.

Certain political events, some of them tragic, and also a number of economic and monetary conditions which are much clearer today than a few months ago, helped to bring about this beneficial and indispensable progress, so that we can now say that the climate has changed and that the time is ripe for decisive political steps to be taken.

We believe, just as the President of the Council has said, that any initiative taken on energy policy will call for a genuine effort of political will, one which must be something more than the sort of incantation it so often is, as if the mere fact of appealing for an effort had some magical power to solve all the problems involved in doing something constructive for Europe.

We believe that this is so, but we believe too that decisions must be taken rapidly if the hopes that have once more arisen are to be more than temporary.

I referred to economic and monetary circumstances, Mr President, and I am sure you will allow me to mention them briefly here because I believe that these circumstances now more than ever perhaps, make it essential to create

**Simonet**

a Community energy policy. Not because I believe that this energy policy would solve all the problems of which I am going to give a quick summary, but because I am convinced that it would be an indispensable element in any solution. Mr Pintat has just noted that all the measures that can be taken to rationalize the use of energy automatically lead to savings in foreign exchange and could therefore reduce the very great pressure which there is at the moment on the balance of payments of the Community and in most Member States.

I said 'most Member States', because it is true that one or two of them could have some hope—mostly illusory, it seems to me—of getting out of present economic and monetary difficulties on their own. I believe this to be an illusion, because the economic backlash of a breakup of the Community would spare no one and therefore everyone has to realise that there must be a collective solution or none at all.

I shall confine myself to making a few statements which although brief, I think nevertheless illustrate the growing seriousness of the problem we shall now have to face unless we find an appropriate solution.

According to provisional estimates, which perhaps require revision but which seem to me to give a satisfactory idea of the size and range of our financial difficulties, the overall Community external payments deficits for 1974 would be 20,000 million dollars. This is an enormous sum in itself, but what aggravates the problem for the Community is that the distribution of these 20,000 million dollars among the Member States, that is each state's proportionate share of the deficit, is very unequal. The United Kingdom, for instance, will very probably run up a deficit of nearly 9,000 million dollars; Italy, a deficit of 7,500 million dollars; whereas the Benelux countries—and of course the German Federal Republic—can expect to maintain an appreciable surplus and so escape the horrors of deflationary policy.

Another problem caused by the energy crisis is the increasing distortion arising in the financial institutions between the length of their commitments to borrowers and the very short period of availability of funds coming from the producer countries.

Now we all know that a number of these institutions are gradually getting so far into debt that if they wish to abide by the rules of healthy management, as they must do, they ought to be able to increase their funds. They cannot and do not wish to do this.

This leads us to a third point: if it were to happen that the producer countries could not find outlets for their accumulated surpluses with respect to the industrialized countries, there would be a considerable temptation for them to reduce their production rates and the volume of their exports. You must realise that this is no imaginary hypothesis. You all read a few days ago in the press that Kuwait was not satisfied with the outcome of the invitation to tender given to the major undertakings for an output of 1½ million barrels per day and decided not to follow up the tender and was contemplating—as stated in the press yesterday—slowing down the production rate in an attempt to hold back the tendency, which is unarguably the case these days, of prices to find a lower level.

But let us have no illusions. Even if there is a fall in prices it will not be such as to enable us to overcome the serious financial problems we are facing. What is important is that we should all know that the fairly moderate surplus which is emerging, and which explains this tendency for prices to fall is an extremely precarious one and therefore, although it may today give us the impression that there is no longer a supply problem, we could find ourselves facing new problems of this kind in the winter.

All this seems to me to point to the need for Europe to set a short time-limit for the drawing up of rules governing its energy policy at the level of the entire Community.

But there is also a political argument. If the hope I spoke of just now of seeing new impetus given to European progress is not to be frustrated by events, it seems to me urgent to take a political decision. The Commission hopes this will be done at the next meeting of the Council of Ministers on 22 and 23 July.

I shall not refer again to the figures. They have received ample comment in the reports, particularly in Mr Pintat's. Nor shall I refer again to Community objectives. I shall simply stress what each person said: these target figures are ambitious. They are so because we realise the difficulties involved in bringing the Member States to rationalize energy consumption.

I want to say here—and this point has been stressed—that there can be no question of encouraging the Community countries to practice a malthusian policy which would involve sacrificing economic development; rather, the same development must be achieved by inducing them to use the limited and expensive energy sources we have available more efficiently: a very ambitious objective is involved in meeting the financial requirements implied in the effort to restructure energy supplies.

**Simonet**

Now, although this aspect has rarely been mentioned, I would like to stress that the demands we shall make on the electricity production industry for reorientation to nuclear energy will also involve a real challenge to the European nuclear equipment industry and will require of it levels of rationalization and coordination which do not yet exist. This also explains our present dependence on American technology for nuclear power equipment.

The question of independence was, as the rapporteur stressed, an important influence on the Commission proposals. I should like to specify what we mean by the idea of increased independence. It cannot involve an attempt by the Commission to achieve the same degree of autonomy in energy as the superpowers; to do so would be to fall into a trap. Even if we wished to or could do this, I believe it would be financially, socially and politically quite unbearable for the Community.

I believe that the objective which we must set ourselves is to try to diversify our internal and external sources of supply in such a way that no producer of one type of energy and no region producing that type of energy would be able at any given time to apply coercion to the Community by announcing an embargo on supplies essential to the survival of the European economy.

And diversification must also prevent those producers who are operating in near monopoly conditions from applying pricing policies of the kind which are now having intolerable effects on the development of our balance of payments and our economies.

Mr President, having stressed the urgent need for an energy policy, I must be very careful not to gloss over any of the difficulties which may still be encountered while the policy is being worked out, difficulties which have impeded progress in the months leading up to a final policy formulation. The method I wish to use may be a little simple—but I believe it reflects reality—it is to try to distinguish between the Member States according to their political and economic philosophies in respect of a common energy policy.

On the one hand, there are those who believe that the market mechanisms have until now ensured satisfactory conditions for the energy supplies to their economy, they continue to have confidence in them, or at least had until these very last months, implying that with regard to oil, for example, they feel that on the whole the multinational undertakings, given that certain corrective action is nevertheless necessary, have met their expectations and their needs.

As against this school of thought, which I shall call liberal, there is a more rigorous one which feels that, given the literally vital nature of energy supplies to the development of our economies, there must be a higher level of intervention in the energy sector than in the others—in other words, that the market forces must be controlled or at least restricted. This then, is a first difference of opinion, one which has been frequently expressed, and which has perhaps lost some of its force—I hope and believe that this is so—under the pressure of events. Yet again, this difference of opinion has had an important influence up till now, and it has a bearing on the very principles and structures of the relations which the Community countries must have with both the producer countries and other consumer countries.

I believe—I said as much just now—that it can be hoped that the difficulties of these last months and the fears they have raised in us will have revealed to most of the Member States the 'academic' and outdated nature of the theoretical quarrels they have been engaged in until now.

I believe that we can then hope that at the Council meetings—several will probably be needed to prepare all the proposals which I hope will follow from the meeting on 22 July—acceptable compromises will be found in terms of both the organization of the energy market, which we feel is indispensable, and of relations with producer and other consumer countries.

I should like to dwell on my last point for a moment because it is not dealt with specifically by any proposals in the Commission document and also because at present a number of things are being done which are important for the common energy policy. The Council's opposition on 22 May on the question of relations with the producer countries has, as it were, been "worn down".

You will remember that at the Council meeting of 22 May 1973 there were two opposing blocks: a number of countries felt that it was of prime importance to create an international framework for the operations of the multinational undertakings, implying that links between the producer and consumer countries should be tightened.

Other countries, on the contrary, and one in particular, felt that for political reasons and as a matter of economic logic, it was wrong to mix Community policy with foreign policy as the latter did not come under Community activity and practice. They also felt that there was not much sense in attempting to define an external energy policy before the Community was organized in respect of the energy sector.

**Simonet**

The problem with regard to relations with the producer countries was, I repeat, complicated by the decision to open discussions with an important group of producer countries, the Arabs, at Foreign Minister level. I am not qualified to comment on the outcome of these discussions in the short, middle or long term other than in the area of energy, but I believe I may say now that we must not have any illusions about the possibilities of achieving quick results, or about the possibility of determining with the producer countries conditions for price fixing and supplies satisfactory to ourselves.

These talks with the producer countries, which were the subject of a document which the Commission submitted to the Council at the beginning of this year, are essential because a period of new kinds of relations with the producers of raw materials is beginning; but essential though these talks are, they seem to me liable to create considerable frustration.

That is my personal point of view but I have been anxious to put it to you, because I believe that the time is not yet ripe for achieving satisfactory results with the producer countries.

With regard to the consumer countries, a number of things have happened which are of importance to the creation of a common energy policy. I shall not go into the mostly unfortunate outcome, from the Community point of view, of the Washington Conference of 11 February, because there the Community did not succeed in maintaining unity. The fact is that eight of the nine Member States have carried out a certain number of operations with the other consumer countries in connection with the energy coordinating committee. An initial series of proposals has emerged; they will make considerable demands on certain countries; for the others, and I am thinking particularly of a number of Community countries, they will be very attractive.

The Commission sees no conflict between the concept of a common energy policy which it has submitted to you and the viewpoint of the energy coordinating committee. There is the risk that the committee will reach a consensus excluding one Member State, which would make it practically impossible to work out a common energy policy on time.

We must do everything possible to prevent this from happening and the Commission will do everything in its power to this end. All sides must understand that true international cooperation with the Community or with the Community Members can only be really effective if the community takes part in talks on the basis of

collective aims. It is possible that one or the other may have the short-term hope of being able to negotiate more easily and achieve concrete results more quickly by holding discussions with the Member States individually rather than negotiating with the Community.

I believe this to be a miscalculation and that to enter into narrow commitments instead of accepting a strong Community conscious of its interests with regard to energy, would be 'counter-productive', not only for the Community and the Member States of course, but also for any other countries which had calculated in this way.

I am keen to stress this point, for although it is outside the terms of this debate in the strict sense, it shows how urgent it is for the Community to state its position on a number of principles, so that the talks which are now taking place outside the Community and in the absence of one Member State can become a genuine open discussion with other large industrialized consumer countries, a discussion in which the Community would let its voice be heard, state its interests as a Community and gain recognition for a number of its opinions on the long-term solution to the overall problems which we are facing.

That, Mr President, was what I wished to say very briefly about the spirit in which the Commission has framed its proposals.

In conclusion, I should like once again to thank the rapporteurs, particularly Mr Noè, whose report was intended more for my colleague Mr Dahrendorf than for myself, but who embraced energy policy as a whole and to whom I should say that the Commission subscribes to the terms of his report and is prepared to respond favourably to the wish it contains for the creation of a consultative committee, as we feel this would be an extremely useful element in the area with which his report was concerned.

*(Applause)*

**President.** — I call Mr Springorum to speak on behalf of the Christian-Democratic Group.

**Mr Springorum.** — *(D)* Mr President, ladies and gentlemen, on behalf of my political group I should like to thank the rapporteurs for the presentation of their reports, in particular Mr Pintat, who has complied with the wishes of Parliament and the committee in his excellent report and has prepared this important and comprehensive report so quickly that it will be possible to submit it to the Council at its discussions in the forthcoming weeks.

**Springorum**

Also on behalf of my group, I should like to thank the Commission in particular, and above all Mr Simonet.

During a debate in the Bundestag a few weeks ago it was said that the Commission was like a person who is always finding fault, so that no one takes any notice any more, like an engine with no power, or a watchdog that can no longer bite. I myself once said in this Parliament that the Commission had let itself deteriorate into a secretariat for permanent representatives. It is therefore all the more gratifying that in this case the Commission, with great courage and commendable enterprise, has put forward a plan for a new common energy policy which, exacting though it may be, is realistic enough not to remain merely a Utopian concept.

The Commission's proposal has been much criticized outside, but almost all the criticism ultimately overlooks the fact that it is not a question of a new approach to an energy policy but of setting new goals, defining what goal we must pursue. And our group is quite categorically in favour of doing this.

Christian Morgenstern once said: 'The man who has no goal will never find his way and will spend his whole life going round in circles!'

Thus the first requirement for a common energy policy is an objective, and we must then find ways and means of implementing it and make these ways and means practicable. But the objective must be defined first. The Commission has, very commendably, defined an objective. It is now up to us to summon up the necessary effort and will-power in the Council, Parliament and the Commission, as well as in the governments, to achieve the objectives the Commission has set.

May I say a few words about the proposal itself. It is based on the premise that the Community must break away from its excessive dependence on third countries and ultimately concentrate more on its own resources. The theme of this proposal is that the Community must invest instead of importing. This means that at least for a time both investment and imports will suffer, and this will impose an additional burden. But this is the only way for us to regain a measure of economic freedom and economic independence. Then we would have no need to humiliate ourselves by submitting to blackmail by the exporters, as the Community ministers have so often done in the past. Unfortunately in the meantime those responsible for energy policy in the various Member States have lost their sense of emergency, and this I

strongly deplore. Just imagine that a few days ago in Germany a competition was organized on heat insulation for houses, in which the prize value for all 16 prizes was only 50 000 DM!

*(Laughter)*

The Americans allocated one million dollars just to improve the insulation of windows. Compared with this, Germany's measures are laughable. A plea to the Commission: research into heat insulation should not be an individual enterprise. It should really be the Community's responsibility to investigate ways of protecting houses against cold, since the problem is more or less the same in every Member State.

Let us not be in any doubt that the time-fuse of the oil-price bomb is ticking constantly. If European consumers had not been so economic as to produce a surplus supply, the OPEC countries would have long since exploited to the full the decisions taken in Quito in the last fortnight, allowing them to set the income tax of 55% of the posted prices at whatever level they chose. If the demand for oil increases again in the forthcoming winter, an increase in income tax can certainly be anticipated. There is also a danger that in the foreseeable future our trade balance deficits could become so intolerable — I fully agree with Mr Simonet on this point—that they could finally destroy our Community. We should no longer be appeased by mere words, such as we have heard here, when they are not followed by action. The President of the Council has spoken of the need for a common energy policy; it would have been more to the point if he had said how he intends to pursue this policy instead of making non-committal statements.

In its proposal the Commission is saying—quite rightly—that oil imports should be replaced by other sources of energy. The only other possibility is nuclear energy. But every politician is aware what a difficult and slow process it is to carry out this intention. We, as politicians, have difficulty, in our constituencies and elsewhere, in dealing with these major problems.

It will be the task of this Parliament and our Committee on Energy to find practicable ways of doing this. We intend, as a political body, to discuss the feasibility of sites for nuclear power-stations, because we think it our duty as a political body. Scientists no longer take a consistent viewpoint on this. Some say that a nuclear power-station of whatever size can be installed in the middle of a built-up area, while others maintain that not even a small nuclear

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power-station is acceptable. This is a case for politicians to decide rather than scientists. But for this we, as a Parliament, need the Commission and the Commission will probably need us.

Even the electricity producers—as Mr Simonet has said—are still putting up resistance to certain constraints to which they are being subjected. Why should nuclear power-station complexes not be built in unpopulated areas in Europe? The producers are concerned that the cost of transmission would be too high.

Technology offers real possibilities in this field. To mention only one example: from a port to which liquefied natural gas is supplied, current can at the same time be transmitted relatively cheaply by means of a super-conductor without incurring much loss or expense. This can easily be done. But what must not be allowed to happen is for a nuclear power-station complex to be set up in Russia—even if initially it consisted of only three or four power-stations—and for current to be transmitted to Europe from this complex. Unfortunately, in this case madness becomes method. The Commission should say something about this promptly.

May I mention another important problem connected with nuclear energy which concerns me. Mr Noè's prediction was 1990; I think that fast breeders—with satisfactory breeding rates of course—will come even later. We shall have to wait for them even longer. We shall therefore continue to need natural uranium for a comparatively long time to come and shall only be able to substitute plutonium to a limited extent.

But even if the Commission's objective was achieved only to a limited extent, the amount of uranium that would have to be produced in the year 2000 would require a basic raw material supply three times as great as the known reserves at present available in the world. There is thus an urgent need to introduce an extensive research programme without delay so that the nuclear energy situation does not deteriorate any further. That is something that must be prevented.

Another problem in connection with the Commission's proposal is undoubtedly the predicted increase in the supply of natural gas. This will not be achieved without difficulty. There can be no doubt that natural gas is a very costly source of energy. We shall not be able to benefit from the low prices of Holland Gas for much longer. In addition to the high prices that the exporters are now beginning to ask—we must bear in mind that in the recent negotiations the Russians asked for the 1968 contract prices to be increased to five times as much—there are also the high costs of investment for gas distribution. Let us,

however, console ourselves with the thought that one day this investment will also be needed for hydrogen, the production of synthetic gas from coal and brown coal.

May I just say a word about coal: we welcome the fact that the Commission, as the body mainly responsible, has clearly stated, after being compelled for many years to recommend running-down the mining industry, that the present position in regard to mining should be maintained.

However, it now wishes to supply additional coal requirements by means of imports. Here I must endorse the view of the experts—Mr Leonardi mentioned this—who have said quite clearly and unanimously that in the medium and long term coal imports cannot be depended upon. They have made a detailed analysis of the situation in the United States, South Africa, Australia, Poland and Canada, the possible exporters. In all these areas there will be, in the near future, such a demand for cheap energy—and this coal is cheap—that they will no longer export it. An idea was also put forward that I consider of great importance; we Europeans should not force up the prices in this market, and we would do so if we obtained additional coal supplies from South Africa and Australia. In this way we would more or less prevent the third countries from using this coal. There are extensive coal deposits in Europe and we must use our initiative to supply our own needs from this source.

The energy crisis is a crisis which concerns the Community and its trade balance. It will take a long time to resolve it. The question is whether, in view of the different situations of the various countries, it may not hamper the development of a united Europe. I was extremely interested in the recent remark by a well-known industrialist, James Michael Goldsmith—who could be described as Anglo-French—when asked what he thought of Europe: the idea of a European Community, he felt, was a terrible concept—it was like treating measles and flat feet with the same remedy. What he meant by measles and flat feet can be explained by a few figures: the average energy dependence of the Community is at present 60.8%; in Denmark it is 99.5% and in Holland 15.6%. The other countries are somewhere between the two, some about 85%, others 50%. It is really a moot point whether a Community can be evolved on a common basis when the conditions and the costs involved in energy imports vary so much. As I have often said, my imagination does not stretch that far. I think, therefore, that if the Community is really prepared

**Springorum**

for this we must evolve organizations or instruments which take this into account.

A fortnight ago, as a result of the meeting of the Group of Twenty, a resolution was put forward in which a new drawing right was proposed in the International Monetary Fund, the so-called 'oil facility'. This means that under certain maximum limits special drawing rights (or credit) are granted to settle the balance of payments deficits resulting from oil prices; basically this is bad policy since it will pave the way for further inflation. But it at least indicates a possible course. Other possibilities should certainly be sought for the Member States. These should form part of a common energy policy. In my opinion they should be followed up by Commission proposals, perhaps from those responsible in the financial rather than the energy field. This is really my only criticism of the Commission document, that it does not develop any ideas. It must be explained how we can prevent the 'oil-price bomb' I mentioned from exploding one day before anyone manages to defuse it. And even if it exploded in only one Member State we would all be affected. We must therefore take precautions at the appropriate time.

I shall end with a further word of thanks. As chairman of the Committee on Energy, Research and Technology I was particularly gratified to see that in many respects the Commission has taken Parliament's proposals into account and that such satisfactory results have been achieved from the collaboration of the two organizations—Parliament and the Commission. This does not in any way detract from my admiration for the Commission's proposal, and we agree wholeheartedly with the proposals it has put forward.

*(Applause)*

**IN THE CHAIR: MR ARIOSTO***Vice-President*

**President.** — I call Mr Van der Hek to speak on behalf of the Socialist Group.

**Mr Van der Hek.** — *(NL)* Mr President, I have listened with great interest to the introductory speech from Mr Leonardi, which mainly concerned the results of hearings in which experts gave their opinion and provided us with a quantity of data which enabled us to evaluate the Commission's communication better.

I should also like to express my thanks to Mr Pintat, who introduced the report of the Com-

mittee on Energy, Research and Technology. I find his speech—and this also applies to the subsequent speech by Mr Springorum—very interesting in one particular respect. The observation was made there that we had been taken aback by the energy crisis, that we had discovered that our political dependence is so great—not only in the area of energy but in the whole area of foreign policy—since one of the essential factors for the well-being of the Member States of our Community, namely the energy supply, is in fact determined outside the Community. That is why it is so good that the Commission has come forward with a proposal to reduce this dependence.

I wonder whether this observation is fully justified, since however ambitious the Commission's proposals may be called, nothing can alter the fact that although our dependence on foreign countries is reduced from 60% to 40%, we are still 40% dependent on foreign energy sources, and that 30 of the 40% is on oil from sources outside the Community.

I am not speaking about the oil to be extracted from the continental shelf of the North Sea, for who, in the long run, is going to profit from that oil? Will that oil exclusively benefit the Community or will it end up in the circuit of international oil companies who are to handle the exploitation of the continental shelf?

Much more important than reducing the dependence is in my opinion the question whether the Community will be capable of organizing the energy sector, inside the Community as regards its own energy sources, and outside it by developing an effective trade policy making possible fixed, long-term agreements with the countries and producers outside the Community on whom we shall still be dependent in large part. This applies not only to oil and uranium, but also to coal. It applies in fact to a large part of our energy supplies in the coming ten years.

It is an important question, in my opinion, how we are to be able to organize the energy sector. This is a question of the machinery that the Commission, the Community and the Member States have available in order to reach the goals formulated. Our attention ought therefore to be directed primarily to that machinery. There are, however, some strange things going on here. Some important sectors of energy supply are largely influenced by the national authorities. This is true in most Member States of coal, electricity, gas, and nuclear energy, and in some Member States even of oil. Nevertheless, a common energy policy has not yet been achieved. This in itself is remarkable. The question then arises what the cause of this is. Is it because

**Van der Hek**

the different regulations in the various Member States are so divergent or is it because an essential factor is beyond control by the authorities? Probably both assumptions are correct, but it is not possible to doubt the fact that one essential factor does almost entirely escape public control by the Member States and certainly almost entirely escapes control by the Community as such—oil. I therefore think it important to dwell on this factor a little.

Mr Simonet gave in his explanation, which I can fully support, an example of the way in which the Arab oil-producing countries can always limit their production whenever price developments do not suit them. He instanced the recent case of the Kuwait auction. I wonder, however, whether Kuwait in this case did want to notch up a perturbing price development by selling no oil since the offers were too low. Wasn't there also talk in this case of a buyers' strike on the part of the international oil companies, incited by certain developed industrial countries?

I come therewith to the question—and it is an urgent one—whether the Community and the Member States should not come to a regulation on the oil market subjecting the oil companies to definite rules for all their activities in the common market. Ought not the Community to set up a framework—however difficult this may be—in which oil supplies to the Community from the oil-producing countries can be effected? In the next ten years the Community will be dependent on this oil for 30% of its energy supplies, and that is quite enough seriously to upset energy supplies if this source is cut off to any large extent.

Whether an effective energy policy capable of achieving this goal is actually arrived at will depend on the extent of government influence on all sectors of energy supply, including oil, on the extent of harmonization of Member States' policies and on the cooperation between the Community and the other producing and consuming countries in the world. I consider this last point exceptionally important; in my opinion it must not be neglected. Energy policy must not be directed exclusively at the Community, but ought to be directed towards the outside world; and what is true of oil is also true to a large extent of uranium, natural gas and coal.

As far as the goals are concerned, the document on strategy does not provide sufficient certainty on a number of points, and I should like to have some clarification in this connection from the Commission. In the first place there is the problem of safeguarding supplies, in particular sup-

plies from countries outside the Community. Secondly, there is the question of how we are to manage to maintain the equilibrium of the Community balance of payments, so that we do not get into such economic and monetary difficulties that supplies from abroad are endangered, and we also lack the funds to develop the energy sources inside the Community. Thirdly, there is the question how we can arrive at profitable production inside the Community in accordance with world market conditions. This is a plea against too much autarky and excessive protectionism.

As regards oil I should like specifically to ask what course the Community is going to follow. Ought the Community to work together with the United States towards a reduction of oil prices by forming a front against the oil-producing countries—the Arab-European dialogue would have to be put off for a long time to come, even if it ever takes place—or ought the Community to go its own way and give priority to this Arab-European dialogue with a view to reaching concrete forms of cooperation? This is one of the most important choices facing the Community and the Member States. What is the Commission's opinion on this?

The Commission pointed out the dangerous developments inside the energy coordinating committee, the follow-up to Washington, which could lead to the exclusion of one Member State from the agreements made there, since that Member State is not present there. The important question here is the attitude of the other eight Member States. Will the Nine come to an agreement with each other? I think this question is relevant in connection with the question I just raised.

My next question relates to natural gas and in fact to the prices of all energy sources available within the Community. What price policy will the Commission propose to the Member States? What price policy will the Community follow to ensure that energy production in the Community is properly allocated? It would be disastrous if, for instance, for historical reasons, gas were to remain too cheap. I am not just preaching to my own parish; I am speaking here for the Community as a whole. It would be absurd for one to have to go on selling one's own gas for almost nothing, while at the same time having to conclude very expensive contracts with Algeria, the Soviet Union or wherever. This does not seem to me to be exactly promoting good competition conditions inside the Community.

A final remark on uranium. How do things look for the Community's enriched uranium supplies

**Van der Hek**

in the light of the obligations the United States have taken on towards Egypt and Saudi Arabia—so that a large part of the enriched uranium the United States can offer will be directed towards these new customers, and thus not towards the Community—and in the light of, for instance, the contract which France has concluded with Iran to develop nuclear energy in that country, so that France has already, while its production capacity in that sector has not yet been achieved, found a large customer outside the Community? What is to happen to the cooperation between Eurodif and Eurenco in the production of this enriched uranium? What stimulus will be given to get this cooperation going?

Finally, I should like to ask what the Commission thinks about the development which is now threatening, i.e. that Great Britain, for instance, might opt for nuclear power-stations on the Canadian model, which do not require any enriched uranium but can use natural uranium without further ado. This could bring Eurenco and the production of enriched uranium in the Community into difficulties.

As far as coal is concerned, I should like to ask what the Commission thinks about the larger supplies of cheap coal to be expected from the Third World, in particular from the southern part of Africa, in which at any rate the international oil companies are very interested.

As a final point—I have already said it—a further question concerning the balance of payments. Can the Community in fact bear the financial burdens of the strategy, in view of the many other claims which the Member States and the Community already make on the total income of the Community?

I should like to have an answer to these questions.

*(Applause)*

**President.** — I call Mr Kater to speak on behalf of the Socialist Group.

**Mr Kater.** — *(D)* Mr President, ladies and gentlemen, may I add to what my colleague Mr Van der Hek has said about oil and natural gas a few comments on the Commission's proposal.

First, nuclear energy: looking forward to the year 2000, the main energy sources in the Community will be nuclear energy and gas. Only nuclear energy is really technically advanced enough at present to be able to make an essential contribution to electricity generation or industrial use in view of the scale of future heating requirements. Flexibility of use, advan-

tages in regard to transport, storage and the preservation of the environment are all points in its favour. Fuel costs are of relatively minor importance and supplies can be ensured far better than with many other forms of energy through the dispersion of sources of supply and stable relations with nuclear fuel of uranium suppliers.

However, we should not overlook the difficulties that are bound to arise (technology, the choice of sites, disposal of waste, the equipment industry, compliance with safety regulations, finance etc.). But none of these problems is insuperable, so that we believe the Commission is right in thinking that nuclear energy could provide at least 50% of our energy requirements in 2000—I stress the word 'could'.

To move on to the subject of coal: the Community Member States have, almost without exception, pursued an energy policy based on the principle of cheap supply in liberalized markets. Principles of planning or planning factors and proposals for a coordinated stand by those concerned were rejected as not being in line with market principles. The result was cut-throat competition between oil and coal, each trying to displace the other. However, coal is still the main home-produced energy source. It is therefore the only source which the European Community has completely at its disposal. As a result of Britain's accession, production was doubled. With a current production of almost 300 million metric tons of coal units and a work force of some 600,000, coal covers about 25% of the Community's primary energy requirements.

Although the mining industry has undertaken a number of rationalization measures, coal has not stood up to competition from oil and imported coal. As a result production was permanently restricted and this developed into a general structural crisis with serious economic, social and regional repercussions. In the past few years two other fields have developed which will also be dependent on supplies of home-produced coal, namely the iron and steel and the electricity supply industries.

In this connection we must remember that even if in the long term two-thirds of the electricity requirements in the year 2000 could, at best, be met by nuclear power stations, with the predicted eight-fold increase in electricity demand a considerable proportion would have to come from coal.

The proportion provided by brown coal and natural gas cannot be increased after 1980, or at least very little. However, as oil is going

**Kater**

though a period of uncertainty because of the market reduction in stocks, coal will still be essential to meet the demand. This means, however, that in our view:

Short-term measures must be introduced for the mining industry in the context of a general energy policy which will halt the permanent running-down process and ensure a period of long-term stability. In order to maintain a safe domestic energy reserve, and in view of the present situation in the coal market and the measures already decided on or introduced, in the long term the mining industry must be guaranteed sales which at least—I emphasize at least—correspond to the present position. At intervals of not more than five years, sales possibilities should be reviewed in the light of market developments and energy policy requirements. Only on this basis can producers and consumers, and also, in particular, employees in the mining industry, plan and implement measures with long-term effects and consider whether they are prepared to go on working in the mining industry.

That, ladies and gentlemen, is the view of my political group, which I am anxious to make clear. I should, however, like to say one thing in conclusion. I think we should establish that the Council in particular should recognize that we must finally come to a decision in the Community, if this objective is to be not only clearly defined but also pursued, to devise a clear and consistent supply policy for each energy source. Such a policy, however, calls for an appropriate series of energy policy measures to implement it, both in the Community and in the various Member States. Instead of isolated national measures on the energy industries, a Community policy must eventually be formulated in the interests of all concerned. We feel this point should be made quite clear in this Parliament.

*(Applause)*

**President.** — I call Mr Helveg Petersen to speak on behalf of the Liberal and Allies Group.

**Mr Helveg Petersen.** — *(DK)* Mr President, on behalf of the Liberal Group I shall make one or two remarks on the three reports before us. Mr Leonardi's report does not adopt any particular position on the hearing of experts held by the Committee on Energy, Research and Technology. I shall simply emphasize one or two points in the report. Firstly, there was some disagreement between the experts on a number of items, for example, the extent of the cutback in oil consumption which will be possible in the coming years. The majority of the experts felt

that the cutback could not be particularly great, they did not think that there would be any great change in our degree of dependence on the suppliers.

In connection with short and medium-term solutions, during discussion of the possibilities of discovering and exploiting new oil sources, there were again differences of opinion; the experts were, however, agreed that oil consumption could not continue to increase at the present rate.

The experts also agreed that nuclear energy offered the best possibilities. They all stressed that it would be possible to avoid the economic or other dangers connected with nuclear energy. This is in contradiction with warnings that have been given by other experts, and the rapporteur, Mr Leonardi, is right to ask whether we can accept the view that there are no dangers connected with this energy source, environmental or otherwise.

Mr Leonardi raises the question of how the citizens in the various countries can be informed of these problems; for the fact is that there is a good deal of unrest and uncertainty regarding the whole field.

The following remarks concern the report by Mr Pintat on a new Community energy policy strategy, but they have also some bearing on Mr Leonardi's report. It is the same topic which is dealt with in both these reports.

The Commission document 'Towards a new energy policy strategy' can be regarded as representing four possibilities:

First, a model project to be implemented by the Member States or the Commission.

Second, a declaration of intent as a basis for an agreement should the energy situation deteriorate.

Third, a first step towards the creation of negotiating machinery vis-à-vis the oil-producing countries in the context of trade talks.

Fourth, a strategy enabling the Commission to play a significant role in the energy sector. The main idea of the new plan, as has been mentioned by other speakers, is based on a cutback of 10% in the growth of energy requirements in the period prior to 1985 and, according to the Commission, this represents a yearly increase in energy requirements of 3.8%.

These figures lead one to ask whether the cutback in consumption could not be larger than the Commission expects.

**Petersen**

The view of the Liberal Group is that this should be possible if stronger measures were taken in a number of sectors. Here I shall merely mention wider consumer information, an increase in research related to energy saving and the whole problem of laying down electricity rates.

It is clear to me that the present time is psychologically right to encourage consumers to save on every form of energy. The oil crisis has made the gravity of the problem quite evident. More and more people can see that the increase in the price of oil has been a very important cause of inflation. Thus the proposed new plan comes at the right time.

I shall now make a few remarks about the various energy sources.

As regards natural gas, the Commission lays considerable weight on the possibilities of increased consumption of gas within the Community and delivery contracts to third countries. It quite rightly stresses that consumption must be selective. As to the use of the producing countries' capital, the acceleration of the exploitation of natural gas will have a far more positive effect on the flood of capital currently being paid to them than any developments in the petroleum sector.

Thus an acceleration of consumption of imported natural gas has a double advantage for the effort to achieve monetary balance.

A moment ago, Mr President, I was informed that there are apparently discussions under way concerning the supply to most of Denmark of natural gas partly from the North Sea, partly from sources within and outside Europe. It is true, as Mr Springorum emphasized, that we are particularly dependent on imports of natural gas and we must therefore pin a great deal of hope on this.

The role of coal seems rather underestimated in the new plan. It is certainly correct that production in the Community can only be stabilized by a large and difficult financial and human contribution. The possibilities of importing coal as well as an increase in gas production on the basis of this primary energy source should be examined in more detail.

Petroleum will continue to supply a large section of primary energy throughout the period until 1980. Therefore the Community's external policy must be the foundation for the new plan so that the producing countries can be encouraged to produce suitable amounts at suitable prices.

The Community's own production from deep-sea deposits will require enormous investments.

This raises various questions. I shall mention a few of them.

What is the economic justification for investing in the petroleum infrastructure if it is to become superfluous after only a very few years?

What investments will the consumers accept in order to counter such a sudden change?

Will these investments be possible?

Since conversion chiefly concerns heavy fuel oil and its derivatives, will this not involve a sudden and fundamental change in the demand structure?

Can the oil industry adapt itself in such a short time?

To conclude, the Liberal Group would like a special effort to be made not only to limit consumption but also to save energy and use it rationally. To begin with, an intensive information campaign is absolutely necessary, as I said before, and information on nuclear power-stations must be given a prominent place.

I fully agree with the remarks made by Mr Springorum a moment ago, and I am quite satisfied with the way in which the Commission deals with this problem on page 20 of its document, where it is stressed that there are three main problems which have to be solved. Considerable stress is laid on the need to ensure that nuclear energy does not endanger public health or the environment.

The measures proposed by the Commission are in particular an analysis to obtain an overall view of the potential effects of radiation in connection with projects for nuclear installations over a 25-year period, and the laying down of basic rules for health protection in accordance with scientific developments in this sector, and also the transportation of radioactive materials, the handling and storage of radioactive waste and security problems connected with nuclear installations.

I hope that the Commission will come to grips with the special problems.

If we do not aim too high, it should be possible to introduce the various forms of energy to a market in which the problems have been reduced to such an extent that they can be dealt with, and in which financial effects will be notable both as regards investment and the balance of payments.

**Petersen**

The stress laid on electricity must be regarded critically from the economic point of view of supplies both to industry and for private consumption.

The Commission should help to introduce a realistic prices policy to enable investments to pay for themselves.

It would be desirable for the Commission to establish contacts with the international oil companies in order to promote rational solutions so that we can escape the tendency to regard the oil industry with suspicion and so, as I said, we may obtain the best possible solutions.

Mr President, I support those who have expressed their gratitude for the Commission's proposal. It is an example of a resolve to action, and now we must hope that the Commission succeeds in converting that resolve into the action so very much needed.

On my group's behalf I fully support the three proposals for amendments embodied in the three reports.

**President.** — I call Mr Jakobsen to speak on behalf of the European Conservative Group.

**Mr Jakobsen.** — (DK) Mr President, the special internal political situation in England means that today I take the floor as spokesman for the European Conservative Group. I do not regret the fact, but I do regret that Lord Bessborough was unable to attend in person. He is a very knowledgeable and very efficient Member, and would certainly have been able to put forward a number of views which would have enriched the debate.

One thing I know is that Lord Bessborough would certainly have liked to thank the Commission, and thank Mr Leonardi, Mr Pintat and Mr Noè, and express his hope for a successful outcome to this interesting and demanding task which they have been entrusted with by their committees.

We can all see from the committees' reports that our three colleagues, as we expected, have put in a lot of work in studying and discussing a series of complex problems concerning the current energy situation and future possibilities open to us.

I shall not go very deeply into Mr Leonardi's report. It has already been mentioned that there was some disagreement between the experts. When do experts ever agree? One thing we can say, however, is that it was unusual for members of the Committee on Energy to have a chance to take part in a meeting which brought

together so many experts from the whole of Europe. May I also add, Mr President, that I was proud to be a member of a committee which was able to call on such a background of expertise. I think that the experts concerned felt themselves quite at home. Some of our members were just as expert as the persons consulted in that capacity. I was not amongst them, but I was glad to find myself in their company.

It was a very rich and productive debate. Even if it was not agreed how it would be possible to cut back Member States' consumption of energy, it was on the other hand, agreed that the next ten or fifteen years should be regarded as critical, not so much for the question of whether energy will be obtainable, but rather to what extent energy supplies will weigh on our economy, in particular the currency balance. This will raise a great many problems and, of course, we hope that there is some foundation to the undertaking given by the Commission and the Council of Ministers that individual countries will not be left in the lurch in this situation, but that the Community will attempt to solve the problem of all the Member States as far as possible.

When we discuss the future, in the short or long term, attention is drawn first and foremost to the exploitation of nuclear energy; but in recent years, coal, too, has gained a prominent place as an alternative energy source, and, of course, there are also expectations regarding oil deposits in the North Sea. I asked the experts to express their opinion of this possible oil paradise. Is there, in fact, so much oil beneath the seabed that our current apprehensions are ill founded? The experts did not deny this possibility outright, and today I should like to ask the Commission whether it has followed recent developments, in particular with regard to the Norwegian exploitation of oil? I recently had occasion to listen to a number of Norwegian experts, including representatives of the Norwegian Government, and they said that the amount of oil that was now beginning to be extracted was certainly equivalent to that in Kuwait, but no-one yet knows just how much lies further to the north of the area already explored.

There is one thing I wish to draw the Commission's attention to—perhaps it is already well known—that is that representatives of the Norwegian Government have repeatedly stated that Norway regards itself as having close links with the west. The Norwegians want to allow the west to benefit before putting their oil onto the international market and I should like to emphasize that the Norwegian Government has considerable influence on the extraction and

**Jakobsen**

distribution of oil. I hope that the Commission will bear in mind that Norway, which is, of course, associated with the Community, can take a particularly prominent place and that this would be a useful card to have up our sleeve when dealing with the other oil-producing countries in trying to hammer out possibilities for the future.

Coal has a part to play in the years to come, while we wait for the oil miracle, the exploitation of solar energy, of the tides, of hydrogen, etc.

Lord Bessborough told Mr Springorum, who had made a serious criticism of the shortage of coal supplies in the UK, that Mr Springorum should not be too apprehensive. Lord Bessborough has conferred with the National Coal Board and it has been affirmed that, by the end of this year, the United Kingdom will have overcome the effects of the strike and will be able to resume its coal exports to coal-importing countries.

Another matter which Lord Bessborough would also have liked to mention here today is the question of how the French expression 'organisme' should be understood. Lord Bessborough would like to know whether the Commission can enlighten him as to what is really meant by the 'organisme' to be set up as, shall we say, a structural basis. Lord Bessborough and others were worried that the 'organisme' might mean the same as 'agency' in English. In the committee, we all hoped that this was not the case, but we should like to be given some clarification of this point. Perhaps this debate would be a good occasion to explain exactly what is meant by the French word 'organisme'.

As to Mr Noè's report which we read with great satisfaction, I think that we are all greatly interested in the light-water reactor to be fuelled with plutonium.

In this connection, I should like, on my own behalf, to make one comment. I feel, though, that I have my group's support. It is important to take into account environmental problems, but it is also extremely important that we politicians, in the individual Member States, in our own parliaments and amongst our own voters, make a serious effort to counteract the propaganda current in all our countries, and undoubtedly mainly politically motivated, encouraging a halt or reduction in the development of nuclear power stations. We politicians must clearly state that we do not dare to take responsibility for not developing nuclear energy as effectively as possible. We must face the dangers, but, after all, life itself is extremely dangerous.

We must not give way if we are to maintain technical progress. It is necessary for us to state this clearly as politicians.

In this connection, I would also like to say that in my own opinion there is a tendency for a number of scientists to appear not as scientists but as political agitators—and they do this in the name of science. We all have the greatest respect for scientists, and so we should. We are glad that they are prepared to tell the truth and to tell it whether we like it or not. But the moment scientists are prepared to assist in political agitation, we can no longer regard them as scientists but as political opponents whom it is our duty to speak out against whenever we can. We shall not stop the development and growth of western civilization because some muddled thinker has told us that we have used up all our resources. We shall continue with our work on the foundations laid down for us by earlier generations.

We should gladly make use of modern technology. We should naturally listen to scientists, but we should first of all decide that they are not to take our responsibilities. We politicians must bear the responsibility ourselves.

My group gladly gives its full support to the Commission's work towards a firmer common policy and the conclusions of the various rapporteurs in this respect.

I shall close—as I began— by saying that we, the members of the committee, are sincerely grateful to the committees' chairmen and rapporteurs for the tremendous amount of work they have done. Undoubtedly, in future, this will make interesting reading for those who are concerned with the matter.

**President.** — I call Mr Bousch to speak on behalf of the Group of European Progressive Democrats.

**Mr Bousch.** — (*F*) Mr President, honourable Members, the energy crisis has clearly revealed the weaknesses of the energy policies, characteristic of which is the excessive importance of oil in relation to other sources of energy and high dependence on imported oil supplies. The savage increases in the price of crude oil have led to deterioration in the balance of payments in most states, affecting basic economic structures so that these must now be adapted, as a matter of major priority in most states.

This situation, says the Commission, leaves the Community open to risks. Factors of production must be adjusted according to changes in the situation and differences in outlook from one

**Bousch**

State to another. Divergent policies and different interpretations of priorities could end by cancelling out the potential advantages of the unity of the common market. To reduce the risk, the Commission has proposed the implementation of an energy strategy at Community level. With the double objective of maintaining the unity of the market and guaranteeing supplies, this strategy is intended to bring about basic changes in energy supply structures in the medium and long term and to make research developments a priority instrument in this strategy.

The Commission communication includes specific statements on long-term objectives for 1985, on the policies to be pursued and their repercussions on investments and costs.

Looking ahead to the year 2000, energy supplies could, in the opinion of the Commission, be based mainly on nuclear energy and natural or manufactured gas. Nuclear energy could then cover at least 50% of total energy requirements and gas about one-third.

Looking ahead to 1985, two demand objectives should be pursued: first, the growth in energy consumption must be reduced without holding back the growth of gross national product. This seems possible through rational energy use and wastage reduction; internal energy consumption could be reduced by about 10% by 1985 compared with present estimates, without depriving the final consumer.

At the same time, electricity consumption must be stimulated, without thereby increasing expenditure on oil, so as to make it account for 35% of consumption as opposed to 25% at present; this would also create a larger market for nuclear energy.

On the supply side, the main effort should, according to the Commission, be made in nuclear energy, which could account for 50% of electricity production by 1985. This would mean building nuclear power-stations with a capacity of 200 GW compared with 11 GW at present. Efforts will also have to be made in respect of solid fuel production, particularly coal, which will have to maintain present production levels at least, natural gas production, of course, and imported gas.

Oil consumption would have to be restricted to specific uses, so that it would reach a highpoint in 1980 and return to the 1973 level in 1985. These objectives would mean a reduction of imported energy from 60 to 40% as a fraction of total consumption, not including the extraction after 1985 of new deposits or of the recently discovered North Sea deposits.

To achieve these objectives by 1985 will require applying genuine supply policies to each energy source, with administrative and financial measures to stimulate certain actions and discourage others, both at Community and national level.

Support for this strategy could, according to the Commission, come from a Community body having legal personality status and financial independence.

Advances in electricity and nuclear energy will depend heavily on more rational use of power-stations and on opportunities to finance the building of new power-stations through an appropriate tariff policy.

Maximum emphasis must be laid on nuclear energy production without, as a matter of principle, falling back on natural gas and oil products. There could however, be substantial outlets for coal.

Following the oil price increases, a large section of Community coal production has once again become competitive. For this reason coal production should be kept at least at its present level. This will require further rationalization and pricing measures and also new research and a policy on wages and on the improvement of working conditions to ensure that mining remains an attractive occupation. A genuine common trade policy could, in certain conditions, stimulate coal imports. Coal would be used primarily in conventional power-stations. In addition, a storage policy, already initiated indirectly by the Commission in its recent proposals which we voted for at the last part-session, would have to be followed up.

Natural gas could meet a quarter of requirements in 10 years from now. This would mean doubling internal production and controlling its use, particularly with regard to electricity generating. Action would have to be taken to stimulate prospecting and to develop imports, and improve transport and storage.

Even if the relative importance of oil will decline it will remain an important source of energy for a long time still; we must therefore have a supply policy that ensures that we obtain the necessary quantities in acceptable economic conditions.

To this end the Commission has proposed a common policy with regard to third countries which import and export oil, the development of reliable oil prospecting and production methods on Community territory and measures to relieve supply difficulties supplementing existing storage and supply arrangements—the provisions of certain draft directives on this subject have already received Parliament's

**Bousch**

approval. Finally, in order to have a well organized market which functions properly, essential data must be provided to ensure transparency by enabling the different operators in the oil market to cooperate on a continuous and flexible basis, particularly within the framework of the Committee on Energy.

The Community measures proposed are not large in number because the intention is not to impose too many restricting regulations; but action has to be taken first of all on competition and industrial combinations, then, as a matter of trade policy, on a common supervision system for the import and export of hydrocarbons; in general terms, a Community system for the harmonization of prices of petroleum products should be based on transparency and publishing of prices, which would be freely determined except in a crisis.

With regard to investment and costs, the Commission has shown that this new strategy would involve considerable expenditure—10,000 million dollars for the period 1975-1985—but that the saving would also be extremely high—about 50,000 million dollars in external payments for the same period. Far from increasing supply costs, these measures would gradually reduce them.

What is our attitude to the Commission proposals? First of all the Commission must be thanked for having made them, for having set new objectives and for having outlined the means of achieving them.

I would also like to thank the rapporteurs: Mr Pintat particularly, Mr Leonardi for his objective observations and Mr Noè for his suggestions. Setting up a Community body will enable the tasks thus defined to be carried out. Forming such a body could be an interesting process. With its status as a legal personality and with its financial independence, it could be a concrete factor in the implementation of this strategy. It would perhaps be helpful if the Commission were to give some indications as to the nature of this body over the next few months.

Of the various strategy objectives, that of achieving more moderate consumption creates a serious problem, the solution to which must lie in attempts to control wastage.

The objective of reducing our dependence with regard to energy is linked to the restructuring of supplies. The difficulties are known; the developments which are possible in nuclear energy are such as to lead to important and lasting changes in structures and working methods. But this nuclear energy policy must

be supplemented by a number of activities in several other sectors: increased production of natural gas from the northern deposits; increased oil extraction from the North Sea, which could reach large quantities—250-300 millions tons—, exploitation of other deposits outside the European countries—Alaska, Indonesia—, which will not benefit the Community directly but will correspondingly reduce demand, improving the competitiveness of European coal production.

This will require such measures as public sharing of expenditure, encouraging rationalization in mining, granting subsidies to mining undertakings, an employment policy, adapting prices and wages to situations.

This price must be paid to enable coal production to make such progress as can reasonably be foreseen.

How demand for coal imports will develop seems to us uncertain. In future the producer countries will have less and less coal to sell particularly of the quality desired by Europeans.

Nuclear power-stations are of course among the most important of the operations to be undertaken. Considerable problems of safety and storage must be solved before they can develop. At the same time nuclear fuel must be made available. With this in view, it is time to reach agreement on the construction of an isotope separator plant.

With regard to investment, the financial burden of the new strategy will be heavy. But, as I have already said, the resultant saving will be large and the investment costs low compared with the long-term saving in foreign exchange. This investment should be regarded as infrastructural investment.

To conclude, the success of this new strategy depends on the adaptation of the measures it contains to a satisfactory external trade policy, and on its flexibility, its capacity to accommodate periodic improvements resulting from acquired experience and developments in the political, economic and social sphere.

We can only welcome the adoption of what may be called a new strategy, but it is one that is not new to everybody, especially not to those of us who have constantly warned national and European authorities against over-dependence on imported energy and against prematurely giving up European sources of energy on the grounds that plentiful supplies at low prices are available elsewhere.

We approve Mr Pintat's report and we are prepared to vote in favour of the proposals for a directive submitted to us.

**Bousch**

Those, my dear colleagues, are the few observations I wished to make on this very important question, one which, it seems to me, will determine future European economic expansion and therefore the future of our European Community.

(Applause)

**President.** — I call Mrs Walz to speak on behalf of the Christian-Democratic Group.

**Mrs Walz.** — (D) Mr President, ladies and gentlemen, the Commission, to which we should once again like to extend our thanks, as we should also like to thank the rapporteurs for their proposals, is taking active steps, in accordance with the views of the Committee on Energy, towards a Community energy policy, the objectives of which Mr Pintat feels are ambitious but not Utopian. I fear, however, that we are in the realm of Utopia, particularly in regard to nuclear energy, which is supposed to supply half our energy requirements by the year 2000, as long as we have not succeeded in changing public attitudes and creating an appropriate climate in public opinion.

The oil crisis, even if only in appearance, was much too short to bring about a change in living habits, apart from cutting down on the use of cars. It has not yet penetrated to the general public that the increase in our energy consumption must be slowed down, that energy must, and can, be saved, until we reach the realm of nuclear fusion, which today is merely a dream. No one knows how 1350 million dollars are to be found for oil investment between 1970 and 1980, if we draw from the profits of the international oil-companies, and in addition 20 thousand million dollars are to be spent on nuclear power-stations by 1980; yet the idea of saving energy still has few supporters and we all live by the motto 'After us, the deluge'.

At least 10% of the energy consumed could be saved on a very short-term basis if it was used more effectively. This would save the Federal Republic the equivalent of 40 million metric tons of coal units or 6 million dollars worth of crude oil, which would not then need to be imported.

As I must be brief, Mr President, I shall not give examples. But as with cars and heating—I wished to include both of these—the public can contribute towards reducing dependence on oil imports. But people must be informed by the individual governments—which after all have adequate funds for information policy—that it is essential to save energy, not only for one's own purse, but also for the sake of the whole economy.

This is made clear by the investments I mentioned above. A sound energy infrastructure will mean that many hopes in regard to the 'quality of life' will have to be kept in the background initially, and the public must be made aware that this is essential if employment is to be guaranteed.

A change in psychological attitudes must be brought about not only in our own habits but also in regard to our main energy source for the future, nuclear energy. Protection of the environment cannot be an absolute requirement. A sound compromise must be found between environmental needs and a effective energy policy.

All the experts at our hearing reiterated the view that nuclear energy was the safest of all forms of energy, even though extensive research into reactor safety must be continued. If the Federal Republic's energy production is to reach 18 000 MW by 1980, sites should be approved without delay for six further 1 300 MW blocks, apart from the nuclear power-stations already under construction or in operation. Is not this objective just as ambitious or Utopian as the Commission's? For when the public, because of its fears for the environment, regards the building of every power-station with extreme suspicion and tries to prevent it or, if this is impossible, to have it delayed for several years, how can the power-stations be built at all? The public will only properly understand the building of energy supply plants when all political authorities, in particular the MP's of constituencies in which such plants are situated, share the responsibility for energy policy decisions, and publicly acknowledge these decisions.

Certainly planning in the various fields must make provision for appropriate environmental requirements. But if our energy supply is to be guaranteed—and it is, after all, the basis of our whole economic life—and not be astronomically expensive, the governments of the Member States must push forward their plans, probably dividing land into residential, industrial and leisure areas.

They will have to find appropriate sites, cut down building time and ensure that approval procedures are not subject to delay. The public must be informed at an early stage. Authorization procedures must be tightened up, and the delays resulting from excessive pressure of work in bureaucratic departments eliminated as a matter of urgency. The technical guidelines must be aligned and authorization procedures harmonized. The aim should be standardization of authorization procedures and ultimately a standard authorization for specific standardized power stations.

**Walz**

All this is only possible, however, if the public understands that this source of energy is an essential prerequisite for employment and, incidentally, for security in old age. We can only hope that the Commission and the national governments, in their plans for this field, take sufficient account of the fact that information and sensitivity are essential requirements for all their plans.

*(Applause)*

**President.** — I call Mr Leonardi to speak on behalf of the Communist and Allies Group.

**Mr Leonardi.** — *(I)* Mr President, I now take the floor on behalf of my group, a point I must emphasize, because otherwise I would run the risk of contradicting what I already said in my capacity as rapporteur. It is precisely to avoid such a contradiction that I want to recall to this Parliament that we have always voted against all the energy programmes submitted during the past years. If we look at the results which have been achieved, we do not consider we were mistaken in voting against these past programmes.

We voted against the previous programmes simply because they were not so much programmes as projections, based on an assurance of a spontaneous growth of strength on which we were unable to place any reliance and which then showed that they were unable to withstand an attack coming mainly from outside. Therefore, as I said before, we were not completely wrong.

Precisely because we always remained consistent, I would like to remind this House that, by contrast, we always voted in favour of the modest provisions adopted by the Commission over the past few years; modest in view of the fact that they have had very little effect. They concerned, above all, the need for information and we supported them because, although modest, they were at least something. They had little effect; all the same, we always voted in favour of them.

Reliance on spontaneous strength has landed us in the situation in which we now find ourselves, as the result of which, over the past 10 to 15 years, the Community has, for all practical purposes, become dependent on third countries for its supply of energy resources and thanks to which it has neglected the development of an internal research effort, not even honouring the obligations inherent in the ECSC and EURATOM treaties, which should have stimulated some progress and rather more effort.

The main cause of what has happened over the past fifteen years has been the large non-Community and multinational undertakings, in connection with which I should recall that already in 1970, a report by this Parliament (Doc. 91) stated that complete reliance could be placed on them (on the multinationals, that is) because they were, without question, in a position to offer our countries the same securities as those offered by Community companies.

This was contained in a document drawn up by this Parliament, and we voted against it; and today, looking at the facts, we can see that this assurance was totally wrong, because these multinationals controlled the prices, they gave us oil at too low a price, and I pointed out at the hearing to the OPEC representative that the oil-producing countries are wrong in saying that we have benefited from low prices for this source of energy. We as consumers have been just as seriously hurt by these low oil prices as they have been as producers. The only ones to have profited from this situation were the multinationals, whose operations have, among other things, made available to them considerable financial resources which they have used against every attempt at monetary union, against the attempt—albeit a poor and inadequate one—of the Community to acquire a certain independence in the world. Moreover, after having succeeded in assuring complete dependence on an energy source which they controlled, the moment the producing countries altered their positions, the multinationals were not able to obtain guarantees, even for a long enough period to allow adjustment to the new situation. In other words, they showed themselves completely unable to provide those very guarantees which this Parliament had attributed to them. As a result of this, we find ourselves in an extremely difficult position and, at the same time, will have to start restructuring not only our energy supplies, but also our economic and productive system, including their infrastructures, while simultaneously facing a worsening of our terms of trade, which will, sooner or later, lead to a transfer of our resources abroad. Since this situation will have differing effects on the Member States of the Community, as Commissioner Simonet has already pointed out, it carries with it the danger of a disintegration of the Community. It is in this context that we must consider the new strategy proposed by the Commission, which should be seen as a policy guideline to be followed by practical measures.

We support the general nature of the document because, if we are to extricate ourselves from a situation such as the one in which we find ourselves, the prime necessity is to make a sta-

**Leonardi**

tement of political intention, which can then be followed by practical measures. I ought to add, however, that it is precisely these practical measures on which the real nature of this political intention will then be judged—it is not enough just to state it, it must also be implemented.

As regards this new strategy, I would like to say that we agree that demand should be restricted to help us to extricate ourselves from the energy shortage which has resulted from the low price of oil. We consider, however, that the 10% reduction in respect of estimated consumption if the situation had not changed, is too little: more should be done in the first few years to take advantage of a situation and a state of public opinion in which it would be acceptable, and this should not be achieved by raising prices, because that, among other things, would be both inflationary and, in our opinion, would not lead to an adequate reduction in consumption, even if what the Commission writes in its document is true, that the 10% reduction, in fact, corresponds to a far greater reduction in final consumption.

We agree with Commissioner Simonet that the present situation of improved availability of oil gives no guarantee that it will last; the situation could worsen again as early as next winter.

We therefore urge the Commission to take steps to contain demand and to do so fairly. This certainly does not involve taking action of Malthusian severity, on the contrary, it is a case of laying the foundations for a new type of development. Whatever happens the Commission should immediately provide for a harmonization and rationalization of energy consumption in such a way that certain common regulations are applied to everyone throughout the community. In this connection, action could be taken to influence public opinion, for example, by joint radio and television broadcasts at a set time so that the whole European population would be urged together and in the same way to make an effort to extricate themselves from the situation of scarcity which has arisen during the past few years.

This action, which could be taken immediately, could facilitate the creation of a political resolve and enable us to remedy the present situation.

We should not forget that the European Community is the largest oil importer and that a reduction in demand would create a new situation in the supply sector because, ultimately, the producing countries also differ one from the other as regards their import requirements and the oil they have available. It is true, as Commissioner Simonet has said, that if these

countries encounter difficulties in making use of the money they are being swamped with, they could reduce the quantity of oil for sale; but it is, at the same time, true that, faced by a Community action aimed at reducing the demand for oil by cutting down on waste, these countries would find themselves in a variety of different positions and some of them could find themselves confronted with the situation—because in the meanwhile the energy supply structure would have had to change radically—of having, in the medium and long terms, oil reserves worth a great deal less than they today think. As a result, their stance would also change, not only in the long term but also in the short term. A great deal, therefore, depends on us.

I do not, however, consider it would be right to link energy consumption to income development, because energy consumption is an internal variable and it is not completely certain that its reduction would lead to a reduction in growth and income. On the contrary, given the required restructuring, the rate of growth could be speeded up. I repeat, we must get away from this idea of binding links between energy consumption and growth of income. We have become used to a certain type of energy consumption; if we change it, income formation would change, for the simple reason that the type of development which has led to the present situation can undergo profound change.

I agree that efforts must be made to change the supply structure. We consider, of course, as I have already said in committee, that the position the Commission takes in the document contains a good part of empty ambition, not so much because the objectives set are unobtainable, but rather because the Commission places too much reliance on spontaneous growth, while what is needed is to encourage public intervention and, as I have said, obtain the support of the population for altering a form of behaviour which has proved erroneous.

We believe that to extricate ourselves from the present situation, a great effort will have to be made, of which the Community, in its present form, is not capable; that it is, however, a step in the right direction that we have realized—if only because we were compelled to—and that the time has come to go beyond making mere forecasts and instead to establish political objectives, even if this alone is now no longer enough, as I recall Mr Springorum observed with regard to the declaration made yesterday by the President of the Council. Now is the time to take action, and it is in this sense that we ask the Commission to do all in its power.

**Leonardi**

In some ways, we approve the document which had been submitted to us. We believe, however, that, when the time comes to move on to implementation, the present Community will not have the strength to achieve the goals it has set itself. This time, therefore, in contrast to all previous occasions, we shall not be voting against the plan, but abstaining; we shall await the practical proposals and, on the basis of them, consider whether the Community is likely to be able to achieve the objectives which have been proposed.

To conclude, I should like to say that we shall be voting in favour of the other document, on the recycling of plutonium, for the reasons set out by Mr Noè, which I am not going to speak about now, because we consider that this initiative is correct.

**President.** — I call Mr Flämig to speak on behalf of the Socialist Group.

**Mr Flämig.** — (D) I shall be brief, Mr President, for I have only one more point to raise on behalf of my group, since we have divided up the work to some extent.

This point is also raised in Mr Pintat's report. Referring to nuclear energy he writes in paragraph 13 of the explanatory statement: 'However, a number of problems, such as major environmental problems, will have to be solved rapidly' and in paragraph 14 'The problem of breeders will also have to be given further thought. There are legitimate grounds for concern about large-scale use of plutonium.'

The Socialist Group has concerned itself with this question. Its standpoint is that the maximum possible protection of the population and the environment against risks from fissionable material must take precedence over the economic use of nuclear energy. We are in favour of the important role played by nuclear energy in ensuring electricity supplies, but before more reactors are built there are a few major problems to be solved; for example the question of cooling, for further heating of the rivers cannot be allowed; and secondly the question of emergency cooling, especially as in certain circumstances fractions of a second are of crucial importance; also the question of the fuel cycle, for example with high temperatures and fast breeders, and lastly the question of the storage of radioactive waste.

It is hardly reassuring to read that a sack containing highly radioactive waste has been found on a rubbish tip at Obrigheim in West Germany. For us the important point is not whether this is the result of carelessness or a deliberate plot.

The police can decide who put it there, just before a Community meeting at which a decision was to be taken on building more nuclear power-stations, and who made sure that it would be discovered just before an international conference on the environment. What is important for us is why the disappearance of a sack containing highly radioactive material was not noticed before, since it was apparently two years old. What is the point of stringent nuclear laws and regulations on protection against radiation and what is the value of international supervision when such things can happen? Is it not noticeable when four samples are taken and only three bags arrive? Or, if all samples are tested and then placed in special safety containers for atomic waste, can somebody remove one bag, without it being noticed?

We must give a warning against carelessness, which can endanger lives. If it is objected that there is no way of preventing sabotage, we would say: preventive measures and wire fences and a few elderly security men are not enough. We call for the immediate introduction of more effective measures for the protection of nuclear installations against deliberate or accidental damage from outside sources, against theft and sabotage, and against fire, plane crashes and natural disasters.

We realize, Mr President, that not every cobalt cancer radiation unit or every bottle containing radioactive isotopes can be kept under supervision. But reprocessing plants for burnt-off fuel elements or plants in which the highly toxic and highly explosive plutonium is produced, processed and stored need more than technical precautions against technical failure. They also need effective protection against sabotage from outside. This cannot simply be added to the price of electricity as a cost factor; it is a public responsibility, and goes far beyond national boundaries.

I ask myself therefore, Mr President, whether it is not an international responsibility to set up an international organization equipped for supervision and protection. I do not know whether such an organization is really necessary, but the Commission and the Member States' governments should—in our opinion— consider the question without delay.

**President.** — I call Mr Normanton.

**Mr Normanton.** — I join my colleagues in offering my congratulations to the three rapporteurs on their reports. I wish I could extend my congratulations to Mr Leonardi's speech not as rapporteur but as an individual Member, but

**Normanton**

I clash rather strongly with him on his personal views.

I have four specific points to make. First, the security of fuel supplies must be dominant in our thinking and paramount in our actions. It has been said that no fuel is more expensive than that which is not available when one wants it. Secondly, there must be cooperation with the oil-producers by all means, but abdication to them, never. Thirdly, the greatest threat to the economic future of the Community lies in the inertia, apathy, lethargy and lack of dynamism in the Community itself. Fourthly, the Community's future in energy supply lies entirely in the hands of the Community itself.

First, then, the question of security. It is clear, following the many debates on the subject in this Chamber, that the key to the long term lies in nuclear energy, the generating of electricity by nuclear reactors.

There can be no doubt in the minds of any of us about that, for the evidence is perfectly clear. But perhaps the choice of system to be used is not quite as clear as some of us would like. In this connection, I draw the attention of the House again to lessons to be learned from the past—from the follies of the past and the weaknesses of our practices, particularly where oil is concerned. So far as is practicable, the fuel for the nuclear generating units must come from indigenous sources, but we know that at present that is hardly possible. The second-best is that it should come from a politically and economically secure source or area of the world, and that is undoubtedly possible. The third-best is that it should be available all over the world, on the basis that the largest number of sources give the greatest security of supply in times of stress.

But whatever we do about the sources of fuel for nuclear power generation, we should constantly bear in mind the lesson to be drawn from the period when European industrialization was started. European industry in the nineteenth century was founded upon indigenous fuel in the form of almost unlimited supplies of coal, and a considerable proportion of the raw materials for manufacturing and processing was also derived from the Continent of Europe.

The time for the latter condition no longer applies, but the need for the former—indigenous fuels—grows greater every day.

I come now to the subject of inertia, apathy and reluctance to change. I draw upon the practice of my own Parliament and declare an interest. I happen to have an interest in diesel engines and their operation. It is not a small

point to be ignored that only ten days ago a department of the British Government under the eminent economist and scientist Lord Rothschild produced a report drawing attention, certainly in the United Kingdom, to the urgent need to rethink and redesign the internal combustion engine.

I need not remind anyone with any knowledge of thermodynamics that the petrol engine is a highly inefficient unit for converting expensive raw materials into traction or motive power. The diesel engine is far superior today. But within that framework I must stress the way in which those who use diesel engines, whether for locomotive, automotive or static installations, totally ignore the considerable savings that are at their disposal with the present state of technology. I quote in the instance of my own country national passenger bus transport.

There is a technology available and there are on the market devices at incredibly low cost which could, as it were, almost overnight cut the cost of combustion in a diesel engine by nearly 20 per cent. But the apathy and inertia of the customer, the way in which he is habitually taking the line of least resistance and raising the cost of his services, results in such technology being totally ignored.

That is something we can do for ourselves without any reference to the supply of oil and the oil countries.

On this point of the cooperation with the oil companies, I think it is not inopportune in this House today to mention that I personally have increasingly become aware of the way in which the recycling of oil revenues is beginning to show effect. It is showing effect in the rechanneling, by the multinational oil companies, of revenues to investments in various parts of the world, including the producer countries, in capacities to produce and distribute fuel oil and its products more efficiently.

This recycling must inevitably commend itself to the producers themselves as a means by which the economic advantage of the oil which is their gold reserve can be made more lasting and effective.

The last point that I would make, bearing in mind the time which is available to me, is simply this. I referred to apathy and lethargy in the Community as if this related to the energy problems facing us. If it related only to these problems it would be a serious indictment of all of us. The apathy to which I draw the attention of this House has nothing to do with energy. It is political. It is the lack of political will which hinders the solving of all the problems facing

**Normanton**

Europe. Therefore I recall Mr Simonet's admonition that the European Community will sink or swim as one. I hope and pray that we shall learn to swim soon, and together.

(Applause)

**President.** — I call Mr Lagorce.

**Mr Lagorce.** — (F) Mr President, ladies and gentlemen, I should like to make some observations, from a technical and then from a political angle, on some points of detail contained in the Commission document on the new energy strategy for the Community.

At the technical level and on the subject of oil, this document states: 'New deposits of oil will come into production, in particular in the Community or in contiguous regions, thus reducing the relative share of the traditional suppliers'.

I believe that these 'new deposits' must include, first and foremost, the seabed. It must be remembered that there are 100,000 million tons of oil under the sea at the 200 meter level alone, which amounts to one-third of workable world reserves.

Oil prospecting is now being carried out at 600 and even 1 000 meters. The Caracas Conference could lead to a breakthrough, not only on the 200 meter limit but also on international rules and regulations on the working of the seabed.

Whatever the case may be, it is anticipated that 30% of total oil production will come from the seabed by 1980. Techniques for recovering oil and gas from the sea are constantly being improved; operations are being carried out at greater and greater depths; they will doubtless be possible at 600 meters in the near future and perhaps even at 1000 meters later. The highest hopes are becoming reasonable.

Last year, I believe, the Commission set up a development fund for deep-sea oil technology. The fund was to receive contributions each year of 25 million dollars, a by no means negligible sum. What happened to this fund? Is it running properly? What results has it shown? That is what I wish to ask the Commission:

Whatever the circumstances, in this area as in many others, more cooperation between European partners is certainly desirable. I believe that such cooperation would be one of the important, indeed one of the essential elements in a new Community energy strategy.

It can only be regretted that this is not expressly mentioned in the Commission's proposals to the Council with reference to the community achieving independence in energy.

Let us take the political angle. I should like to say a few words on the oil companies, which have not been given much attention in this debate, though I must make it clear that I am giving a personal view. The Communication from the Commission to the Council states that the part played by the oil companies is tending to undergo change and that the companies will have to adapt to the new market structures which are beginning to develop.

But then it stresses that they will continue to have important specific functions within a framework of equitable competition.

Then the document mentions the responsibility of the companies which supply the community and proposes to associate the directors of these companies with the deliberations of the appropriate authorities, by means of concertation in a dialogue which, it is hoped, will prove fruitful.

We have got both feet firmly planted in the philosophical world of Voltaires' *Candide*, my dear colleagues, where everything is, and will continue to be, for the best in the best of all possible worlds. We give the oil companies our entire confidence, as if we were dealing with charitable organizations, with benevolent institutions that had nothing but the public interest at heart, and we cheerfully forget that their sole reason for existing, as they have plainly shown, is profit, the accumulation of profit, profit and more profit.

But I seem to have brought up a taboo subject. I put a written question to the Commission a few months ago asking it to state what profits had been shown by the seven main world oil companies over the last three years so as to be in a position to verify the extraordinary rise in their profit curves. The Commission's answer was that it was not in a position to know what these profits were. If the Commission had read the French newspaper *Le Monde* at the time, it could have had the information which I was asking for and, coming from the Commission, this information would have carried official weight, but perhaps that was what the Commission wanted to avoid.

Well then, let us give the oil companies our confidence, since that is what we are asked to do, just as the Commission document says, and leave them free to fix their prices. Let us accept, and I am still quoting, that 'the national and community authorities would be empowered to intervene only in the event of market pressures which might result in movements of a speculative nature or if the policy pursued is likely to compromise certain of the community's energy policy objectives'. Given the context of this discussion and the climate of this Assembly

**Lagorce**

I don't mind, but having reached an age where there is no more room for illusions, I cannot help being sceptical.

So let us grant that the existence of the oil companies, as indeed of all the other monopolistic multinational undertakings, is indispensable in the world of 1974 and even in the world of 1985, which is the one we have in mind for the new energy strategy we are getting off the ground.

Allow me nevertheless to deplore the fact that in a debate of this kind no reference has been made, to my knowledge, except in the speech by Mr Simonet, to the possibility of solutions involving the oil companies, solutions such as a majority state shareholding in the companies, which would have enabled the states to supervise their activity, curb their influence and control their growth which, if care is not taken, threatens to lead to the emergence of states within the state. Even so, I shall not follow my idea through to the end, I do not wish to speak of nationalization, a solution which is familiar, even here I believe, to all those who claim allegiance to the left.

I shall confine myself, for the purposes of this discussion, to raising the problem of the oil companies, a problem which does not seem to me to have been adequately studied in the text submitted to us, and to raising, in this connection, the problem of the multinational undertakings.

I am sure that if we wish to succeed in creating a Europe which is more than a Europe of trusts and capital, of experts and technicians, not to say technocrats, a Europe where money and profit are not always given fundamental priority, but rather a Europe of workers and peoples, one that is truly democratic, then this question will one day have to be raised and resolved in this very place, without ambiguity, but with frankness and courage.

*(Applause)*

**President.** — I call Mr Simonet.

**Mr Simonet.** — *(F)* Mr President, as I had the opportunity to state the Commission's outlook in general terms when presenting this document to the House, I should like to be very brief in my answers to a number of questions which have been put to me.

I must first of all thank all the Members of Parliament who spoke and who gave their approval to the document as a whole and those who proposed amendments and suggestions

which we shall find useful when we come to draw up more detailed texts.

It would be difficult for me to deal in detail with many of the questions I have been asked, given that they raise a range of problems which normally would be the subject of a debate in themselves and which should, in any case, be discussed subsequently by this House. I am thinking particularly of certain questions asked by Mr Van der Hek and, more particularly, of his questions concerning the problem of the balance of payments of the Community Member Countries and the ways in which equilibrium might be maintained. I myself, in my introductory statement, put a lot of emphasis on the anxiety this balance of payments problem could cause. I shall confine myself for the moment to saying, in a debate on energy policy, that the producer countries must help contribute to restoring a balance, perhaps by adjusting their prices—this is not a certainty—but certainly by increasing their absorption capacities, which is to say, improving the rather restricted opportunities a number of them have of providing outlets for the products and services of the industrial countries, particularly the Community countries, which would enable them to use part of their accumulated surpluses in ordinary trade.

With regard to the surpluses, the problem of imbalances in the Community Member States must, I believe, be related to the overall problems of imbalance which have emerged in the European economy in the past months, especially problems of inflation. With regard to relations with the United States, I have already expressed the fear that, desirable and necessary though they are, they might perhaps lead to a split within the Community between certain Community Member Countries.

As far as I am concerned, the choice before us is not as clear-cut as Mr Van der Hek described it. It is not a matter of the Community having to choose between either total collaboration with the producer countries or aligning itself with other industrialized countries against them in order to apply pressure on prices.

I believe action can be taken at both levels in this matter.

On the one hand, some problems are matters of common interest to the industrialized countries and they must adopt a collective stance on these. I shall mention two. First, there are the problems of rationalization of energy use. It is a fact that the United States alone uses one-third of all energy consumed worldwide, it is therefore in our interest to work out ways of solving the problem with that country. On the other hand, it is equally in our interest to

**Simonet**

discuss with other energy-consuming countries how a system of distribution of oil resources could be operated in the event of renewed shortages. This does not preclude those talks with the producer countries which I spoke of previously, although we must not expect too many short-term results. I stress that it is not a matter of choosing one of two ways, to the exclusion of the other, but that it seems to me rather that the Community can readily operate at both levels.

On price policy, I should like to say that in the present state of the Community and of its energy plans, there is no question—there could not possibly be, in any case—of depriving one Member Country of the freedom to determine the price of a basic energy product produced there; I refer specifically to natural gas, which I think is what Mr Van der Hek was concerned about.

Our concern must be with ensuring that excessive disparities in price systems do not arise within the Community—we are thinking particularly of the prices of oil products—so as to create, in periods of shortage, distortions in trade such as we experienced during the months of energy crisis, when oil products were exported to countries with liberal systems to the detriment of countries with controlled prices. Let us say that prices are our first and basic preoccupation, at least at an initial stage.

On the subject of nuclear energy, various speakers have expressed anxiety to which I should like to respond very briefly.

There is first of all the problem of the capital equipment industry. I spoke myself of the need to try to make an integrated effort at European level and to avoid the dispersion of undertakings when planning and building reactors. It is true that the United Kingdom appears to have decided in favour of a type of reactor which does not seem to have reached the operative stage, as is the case with light-water reactors, for example. I hope the choice made will prove to be the right one and that it will not involve too great a delay in the implementation of the nuclear energy development programme. I myself fear that the development of nuclear energy would be compromised in that country if, by some mishap, the choice made were not, contrary to what I should wish, the correct one.

I would repeat that in one way or another we must at a given moment be able to persuade European industry to coordinate its efforts so as to guarantee that it can cover the increased demand for this type of equipment which is bound to result from the priority we are giving to nuclear energy development.

With regard to enriched uranium, the problems which arose at a particular time for Urenco and Eurodif have been settled because at present we are facing, I shall not say the threat, but certainly the possibility of imbalance arising between supply and demand. I had occasion to give an answer at some length on this matter to the speakers who were dealing with the situation in this area.

There is a final problem on which I should like to say a few words. It is legitimate for Parliament to show concern for the repercussions on the environment of nuclear energy development. The Commission is in the process of preparing a document on the problem as a whole in which an attempt will be made to solve the problem, or at least to make a start on doing so, from the point of view of environmental protection, which has not been the case until now. It will have to study all the implications of the considerable effort we wish to make in energy policy while attempting to safeguard environmental matters of legitimate concern.

That, Mr President, is all I wish to say, not to prolong this debate unduly. I would add that in the months to come Parliament will again have ample material for debate, in that the Commission will work out specific proposals which will normally require a decision of principle by the Council of Ministers.

Before finishing, I wish once again to thank all those who have been good enough to commend the work of the Commission and I can assure them that their appreciation is seen not merely as a commendation but as an encouragement to continue the task.

*(Applause)*

**President.** — Does anyone else wish to speak?

The general debate is closed.

I put the motion for a resolution contained in Mr Leonardi's report to the vote.

The resolution is adopted.<sup>1</sup>

We shall now consider the motion for a resolution contained in Mr Pintat's report.

I have no amendments or speakers listed on the preamble and paragraphs 1 and 2.

Does anyone else wish to speak?

I put them to the vote.

The preamble and paragraphs 1 and 2 are adopted.

<sup>1</sup> OJ No C 93 of 7 August 1974.

**President**

On paragraph 3, I have Amendment No 1 by Mr Lagorce and Mr Van der Hek and worded as follows:

Reword paragraph 3 as follows:

3. Considers that every effort should be made to develop Community energy sources and to encourage research into new energy sources and, if necessary, appropriate measures, including long-term investment, and comprising the development of domestic energy sources, should be encouraged and supported, bearing in mind the protection of the environment;

I call Mr Lagorce to move this amendment.

**Mr Lagorce.** — (*F*) Mr President, this amendment has a double objective.

The first part proposes the incorporation in paragraph 3 of the phrase: and that every effort should be made 'to encourage research into new energy sources'. There is of course the tendency at present to change from 'all oil' to 'all nuclear'. This appears to be the reasonable solution for the future. Yet Mr Pintat in his report, though only in the explanatory statement, recommends that very substantial allocations must be made forthwith for research into new energy sources such as geothermal energy, solar energy and others.

These energy sources are of course marginal at present but who can say that they will remain so and that they will not become competitive in the short or at any rate in the long term? I am reminded of the peremptory statements of the distinguished French statesmen of the last century who did not believe in the future of the railways and who later did not believe in the future of the aeroplane nor of the motor car nor of the cinema. 'The future belongs to no-one' Victor Hugo said, 'the future belongs to God'.

Besides, where I am concerned, I am one of those who believe that money given to research, even if the research does not immediately produce practical solutions, is not money wasted. It is in order to stress this point and to develop an idea contained in Mr Pintat's report, that I am proposing the incorporation of this first phrase.

The second part of my amendment proposes the incorporation of the words: 'bearing in mind the protection of the environment'.

It is a matter of giving shape to preoccupations that the politicians of our time ought to share. You may retort that environmental protection has no part to play in energy strategy. But I am myself the draftsman of an opinion for the Committee on Energy of a text entitled Energy

and Environment, which shows that the two ideas are linked. That is why I am asking for the incorporation of this phrase.

In fact, Mr President, two amendments ought to have been put forward. I have only made one. There should perhaps be separate voting, because two different ideas are involved. The amendment taken as a whole may spoil the style of paragraph 3 but I do not think we are here to write works of literary merit.

**President.** — What is the rapporteur's position?

**Mr Pintat, rapporteur.** — (*F*) Mr President, if the amendments submitted had been intended to change the sense of paragraph 3, our committee would have taken an unfavourable view. But given that the two ideas put forward by Mr Lagorce and Mr Van der Hek intensify the meaning of our text, we are favourable to this amendment.

Research into new energy sources was one of the aspects we stressed in our report. In particular we asked for more finance to be provided for new energy sources. If we want these to be competitive by the end of the century we must deal with the matter now, because there is a considerable problem of inertia in the field of energy and solutions take a long time to be applied.

Environmental protection is a matter which has not escaped the attention of your committee. It is clearly indispensable for the prevention of accidents, particularly in the nuclear field, for it is certain that an accident there would give rise to serious prejudices against the programme which our committee is proposing.

The members of our committee are therefore unanimously in favour of this new wording of Article 3 and we can adopt both the proposals made by our two colleagues at the same time.

**President.** — I call Mr Noè.

**Mr Noè.** — (*I*) I am in agreement with both of the amendments. I should merely like to make an appeal to expand research into alternative sources of energy, but on condition that they are coordinated within the Community, to avoid a duplication of effort.

I mention this because, in April of this year, an article was published by an American who showed that research for extracting hydrogen by thermo-chemical means had cost 40% more simply due to lack of coordination. I am thus in agreement, but I should like attention to be given to the need for the Commission to take steps to avoid duplication of effort in research.

**President.** — I call Mr Springorum.

**Mr Springorum.**— (D) May I propose adding the following word: '...and to encourage *co-ordinated* research into new energy sources'.

**President.** — I call Mr Lagorce.

**Mr Lagorce.** — (F) I shall speak on the same lines as our chairman. Research has to be encouraged and coordinated. That is the point of the wording I have proposed and of the matters raised by Mr Noè.

**President.** — I put Amendment No 1, tabled by Mr Van der Hek and Mr Lagorce, orally amended as follows, to the vote:

Amend 'research into new energy sources' to read '*coordinated* research into new energy sources'.

Amendment No 1, so amended, is adopted.

I put paragraph 3, so amended, to the vote.

Paragraph 3 is adopted.

On paragraphs 4 to 13 I have no amendments or speakers listed.

Does anyone else wish to speak?

I put them to the vote.

Paragraphs 4 to 13 are adopted.

I put the motion for a resolution as a whole to the vote.

The resolution is adopted.<sup>1</sup>

We shall now consider the motion for a resolution contained in the report by Mr Noè.

I have no speakers or amendments listed.

Does anyone wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

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

**President.** — I have received from Mr Amendola and Mr Lemoine, on behalf of the Communist and Allies Group, a motion for a resolution on the granting of an amnesty to war criminals.

This document will be printed and distributed under No 200/74 and referred to the Legal Affairs Committee.

<sup>1</sup> OJ No C 93 of 7 August 1974.

#### 6. *Verification of credentials*

**President.** — The next item is the verification of credentials.

At its sitting of last Monday Parliament was informed that the Luxembourg delegation had been renewed and that the following were appointed as Members: Mr Dondelinger, Miss Flesch, Mr Glesener, Mr Hansen, Mr Lucius and Mr Meintz.

I have also been informed that the French National Assembly has appointed Mr Cointat and Mr Zeller to replace Mr Jarrot and Mr Rossi.

Meanwhile I have also been informed that the French National Assembly has appointed Mr Carpentier to replace the late Mr Vals as Member.

At its meeting yesterday, the Bureau examined these appointments and made sure that they comply with the provisions of the Treaties.

It therefore asks you to ratify these appointments.

Since there are no objections, these appointments are ratified.

#### 7. *Election of a Vice-President*

**President.** — I have received from the Socialist Group the nomination of Mr Hansen as candidate for the seat of Vice-President of the European Parliament which had become vacant following the resignation of Mr Wohlfart.

As only one nomination has been received for the vacant seat, I request Parliament, pursuant to Rule 7 of the Rules of Procedure and if there are no objections, to elect Mr Hansen by acclamation.

(*Applause*)<sup>1</sup>

I declare Mr Hansen Vice-President of the European Parliament and congratulate him sincerely on his election.

#### 8. *Membership of committees*

**President.** — I have received from the Socialist Group a request to appoint Mr Hansen to the Committee on Budgets and the Committee on Agriculture, and Mr Dondelinger to the Committee on Social Affairs and Employment, the Committee on Development and Cooperation, the Parliamentary Conference of the EEC-

**President**

AASM Association and the Delegation to the Parliamentary Committee of the Association with the East African Community.

I have received from the Liberal and Allies Group a request to appoint

— Mr De Clercq to the Committee on Regional Policy and Transport to replace Mr Berthoin;

— Mr Pintat to the Committee on External Economic Relations to replace Mr Bange-  
mann;

— Mr Bangemann to the Committee on Budgets;

— Mr Meintz to the Committee on Cultural Affairs and Youth to replace Mr De Broglie.

I have also received from the Group of European Progressive Democrats a request to appoint Mr Cointat to the Committee on Public Health and the Environment and to the Committee on Energy, Research and Technology.

Since there are no objections, these appointments are ratified.

### 9. Order of business

**President.** — Honourable Members, pursuant to the decision of the Assembly on the order of business, I propose to postpone the remaining items on the agenda to tomorrow's sitting.

Are there any objections?

I call Mr Thomson.

**Mr George Thomson, member of the Commission of the European Communities.** — Mr President, would it be possible to take the next item on the agenda before we adjourn for today? It is the Oral Question with debate initiated by the Christian-Democratic Group. Very few people wish to speak, and I wish to make a brief statement on behalf of the Commission. Arrangements were made to hold the debate today, and, despite the difficulties of time and the burden on the staff, whose efforts we all deeply appreciate, I hope that because it will be so short it will be possible to clear it off now.

### 10. Oral Question with debate: regional policy

**President.** — In order to comply with Mr Thomson's request, and with the approval of the Assembly, we shall now consider Oral Question with debate, pursuant to Rule 47 of the Rules

of Procedure, by Mr Creed on behalf of the Christian-Democratic Group, on regional policy (Doc. 142/74). It is worded as follows:

Can the Commission give an up-to-date assessment of the progress with regard to its proposals on regional policy and its plans for maintaining momentum towards the implementation of such a policy?

I call Mr Mitterdorfer to speak to the question.

**Mr Mitterdorfer.** — (D) Mr President, ladies and gentlemen: my colleague Mr Creed, who is unfortunately not able to be present this evening because his responsibility to his national Parliament has called him back to Ireland, has asked me to introduce this Oral Question on his behalf. He wishes to apologize to the House for his absence.

I think I have no need to refer back to the many debates on regional policy that have been held in this Parliament. I shall, however point out that in a debate on a question to the Council on behalf of the Committee on Regional Policy and Transport, five months ago, we said that it was high time we gave evidence to show that the Community is still viable and can still achieve its objective.

Many of my colleagues expressed this view on that occasion and stressed that regional policy measures by the Community could constitute such evidence—evidence that would prevent the people of Europe from abandoning the European ideal in resignation. My attitude that day was somewhat pessimistic, and this has unfortunately—some months later—proved to be justified. However, this does not afford me any satisfaction; far from it. It was easy enough to make prophesies. The deadline of 31 December 1973 for the establishment of the Regional Development Fund set at the Summit Conference already proved impossible to comply with at the Council meeting of 18 December. Today the deadline is long past and there is no reason to suppose that the Council is still willing to make an effort to set up this fund.

It is true that the Council has tried repeatedly to raise a glimmer of hope. And even now the European public, in, if I may say so, a summery frame of mind, is being given great hopes for the future regarding all aspects of integration policy. Unfortunately however, this does not include regional policy or the creation of a regional fund. These do not appear in the Community's action programme at the moment.

Furthermore it must be pointed out quite seriously that the general situation in the Community has not improved at all this year. In

**Mitterdorfer**

some Member States the economic position has deteriorated dramatically; I am thinking in particular of Italy. If the regional fund had been set up as intended and promised, although the crisis could certainly not have been prevented, it would have been a means of avoiding the present exacerbation of the situation, a situation which could quite possibly have an effect on the Community.

We might consider that if we had had a regional fund by 1 January 1974 many of the unilateral measures undertaken by individual Member States, which reached the limits of the common market's capacity, would not perhaps have been necessary in the first few months of 1974. I should point out in this connection what the chairman of the Committee on Economic and Monetary Affairs said in the debate of 13 June: that the Member States must develop a determination to take certain measures on their own initiative, but that this action must be supplemented by appropriate Community measures. And what could have been better than the Community regional fund? The chairman also said that we were extensively committed to expressing this solidarity.

Mr Creed therefore thinks that we should first ask the Commission what is the position in regard to its proposals on regional policy and request more information about its plans to give further impetus to this policy, which has, regrettably, been pushed into the background.

In my opinion there must finally be a breakthrough towards a Community regional policy in the second half of 1974. The public knows too much about the creation of the Fund, for the inhabitants of the underdeveloped regions to believe that the building up of the fund, the capital to be provided and its destination, in other words the beneficiaries, would present such serious technical difficulties that the initial step, the creation of a European Regional Fund, would simply not be possible.

I should point out that we have always regarded the fund as only one means among many. With this in mind I would also ask the Commission what possibility it sees of extending aid to the most underdeveloped regions in the Community, quite apart from finding solutions to the many political and technical problems involved in the creation of a fund. It should take steps to enable structural shortcomings in the broadest sense to be eliminated so that these regions can share in economic and social progress, the promotion of which is one of the supreme objectives of the EEC Treaty.

(Applause)

**President.** — I call Mr Thomson.

**Mr George Thomson, member of the Commission of the European Communities.** — I am grateful to you, Mr President, for your patience in allowing this debate to take place at this late hour of the evening. I am grateful to the Christian-Democratic Group for raising this question and drawing attention, as Mr Mitterdorfer has done so eloquently, to the lack of progress being made on the Commission's proposal for a Community Regional Development Fund. It was important that this Parliament should discuss this matter before the long summer recess.

This brief discussion enables me to underline how committed the Commission remains to the need for a regional development strategy armed with effective instruments for ensuring a fairer spread of prosperity throughout Europe.

Perhaps I can start by simply reminding Parliament where the Commission's regional proposals stand at present. At the Council of Ministers' meeting on 4-5 March, I stated the Commission's readiness to present to the Council new compromise proposals in a search for agreement around the Commission's original proposals for a regional development fund. The Commission's new suggestions would have involved a smaller fund, but a greater concentration of the fund on the three Member States—Ireland, Italy and the United Kingdom—that are generally recognized as having the worst regional problems. In the case of the United Kingdom over a three-year period it would have meant an entitlement of about 400 million units of account and for Italy and Ireland proportionately greater sums. When working out this compromise we have taken particular account of the views expressed in this Parliament so frequently by Mr Mitterdorfer and others in respect of the importance of concentrating the resources of the fund further on those regions where the need is greatest.

The truth is that since then the Community has been marking time over what is by far its most important new policy commitment. The reasons for this hold-up are well known. It is due partly to the fact that there has been an unusually large number of new governments coming into office over the past few months; but it is also due to the particular situation created by one of those new governments, the British Government, with its request for changes in its arrangements within the Community. Since this raises questions of the pattern of both revenue and expenditure within the Community,

**George Thomson**

I suppose it is inevitable that the British Government and a number of other Member States should wish to wait and see how a substantial new spending proposal such as is represented by the regional fund fits into these discussions.

Having said that, I recognize that this is deeply disappointing not only to the Commission but to this Parliament, which worked so hard and earnestly last year to keep to its side of the contract with regard to the timetable.

All of us concerned in this work are particularly conscious that, as Mr Mitterdorfer has said, the real victims of the delay are the poor and underprivileged in places like the Italian Mezzogiorno, Ireland and some of the black spots of industrial decline in my native Scotland and other parts of the United Kingdom. But the unfulfilled expectations of the poorest of the poor in Italy and Ireland are in a special category because they have no responsibility for the situation which has arisen, which is holding up the decision-making on this matter, and it is important that they should be reassured that what they face is merely a delay in their hopes of help from the Community and not any long-term postponement of those hopes.

It would help, I believe, in sustaining their confidence if Member States were to take every opportunity to make sure that the Community will not be able to move forward again without a regional policy and that the commitment of the Paris Summit Conference to set up a regional fund stands absolutely.

In this connection I hope that the British Government, for their part, will feel able to say that, without prejudicing in any way the outcome of their negotiations with their partners in the Community, a Community regional fund would be an essential part of any Community of which Britain remained a member. Such a declaration would be welcomed by those of the partners who have most to hope from the setting up of the fund and have problems arising from an understandably discontented and disappointed public opinion.

Mr Mitterdorfer urged the importance in the meantime of maintaining the momentum. I therefore ask, with him, whether there are no other steps that we can take.

In order to fill the present hiatus, to take advantage of the breathing-space, we must give greater regional priority to existing Community instruments such as the Social Fund, the Coal and Steel Community funds, and the operations of the European Investment Bank and of the EAGGF with policies such as hill-farming which

will be so helpful in a number of the agricultural priority regions.

One asks whether this is more than can be done. The President and I, on behalf of the Commission, at the last meeting of the Council stated that regional policy remained one of the priority subjects for the Commission. The President undertook that the Commission would engage in bilateral discussions with the governments of the Member States in order to explore possible solutions which they could put at the right time to the Council. This is what we are now doing.

In the meantime, we are trying to give a greater priority to our studies programme, for which we have existing resources, and we are trying to divert these studies from academic and theoretical subjects to providing a direct contribution to the giving of jobs, so that when the fund is set up a good deal of useful spade-work will have been done.

Thirdly, we are giving renewed attention to that special category of regional difficulties, the trans-border problems faced by those who live on the internal frontiers of the Community. I know that the regional and transport committee of Parliament is also working on this. I have asked my services urgently to prepare a report on the various trans-border situations throughout the Community. I hope that our work will be of assistance to them and Parliament in creating a kind of climate which will help to deal with creating a truly human community.

Finally, the Commission has set up an inter-departmental working party to see if we can create more effective internal machinery to assist in the transfer of investment resources from the more prosperous to the less prosperous regions of the Community.

I recognize that these are mostly modest ways of maintaining a momentum and are certainly no substitute for a Community regional development fund and a regional policy committee that will tackle the job of coordinating national regional policies and shaping a comprehensive and coherent development statute for the whole Community.

Nevertheless, I hope that even in this brief statement I have said something to show that the Commission is doing its utmost and that we and this Parliament are allies in this work. We are doing our best to make progress so as to be ready to seize the right moment to get the Council's decision, which will get the Community moving again, together with the institu-

**George Thomson**

tions that must go with this work, so that we can attain the objectives that we have set ourselves.

(*Applause*)

**President.** — Thank you, Mr Thomson.

I call Mr Gerlach to speak on behalf of the Socialist Group.

**Mr Gerlach.** — (*D*) Mr President, may I say first of all that I can only think that the question put by Mr Mitterdorfer on Mr Creed's behalf was submitted before the statement by the new President of the Council.

I should like to remind the Assembly—and Mr Thomson—that in front of this Parliament the President of the Council laid down completely different priorities. The Commission's efforts must certainly be acknowledged but after my colleague Mr Fellermaier had pointed out that the President of the Council had scarcely said anything about the internal structure of Europe and Mr Bertrand had laid great emphasis on the question of regional policy, the Council did not mention this at all in its answer.

Thus the Commission's good will must be acknowledged and Parliament's efforts recognized again. I should like to draw attention to the reports by Mr Delmotte. I am also grateful to Mr Thomson for the information that Mr Mitterdorfer and I—allow me to mention both names, and include my own name with them—wish to submit a report on the question of border regions at the internal borders of the Common Market, and more particularly also at the external borders, which will support the Commission's efforts.

We also note that we have no regional fund, and that the President of the Council was unable to say anything about the date by which a fund could be set up.

But we would give an assurance that we shall make every possible effort to support the Commission and also act on our own initiative.

For this reason we welcome the fact that this issue has been raised once more. The question should in fact have been addressed to the Council, and the Council should have defined its position on the matter on Tuesday, or Wednesday at the latest, although this would have been done through the representative of the President. The answer would have given us some idea of the Council's actual intentions and not just of the Commission's commendable aims, which we nevertheless noted with gratitude. Once again we assure the Commission of our support in this matter.

**President.** — I call Mr James Hill to speak on behalf of the European Conservative Group.

**Mr James Hill.** — Today the expression, 'Those whom the gods wish to destroy they first send mad', seems to be applicable here, for that is, I think, what the gods of the Council of Ministers are doing to this Parliament. They have not produced any firm policies. Mr Creed rightly says that the Commission should give an up-to-date assessment, but I especially agree with Mr Gerlach that this is a matter for the Council.

We cannot avoid the fact that one Member State is carrying out renegotiations. They are going on all the time, as are other expressions of our work. At the moment, for example, there is a petition for industrial development in the French area of Toul. We have in my committee much information from our various delegations concerning different regions, and a report will come out in 1975. We have the report of the delegation to Ireland, which may have been why Mr Creed put forward his question. Then we have in preparation the important initiative report by Mr Gerlach and Mr Mitterdorfer on internal and external frontier problems, which the Commission is now claiming as its own idea, so it must be a sound idea. Nevertheless, the Committee on Regional Policy and Transport is putting forward initiatives of its own on these transborder problems. Another delegation is going to the German-Danish frontier. So renegotiations are going on and documents are piling up.

I want to say a brief word about the British Government because so much is linked with it. We are aware that the present Secretary of State for Industry is an anti-Marketeer. In a debate in the House of Commons last week on a draft decision of the Council on regional policy and dealing with the Regional Development Fund, the Secretary of State made a deplorable opening speech, which was a set preamble, and took no further interest in the debate. We must point out from this plenary session that the Federal Republic of Germany, whose idea of concentration was accepted by the Commission, caused a brief time-lag which unfortunately brought in another Member State government.

One cannot say that the whole of the British Labour Party is against all these things. Indeed, during last week's debate in the House of Commons many Labour Members showed themselves most anxious to get a regional development fund in order to help some of the less prosperous areas, in which most of their constituencies lie.

It is up to the Council of Ministers to answer. The Commission must put further pressure on the Council and, with us, do all it can to make the Council in September come forward with a statement on regional policy.

**President.** — I call Mr Yeats to speak on behalf of the Group of European Progressive Democrats.

**Mr Yeats.** — It is not necessary for me to retrace the chronology of events leading to the present stopped-clock position with regard to the creation of an adequate regional development fund. No progress has been made since January 1974, when the Council of Ministers reached the present *impasse*. The lofty ideals, as expressed in the Paris Summit communiqué heralding the second stage of Community development, have remained a dead letter. Member States have failed to recognize the crucial importance of regional policy for the continued economic and social growth of the Community.

Before going on to deal with the reasons for the present *impasse*, I should like to stress that the blame does not lie with Commissioner George Thomson and his department, who worked well within the deadlines laid down for them by the Paris Summit Conference. They brought forward proposals which many of us did not find wholly satisfactory but which would nevertheless have led to the creation of a genuine regional policy.

Never in the history of the Community have we experienced such political unrest and instability as we have had over the past 12 months. There has been a change of government in almost every Member State, a development that, inevitably, has had an effect on the extent of Community commitment. We must, I think, be realistic about these matters, and we cannot therefore ignore, in particular, the far-reaching effects of the change of government in Britain. The British demand for renegotiation entails a questioning of the basic principles of the Rome Treaty and is already in many fields—including that of regional policy—leading to an absence of decision and a weakening of European solidarity.

I should like to ask the Commissioner whether the demands by the United Kingdom for renegotiation will lead to any whittling away of his latest proposals for a regional policy. Are we to take it that no final decision on the regional fund can be taken until this so-called renegotiation has been completed? Are we to take it that the size and scope of the regional fund is to be made dependent on ultimate decisions with regard to the contributions that Britain and other countries will make to the budget of the Community? Are we to take it, in other words, that the creation of the regional policy, that vital cornerstone of the entire future development of the Community, is to be delayed, if not indefinitely, then for a considerable length of time?

There is undoubtedly a sense of deep disappointment amongst the peoples of the less well-developed regions of the Community. We all know that the enemies of the European ideal have always decried the Community as an instrument for making the poor poorer and the rich richer. They will certainly use any further delay in the creation of a regional fund as a justification of all they have said in the past.

We must, all of us, make up our minds once and for all that it is intolerable that there should be whole regions on the periphery of our Community where income per head of the population is only around 40 per cent of the Community average.

It must not be thought that those of us who come from such regions are marking time while waiting for subsidies at other people's expense. A delegation from the Committee on Regional Policy and Transport recently visited my own country of Ireland. It was, I think, greatly impressed by the extent and scope of existing regional development planning, both at central and at local government levels. I think it is also fair to say that it discovered a strong and general sense of disappointment at the failure of the Community to reach agreement on the creation of a regional fund.

The essential problem that we face is that Ireland's intervention capacity is clearly inadequate if it is to give effect to the various plans already being put forward at both national and local level. We have been doing our work in full awareness of the problems to be solved, but the full results of these projects will largely depend upon early assistance from an adequate regional development fund.

I had hoped today that we might hear some words of hope from Commissioner Thomson, who has worked so hard for the realization of this vital element in the basic conception of our Community. That he has had so little encouragement to give is, I think, not his fault but the reflection of a deep *malaise* in our Community.

**President.** — I call Mr Broeks.

**Mr Broeks.** — (NL) Mr President, in my opinion there is absolutely no point in continuing this debate. Everyone is agreed that the questions have been wrongly addressed, and should have been put not to the Commission, but to the Council. It is therefore in my opinion better to close the debate now and put the same questions in September to the Council, where they belong. Then we will at least have reasonably rounded off this debate.

**President.** — I call Mr Gerlach.

**Mr Gerlach.** — (D) Mr President, further to the proposal by my colleague Mr Broeks, may I propose that this question and the outcome of the debate be forwarded to the Committee on Regional Policy and Transport, so that an oral question with debate can be addressed to the Council on this basis.

**President.** — The Bureau takes note of Mr Gerlach's request.

I have no motion for a resolution on this debate.

Does anyone else wish to speak?

The debate is closed.

#### 11. *Agenda for next sitting*

**President.** — The next sitting will be held tomorrow, Friday, 12 July 1974, with the following agenda:

*9.00 a.m. to 12 noon:*

— Second report by Mr Flämig on the revision of the multi-annual research programme;

— Report by Mr Lange on textile names (without debate);

— Report by Mr Klepsch on arrangements applicable to trade with Tunisia and Morocco (without debate);

— Report by Mr Della Briotta on the control of carnation leaf-rollers (without debate);

— Report by Mr Seefeld on the food aid policy of the Community;

— Report by Mr Sandri on the neutralization of the effects of international price movements on developing countries;

— Report by Mr Knud Nielsen on preferences in favour of developing countries;

— Report by Mr Herbert on the customs treatment applicable to certain goods;

— Report by Mr Laban on the financing of the sale of beef at reduced prices.

The sitting is closed.

*(The sitting was closed at 7.35 p.m.)*

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#### IN THE CHAIR: MR DALSAGER

*Vice-President*

*(The sitting was opened at 9.05 a.m.)*

**President.** — The sitting is opened.

##### 1. *Approval of the minutes*

**President.** — The minutes of proceedings of yesterday's sitting have been distributed.

Are there any comments?

The minutes of proceedings are approved.

##### 2. *Documents received*

**President.** — I have received the following documents:

(a) from the Council of the European Communities, requests for an opinion on:

— the proposals from the Commission of the European Communities to the Council for

I. a directive on the approximation of the laws of the Member States relating to the braking devices of wheeled agricultural or forestry tractors; and

II. a directive on the approximation of the laws of the Member States relating to the installation of lighting and light signalling devices on wheeled agricultural or forestry tractors.

(Doc. 199/74).

This document has been referred to the Committee on Regional Policy and Transport as the committee responsible and to the Legal Affairs Committee and the Committee on Economic and Monetary Affairs for their opinions;

— the proposals and communications from the Commission of the European Communities to the Council concerning the grant of generalized tariff preferences for 1975 on semi-manufactured products falling within Chapters 1 to 24 of the Common Customs Tariff and manufactured and semi-manufactured products falling within Chapters 25 to 99 originating in developing countries.

(Doc. 201/74).

This document has been referred to the Committee on Development and Cooperation as the Committee responsible and to the Committee on Agriculture and the Committee on External Economic Relations for their opinions;

— the proposal from the Commission of the European Communities to the Council for a regulation amending Regulation (EEC) No 1445/72 concerning the nomenclature of goods for the external trade statistics of the Community and statistics of trade between Member States (NIMEXE).

(Doc. 202/74).

This document has been referred to the Committee on External Economic Relations;

**President**

— the proposal from the Commission of the European Communities to the Council for a regulation supplementing the Regulation (EEC) as regards the financing of the sale of beef and veal at reduced prices to certain categories of consumer.

(Doc. 204/74).

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

(b) from the committees, the following reports:

— report by Mr Augusto Premoli on behalf of the Committee on Public Health and the Environment on the Communication from the Commission of the European Communities to the Council concerning

I. the signing of the Paris Convention on the Prevention of Marine Pollution from land-based Sources;

II. the recommendation for a Council decision concluding the Convention for the Prevention of Marine Pollution from land-based Sources; and

III. the recommendation for a Council decision concerning Community participation in the Working Party entitled 'Provisional Commission', to be set up on the basis of Resolution III of the 1974 Paris Convention on the Prevention of Marine Pollution from land-based Sources.

(Doc. 197/74);

— report by Mr David Thornley on behalf of the Committee on External Economic Relations on the proposal from the Commission of the European Communities to the Council for a regulation opening, allocating and providing for the administration of a Community tariff quota for certain eels falling within subheading ex 03.01 A II of the Common Customs Tariff for 1975.

(Doc. 198/74).

3. *Progress required in Community research — Revision of the multi-annual research programme*

**President.** — The next item on the agenda is a debate on the second report drawn up by Mr Flämig, on behalf of the Committee on Energy, Research and Technology, on the progress required in Community research and on

the proposal from the Commission of the European Communities to the Council for a revision of the multi-annual research programme (Doc. 161/74).

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

**Mr Flämig, rapporteur.** — (D) Mr President, ladies and gentlemen, I can be fairly brief. I take as my starting-point the Four-Year Programme for the Joint Research Centre with its four establishments at Ispra, Geel, Karlsruhe and Petten, which, after protracted preparatory work and frequent exercise of pressure, went through the European Parliament in the year 1973. It was envisaged that this programme should be revised annually, beginning in 1974. The present proposal for a revision submitted to us by the Commission not only envisages changes to the programme but provides for improved exploitation of the research establishment at Petten. Altogether, we are concerned with six legislative documents.

The first concerns an amendment of the research and training programme for the European Atomic Energy Community on the basis of Article 7, amounting principally to an increase in allocations and in staff. I can omit the details, since they are all contained in the document.

The second proposal refers to Article 235 of the EEC Treaty, which is a source of great satisfaction to us. This, too, provides for an increase in allocations.

The third proposal is for a Council decision amending the research programme in the remote-sensing of earth resources, based on Articles 41 and 235 of the EEC Treaty. Here I should like to make a brief comment. It is not the intention of the European Community to send up satellites of its own into space; what we are concerned with is a programme of evaluation carried out in cooperation with other establishments, such as the NASA.

Further, there is a proposal for a Council decision revising the staff required for the 'direct action' research programme. In our written report, a slight mishap occurred here. In order to correct it, I do not think a written amendment is necessary; instead I will correct it orally. Committee and rapporteur had only a very short space of time at their disposal to examine these numerous proposals for amendments, with the result that an erroneous figure has found its way into sub-paragraph (d) of paragraph 7 of the explanatory statement. The proposed revision of the multi-annual research programme will, in fact, not result in any increase of staff at the Joint Research Centre,

**Flämig**

apart from the staff envisaged for the new programme to be carried out at Petten. The number of staff members will, therefore, not be increased from 880 to 1 836, as has here been erroneously stated. For this I apologize.

As for the question of the 108 so-called *appaltati*, the labour hired from outside, who, according to a proposed decision of the Council, are to be taken on as local staff, it is obvious that, with this measure, the matter is finally settled.

The next item concerns a proposal for a Council decision based on Articles 7 and 176 of the EAEC Treaty and Article 235 of the EEC Treaty, which would amend the upper limits for amounts to be allocated.

Finally, there is a proposal to amend the research programme of the EEC on the protection of the environment (indirect action).

Here again, a critical comment. The details of all these matters, which I have only briefly mentioned, since they are available in writing, are contained in 11 annexes with which the Council has preceded its decisions. A further volume of annexes contains Council decisions of radical importance from the year 1973, and a further 14 annexes. The whole affair is very obscure in its presentation: only at the expense of great effort did we find our way through it.

Still more serious, in my opinion, is the fact that we are in part being consulted after the event, that the programmes have, in part, already been launched and that we now have the pleasure of saying, after the event, yes or no, although we are perfectly aware that that is now a matter of complete indifference.

Of this we disapprove. In our view, it is wrong that we should be brought in merely for form's sake. As the European Parliament, we are perfectly entitled to express an opinion on these programme changes, and we would ask that we are not only consulted in good time, but also receive the documents in a form that is readable for a parliamentarian who is not a scientist.

We can, therefore, give our approval only with certain reservations. We want to cause no delay, no slowing up of the research programme; indeed, we are glad that, at last, something is moving. But we must emphasize—and I do so on behalf of the committee—that our approval is not of the kind implied by the way in which this consultation procedure is being pursued. We disapprove of this method of seeking approval of a programme when this approval must be retroactive and deprived of all objective necessity. We expressly reserve to ourselves the right to deliver a final opinion after we have examin-

ed the details of the entire research programme in committee.

With these reservations, we can recommend the House to give its approval.

(Applause)

**President.** — I call Mr Helveg Petersen as draftsman of the opinion of the Committee on Public Health and the Environment.

**Mr Helveg Petersen, draftsman for an opinion.** — (DK) Mr President, I should like very briefly to make a few observations on the opinion from the Committee on Public Health and the Environment in connection with Mr Flämig's report.

First of all I should like to repeat the complaint we made in our opinion, that the research programme on which we were to comment had in fact already come into force on 1 May this year. I fully support Mr Flämig in deploring the fact that we were not given the opportunity to comment on a programme until it had come into force.

The opinion given by the Committee on Public Health and the Environment deals only with the sixth proposal on the Community research programme. This programme was established for a period of three years beginning 1 January 1973.

The upper limit for expenditure commitments under this programme was fixed at 6.3 million u.a., and the programme included the engagement of four persons. The programme is described on page 4 of the opinion of the Committee on Public Health and the Environment, where there is a fairly detailed list of projects. I shall not repeat that here, but merely refer to the projects described.

It became apparent that it was not possible with the staff employed from the outset to cope with the projects concerned, if the effective employment of the Community's resources on the administration and supervision of the research contracts forming part of this 'indirect action' was to be ensured. There is no question of raising the limits. The permission to engage four additional workers is, it is hoped, within the financial ceiling. In the opinion given by the Committee on Public Health and the Environment, we are able to support this expansion of staff. At the end of our opinion, we emphasize that the committee reserves the right to undertake, at a later date, a detailed study of the research programme on the protection of the environment in the light of the second revision of that programme.

(Applause)

**President.** — I call Mr Pêtre to speak on behalf of the Christian-Democratic Group.

**Mr Pêtre.** — (F) Mr President, ladies and gentlemen, allow me, first of all, on behalf of my group, to congratulate Mr Flämig on the standard of his report and on the oral introduction he has just made. Our idea of the content of the Commission's proposal is now, I think, much clearer.

Mr President, the Committee on Budgets has had an opportunity to discuss the budgetary aspects of the Commission's proposal for revision of the multi-annual research programme, and has reached a favourable opinion, for the simple reason that this committee also attaches considerable importance to research in the Community, and, therefore, felt that it could not put up any obstacles in the way of research policy.

I must, however, point out that the Committee on Budgets was not entirely satisfied with the replies given by the Commission on certain features of this multi-annual programme. It goes without saying that a research programme is always of a very aleatory nature, if only because of the uncertainty of the results and of the course to be taken afterwards. Researchers may work for years without arriving at the desired results, while in other cases the end of a programme is reached within a few months.

It also goes without saying that the implementation of such a programme demands a high degree of flexibility that is difficult to reconcile with the exigencies of the budget. That is why each programme contains a clause providing for revision after a year of implementation, and it is the first of these revisions that the Commission has now laid before us.

This first revision provides for the augmentation or creation of certain sectors of programmes and increases in staff for some of them.

In addition, it is proposed to create a reserve of some 21 200 000 units of account to cover the effects of inflation on incomes and on the cost of equipment purchased.

I should like to make a few remarks on this budgetary aspect, following the discussions we had in the Committee on Budgets.

The first concerns the date envisaged for the entry into force of the proposed provisions. The Commission proposes 1 July 1974, a date which has already passed. In one of the proposals, there is even mention of 1 March 1974. As was pointed out a few moments ago, the revision

of a programme does not in itself imply any commitment to incur expenditure: financial operations are possible only after the adoption of a supplementary budget or the transfer of appropriations.

The remarks made by Mr Cheysson during the June part-session in Luxembourg on the Council's opposition to proposals for supplementary budgets do not justify the expectation—perhaps Mr Cheysson would confirm this—that the Council would change its mind with regard to programmes of research. In all probability, the Council will decide on the proposed revision during the course of the summer and it will not be possible to take account of the financial consequences until the budget for 1975. As a result, instead of applying to a period of two-and-a-half years, the appropriations will only apply to the last two financial years covered by the programmes, *viz.*, 1975 and 1976. This supposition, moreover, agrees with the desire of this Parliament not to establish any supplementary budgets except in the most exceptional circumstances. In fact, however, further revisions of these programmes are already envisaged for 1975; and it is not desirable that the Commission should regularly ask for programme revisions and the corresponding budgetary authorizations during the course of a financial year.

Another point I wish to make concerns the reserve of 21 200 000 units of account. Annex X of document 89/74, on the total proposed resources in appropriations, states that the creation of this overall reserve is necessary to meet pay increases not included in the original estimates. On the other hand, the corresponding proposed decision contains a single article which makes no mention whatsoever of this appropriation. The reserve would make it possible to increase each of the maximum amounts for the expenditure commitments figuring in the decisions of 14 May and 18 June 1973.

The sole article mentions, moreover, that the reserve will be apportioned among the various objectives of the programme through the budget. Here, therefore, it is no longer a question of devoting the reserve solely to covering unexpected increases in the payroll. Thus, the budgetary authority might have at its disposal a margin for boosting or braking the progress of work according to the needs of the moment, provided that the new appropriations had not already been used up, at least in part, during the years 1973 and 1974.

It might be advisable, Mr President, to invite the Audit Board to present a special report on the management of funds allocated to research.

**Pêtre**

My last remarks concern the accelerated procedure for debating proposals. Here, I support what Mr Flämig told us a few moments ago. The Parliament is asked to deliver a rapid opinion on far-reaching Community measures which have considerable financial implications and the adoption of which is not rendered necessary by the existence of previous measures. These are precisely the conditions envisaged for the concertation procedure between Council and Parliament. It is completely inadmissible that the Parliament should be expected to deliver a rapid judgement on the basis of a document which has been hurriedly put together and is insufficiently precise unless it has experts to hand who can give detailed explanations regarding the millions of units of account that will be expended as a result of this revision.

Consequently, Mr President, I think that the most emphatic reservations should be expressed on this habit of treating the Parliament in an offhand manner and pressing it to give a favourable opinion without being able to analyse the exact financial consequences of its action.

I said that the documents submitted to us are insufficiently precise. I do not want to go into the matter now, since we shall probably return to it on subsequent occasions and certainly in the Committee on Budgets. In any case, I think there is a real confusion: one merely has to look at the tables contained in document 89/74 and in its annexes. We do not know what to make of them. Will the staff amount to 1 682 persons, or is it 1836?

As regards the total amount of allocations, it would seem that the total for the old activities, at present set at 178.5 million units of account, would be raised to 204.5 million units of account. But are there reserves or aren't there? Do these figures—and I am now addressing the Commission—really correspond to the reality?

Finally, Mr President, I should also like to ask whether, in future, the Commission could not indicate with greater precision the total amount for new activities and the total increase in staff.

I thank Mr Flämig once more for having presented us with an excellent report and also my colleagues for the attention they have given me. *(Applause)*

**President.** — I call Mr Flämig to speak on behalf of the Socialist Group.

**Mr Flämig, rapporteur.** — *(D)* Mr President, ladies and gentlemen, I should like to begin by referring to what I said here in my capacity as rapporteur. On behalf of the Socialist Group,

I have nothing to add as regards the treatment of this matter and the criticisms to which it has been subjected.

However, on the multi-annual research programme and the proposal for its revision, the Socialist Group has a few constructive ideas to express and a few words of acknowledgement.

We were very pleased to find that the EAEC programme is to be continued with emphasis on the disposal and reprocessing of waste materials—a matter which has acquired particular importance in the last few days. I refer to what was said here on this subject yesterday.

We also noted with interest that the EEC research programme envisages support for the Commission in the administration of the customs union. The administration of the Common Customs Tariff undoubtedly entails problems of classification. In our view, the measures proposed represent a sensible way of employing the staff engaged in this sphere of the Community's activities since they will help to improve the situation.

The studies on the raw materials derived from coal are another item. All this is of very topical importance.

Finally, the Socialist Group emphasizes once more the very high priority it attaches to protection of the environment. We are extremely glad to hear that the EEC programme of research on environmental protection is to include the setting up of a data bank on chemical products likely to contaminate the environment, studies on the toxicity of lead, epidemiological surveys of the effects of air and water pollution, and an assessment of the ecological effects of water pollutants. We sincerely hope that this will produce some positive results.

A final word of acknowledgement. Years ago, our group demanded that the Petten establishment should not be allowed to dwindle to nothing. Now, we hear that it is to be kept going. We would even urge that this establishment be enlarged, that its present staff be regarded as a minimum and that the Commission continue to allocate to it important tasks.

On these grounds, the Socialist Group welcomes the revision of the research programme. But it also, as I said before, subscribes to the formal criticism.

*(Applause)*

**President.** — I call Mr Normanton to speak on behalf of the European Conservative Group.

**Mr Normanton.** — I know that Lord Bessborough would like me to place on the record his very sincere regret that he is unable to be present during this important debate, because long before he came into this House and during his membership of it he has taken a very special interest in the subject of research.

I should also like at the very outset to echo Mr Flämig's complaint, which has been repeated by other Members during the debate this morning, that Parliament was not consulted on this important subject much earlier. We would agree with him that this was, let us say, not the most professional document which has emerged from the Commission, and I hope, with him, that the 1975 revision proposals will be presented much more clearly and in good time.

However, again joining with Mr Flämig, I would add that we do not want in any way to be thought to be adopting an attitude of wishing to hinder research in the Community, and for this sole reason we as the Conservative Group will support the programme which is being debated.

The Commission's proposals, however, must clearly be examined much more closely. I would agree that Parliament should state its conclusions in another motion on the subject when we have had time to study the programme much more thoroughly. We shall look forward to receiving the supplementary report when this is completed.

Along with Lord Bessborough and my colleague, Mr Pounder, I recently attended a meeting of our Committee on Energy at the Joint Research Centre at Ispra. I think that the Commissioner knows that several members of our committee are, and have been for some considerable time, rather unhappy, if not very unhappy, at the situation which we understood existed there.

At this point of my speech perhaps I may place on the record that as individual British members of the Committee on Energy we were always received with the utmost courtesy and willingness to help by Mr Caprioglio; we all hope that the new director, Dr Dinkespieler, will be given an opportunity to solve some of the very serious problems which faced him when he reached Ispra, to rationalize the work there and to cope with the serious staff problems which appeared to us to be so much in evidence.

I must also place again on record my deep anxiety at the somewhat unhappy constitutional position applying at the centre. As I have said before, I believe that, as a matter of principle, Community research can and should be much more effectively and certainly more econo-

mically undertaken in recognized research establishments which already exist within Member States. This work would be in contrast to that done in multinational centres, carrying out the same policy which is operated in the Community of direct action programmes.

Lord Bessborough put this point of view when speaking to his oral question with debate on 13 June last, and I must admit that he has very considerable backing for his attitude. It is far better for the Community, if it is to support carefully selected, existing, recognized national establishments, not to attempt synthetically to construct new ones where others are far more effectively and recognizably carrying on work of this kind.

But the Commission will still have and must have an important role to play, a role of co-ordination, laying down general and even, occasionally, specific guidelines and ensuring that there is a clear—not a political—purpose underlying the existence of Community research establishments.

We all have to recognize that over the four-year period 1973-77 about 250 million units of account will be spent. My friends and I would like to see this money going largely to projects which can be considered to be cost-effective.

Ispra must, we feel, be given more chance to prove itself under the existing arrangements of a direct action programme. I know that other Member States would not be happy were a decision taken now by the Commission, on the prompting of Parliament, to close down the establishment. However, that having been said, there must be no doubt in anyone's mind that we are all deeply anxious and concerned to ensure that the 250 million u.a. for Community research will not follow the vast sums which have already gone down the river.

The Joint Research Centre has done good work, which we recognize, on nuclear safety and hydrogen research, but in my view this is not enough. A great deal more hard thinking about the future of the four establishments which have been referred to, Ispra, Petten, Karlsruhe and Geel, still needs to be done. I am glad that qualified experts from Member States, including Britain, have been paying a number of visits recently to all these establishments.

In the case of nuclear safeguards, I understand that experts from Ispra have been studying the advanced work which is currently proceeding at the Atomic Research Establishment at Harwell, in England. I am also glad to learn that on a British initiative the principle of an annual review of the work of the four centres has now been accepted as a basis of work for the future.

**Normanton**

I also recognize, as Mr Spinelli said in reply to Lord Bessborough on 13 June, that the main cause of the difficulties at Ispra was the Council's failure to approve the proposals submitted by the Commission more than three years ago for reforming the staff regulations. Again we must recognize with Mr Spinelli that the kind of difficulties which have been experienced at Ispra have also, but perhaps in different degrees, been encountered at national centres. Whenever it is a matter of changing the course of research and developing it in a new direction, human instincts for inertia are bound to make themselves felt, resulting and manifesting themselves in periods of crisis.

I only hope that the Commission will see fit to draw up much more precise criteria when making Community decisions in this regard.

Again, I agree that this is not so much the fault of the Joint Research Centre at Ispra itself, but more of the method of decision-making employed in the Community as a whole. It is too remote, too diffuse. In fact, it is subject to the volatility so frequently associated with political decision-making as opposed to that in technical or industrial research. It would certainly be wrong after only one visit to Ispra, and without visiting the other three establishments, to jump to conclusions on the need for extending the overall programme, reducing it or maintaining it. It would be equally wrong to conceal our scepticism about the wisdom of continuing this form of institution as a means of promoting and extending research in the Community.

I therefore hope there will be an opportunity for me and my colleagues to visit these other establishments and to make up our minds on their future role and existence.

As I said at the outset, I am glad Mr Flämig intends to initiate a further investigation and to produce a second report. We all look forward to receipt of it.

In the interim, I feel it is right and proper that Parliament should place firmly on its records an expression of goodwill and support to Dr Dinkespieler in the hope that he will be able to succeed in meeting the challenge which faces him in his difficult assignment.

(Applause)

**President.** — I call Mr Cheysson.

**Mr Cheysson.** *Member of the Commission of the European Communities.* — (F) Mr President, when the Council adopted its four-year programme of research for the European Atomic Energy Agency in May 1973, it was understood

that this programme would be reviewed every year. As Mr Pètre reminded us just now, a revision was envisaged more particularly for the beginning of the second year—that is to say, 1974.

When submitting its proposals for this revision, the Commission had to take account of the fact that the Council's decisions on the research programme had been taken only after considerable delay—on 14 May and 18 June 1973—at a time when members of the Commission services were being offered the opportunity of voluntary retirement by 30 June 1974: since this affected a considerable number of persons engaged in research, appreciable modifications in the resources at our disposal were entailed.

Furthermore, account had to be taken of the fact that a major revision would have necessitated longer experience on the part of the new Member States and a study of the new research priorities in the light, particularly, of the energy crisis. In this connection, I should like, on behalf of the Commission, to corroborate the very sensible remarks made by Mr Normanton and Lord Bessborough on the difficulty of adapting research programmes in each of the Member States and even more at the Community level, in view of our decision-making process.

In the circumstances, the Commission confined its present proposals to two subjects. It deliberately did so because, for one thing, the rate of inflation of 6 per cent anticipated in the research programme and adopted by the Council of Ministers was obviously considerably below the rate that we are unfortunately experiencing in Europe. The ceilings therefore had to be raised; otherwise, the rise in incomes alone would have absorbed a large part of the funds provided, and the time-limits laid down for the research programmes would no longer have had any meaning.

The greater part of the re-adjustments now submitted to you are due to this problem of inflation. Naturally, you will see the budgetary consequences of this when the draft budget is forwarded by the Council of Ministers to this Assembly. They are embodied in the preliminary draft budget which has now been adopted by the Commission.

Secondly, the Council has accepted the Commission's proposal to keep the establishment going at Petten. The Council's resolution of 5 February 1973 called upon the Commission to make the necessary proposals, and the Commission is aware that these proposals have raised a number of questions. It nevertheless takes the view that in this way the beginnings of a solution have been found which will ensure the

### Cheysson

development of this important establishment. Of this I can assure Mr Flämig on behalf of the Commission.

Mr President, three series of observations have been made in the excellent report by the parliamentary committee and in the course of the present debate. The motion for a resolution, the report and almost all the speakers have stressed that the texts were late in being submitted to Parliament. One speaker went so far as to say that the Parliament felt it had been treated in an offhand manner. These are important remarks to which the greatest attention should be paid.

The Commission is aware of the difficulty experienced by the Parliament in the rapid handling of a complex document. I can therefore assure you, on behalf of the Commission—and here I address myself in particular to Mr Normanton in view of his last speech—that we undertake to present our proposals concerning the JRC in a form which will permit of more profound discussion.

While we plead guilty with regard to the late submission of the documents and undertake the obligation which I acknowledged just now with regard to the future, I must reject the allegation that we have submitted this document after the event. Here I can tell Mr Petersen quite categorically that the programme which is the subject of this revision—entailing, incidentally, only minor changes, that is, the transfer of 23 researchers in relation to a total of about 900—has not yet been dealt with by the Council. Contrary to what certain speakers feared and consequently condemned in very lively terms which would have been perfectly justified if we had presented the Parliament with a *fait accompli*, nothing whatever has so far been done in the way of carrying these measures out.

The second point made in the report and by speakers is that the documents submitted to us are very complex. I agree. Since I am speaking today on behalf of my colleague Mr Dahrendorf, I will confess that, as a Commissioner not competent in this sphere, I myself frequently have great difficulty in finding my way round the documents submitted by the research establishments. These documents are indeed complex, but that is due to the nature of the problems involved, and, as Mr Pêtre said very rightly just now, we obviously cannot expect every single member of a political assembly to be thoroughly familiar with the material submitted by scientists and researchers.

The third point, made by a number of speakers, concerns the regularity of our observations. Here I should like to make a number of remarks in the hope of appeasing these speakers.

First of all, the reserve envisaged is designed to cover economic inflation, but this reserve can be drawn upon only on the presentation of supporting documents, on the one hand, to the budgetary authority and, on the other, to the Nuclear Questions Group, which is responsible for this programme. This twofold approval necessary for the authorization of reserves should satisfy those speakers who raised this point.

With regard to the question of budgetary regularity. I should like to point out that the minor changes which we are proposing will affect neither staff nor budget and therefore will not require a supplementary budget in order to be carried out in 1974. On the other hand, it is true that the proposal for a new programme at Petten would necessitate considerable additional funds.

We have not asked for a supplementary budget for 1974, because we took the view that this matter did not justify having recourse to the exceptional procedure which a supplementary budget is and which, as Mr Pêtre very properly reminded us, should only be proposed in unforeseen circumstances and not in cases, such as the present one, which can be predicted.

The proposals relating to Petten will therefore not be reflected in the budget until 1975 unless it should prove possible, by transfers proposed to Council and to Parliament, to start things moving on certain items which in any case will be of minor importance.

Finally, with regard to the correctness of procedure, the Commission gladly lends its support to Mr Pêtre's suggestion that the Audit Board carry out whatever examinations appear necessary. The Commission is as interested in this as you are.

Mr President, the Commission appreciates the fact that, despite all the points raised and despite all the questions that still have to be decided, your committee, your rapporteur and all those who have spoken here are prepared to support the proposals for revising this research programme in order that its future shall be secured.

The Commission assures the House that it will continue to work on the development of the Community's research programme.

In this connection, it is worth pointing out, as Mr Normanton has already done, that an Assistant Director-General has now been appointed to preside over the destinies of the establishment at Ispra. The six directors at this establishment and a new director for the Petten establishment have also been appointed.

**Cheysson**

It is the Commission's intention to appoint the new Director-General for the Joint Research Centre before the summer holidays.

I can tell the House that the Commission is shortly to discuss the programme of research in the field of energy and the possibility of entrusting certain activities in this sphere in to the Joint Research Centre. We shall then be in a position to reply to questions raised by your rapporteur, and we shall soon have an opportunity—as a result of the important debate on energy policy which took place in this House yesterday—to discuss research and development in the sphere of energy.

Finally, the Commission agrees with the rapporteur and the Committee on Energy, Research and Technology on the need for establishing closer cooperation with regard to research.

On behalf of Mr Dahrendorf and the Commission, I should like to convey our appreciation of the cooperation shown by the Committee on Energy, Research and Technology and our thanks to the rapporteur, Mr Flämig, for his excellent report.

*(Applause)*

**President.** — Thank you, Mr Cheysson.

Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

#### 4. Directive on textile names

**President.** — The next item is a vote without debate on the motion for a resolution contained in the report drawn up by Mr Lange, on behalf of the Committee on Economic and Monetary Affairs, on the proposal from the Commission of the European Communities to the Council for a directive amending Directive No 71/307/EEC on the approximation of the laws of the Member States relating to textile names. (Doc. 190/74).

Does anyone wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

#### 5. Regulations extending trade arrangements with Tunisia and Morocco

**President.** — The next item on the agenda is a vote without debate on the motion for a resolu-

tion contained in the report drawn up by Mr Klepsch, on behalf of the Committee on External Economic Relations, on the proposals from the Commission of the European Communities to the Council for

- I. a regulation extending the arrangements applicable to trade with Tunisia beyond the date of expiry of the Association Agreement; and
- II. a regulation extending the arrangements applicable to trade with Morocco beyond the date of expiry of the Association Agreement (Doc. 196/74).

Does anyone wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

#### 6. Directive on the control of carnation leaf-rollers

**President.** — The next item on the agenda is a vote without debate on the motion for a resolution contained in the report drawn up by Mr Della Briotta, on behalf of the Committee on Public Health and the Environment, on the proposal from the Commission of the European Communities to the Council for a directive on the control of carnation leaf-rollers (Doc. 181/74).

Does anyone wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

#### 7. Communication on Community food-aid policy

**President.** — The next item is a debate on the report drawn up by Mr Seefeld, on behalf of the Committee on Development and Cooperation, on the proposal from the Commission of the European Communities to the Council for a Communication on Community food-aid policy (Doc. 171/74).

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

**Mr Seefeld, rapporteur.** — (D) Ladies and gentlemen, on behalf of the Committee on Development and Cooperation I lay before you a report on the Communication from the Commission on the Community's food aid policy. I should like

<sup>1</sup> OJ No C 93 of 7 August 1974.

<sup>1</sup> OJ No C 93 of 7 August 1974.

**Seefeld**

to say straight away that this Communication is welcomed by our committee since we regard it as the beginning of a pooling of European aid and as a supplement to the 1971 Memorandum on a Community policy for cooperation with the developing countries.

As you are all aware, in the coming years the Community will have to intensify its efforts with regard to development and food aid, since even at the beginning of the second ten-year development period the economic and welfare situation of the developing countries, so far from showing any appreciable improvement, is in part even worse than it was. One need only recall the hunger situation in India and Bangladesh and in the drought-smitten Sahel zone.

I cannot now go into all the decisive features of the developing—or rather the underdeveloped—countries. Characteristic features of the underdeveloped countries are the poor health of the population and inadequate supply of foodstuffs. Hunger and malnutrition are widespread in the countries of the so-called Third World. According to the FAO, the numbers of the underfed in the developing countries lie between 300 and 500 million. In these countries, at least one-quarter, perhaps one-half, of the population is suffering from malnutrition. Above all, the inadequate supply of albumen inflicts irreparable damage on the health of children.

While agricultural production in the developing countries has been increasing for many years at a rate between 1 to 3 per cent and thus falls short of the 4 per cent target set for the second development decade, the population has been growing at a tremendous rate. The world population amounts today to about 3,800 million people, and by 1980 may increase to 4,800 million.

While the population in the industrial countries is not expected to show any further considerable increase, it is expected during the coming decade to double in the developing countries if the present rate of growth of 2.7 per cent continues. If this proves to be correct, about four-fifths of the world's population will be living in the developing countries.

In view of the fact that it is intended to improve the living-standards of these peoples, the population explosion constitutes a serious problem. It is necessary, on the one hand, to increase food supplies and agricultural yields and, on the other, to keep the population increase within limits.

It goes without saying that a limitation of the population growth cannot be achieved by means of a Community food aid policy. Nevertheless,

the Community should make an effort, in co-operation with the competent agencies of the United Nations, to promote a family policy. Systematic family policy cannot be a substitute for world-wide aid measures, but it may be a valuable supplement to them.

The submission of this Commission Communication is very timely, for, as we all know, the food crisis has recently grown more acute.

The shortage of basic foodstuffs and the resulting increases in prices have in certain developing countries produced a truly catastrophic situation. The famine is already there, for around 10 million people in the world die every year, whether directly or indirectly, of starvation. On the African continent, 200 000 people have died of starvation in the last nine months. As regards India, we have only to think of the hunger revolts of this spring to imagine what will happen if the next harvest fails.

Mr President, improved coordination of bilateral food-aid measures at Community level will, in our view, help to avoid the duplication of expenditure and make this aid more effective. We support the Commission's efforts to increase food aid in the coming years in accordance with the EEC's economic potential, but we draw attention to the need to work out common principles at Community level for a long-term development strategy and food-aid policy. Here we appeal to the Council to lay down administrative procedures permitting the rapid and effective implementation of the Community's food aid and to transfer the appropriate powers to the Commission.

We heartily welcome the Commission's consideration of the advisability of divorcing food aid from the market situation in the agricultural sector and placing it on a new basis determined by humanitarian and development-policy considerations. This, incidentally, fulfils an old demand of the European Parliament.

All of us must appreciate that a coherent and effectual policy of development aid must begin with the working out of a Community economic and finance policy. European food-aid policy can only be successful if it is incorporated into the overall strategy of a development-aid policy. We therefore highly appreciate the overall political design of the Memorandum, in particular the proposals for the first indicative 3-year programme for the period 1974-75—1976-77, since the programme can only be carried out in the form of Community aid.

Here I should like to draw attention to the administrative changes that will have to be undertaken if the programme is to be carried

**Seefeld**

out without delay. The questions of storage, transport, distribution and supply in the recipient countries are also of especial importance and were dealt with in detail in our committee.

In this connection, one measure proposed was the establishment of a suitable control system. Food aid can only be temporarily effective, that is, so long as the causal chain of unemployment—poverty—the lack of a demand backed by purchasing power—low food production—malnutrition has not been broken down. So long as food aid is necessary, care must be taken to ensure that it has no negative effects either on the agriculture of the recipient country or on international trade. Perhaps the question should be considered whether food aid should not be provided to an increased extent in the form of project and programme aid.

One of the questions considered by our committee was the possibility of creating a special distribution system for deliveries of fertilizers to the developing countries. One might also consider the provision of financial means for the purchase of fertilizers or the erection of fertilizer factories in underdeveloped countries.

Another form of assistance would consist in sending more agricultural experts to the countries stricken by famine to improve the agricultural infrastructure, which is still inadequate.

The preparation in good time of a Community food-aid policy would enable the underdeveloped countries to take this aid into consideration when drawing up their development plans and programmes.

When laying down this policy, the Community should take greater account of the recipient countries' real development needs and give the countries concerned a direct part in the work of coordination. Enhanced food aid, a piece in the mosaic of an overall European development policy, would at the same time mean pursuing a policy for peace and so would enhance the Community's moral standing in the world and help to achieve the obligations and aims of the second development decade.

Mr President, permit me in conclusion to add a few words on the forthcoming World Food Conference to be held in Rome. The Parliament was informed on this subject by the Commission on 8 February 1974. The committee attaches such importance to this Conference that it incorporated a reference to it in the motion for a resolution and the explanatory statement. I should like to stress once more that it is absolutely necessary that the Commission draw up for this Conference an exhaustive plan for combating the problem of world-wide food shortages and that

the Community on this occasion present a united front.

I conclude by adding, by way of saving time, that the Socialist Group declares its support for this report and the motion for a resolution.

I thank the House for its attention and hope that the report will receive its approval.

*(Applause)*

**President.** — I call Lord Reay to speak on behalf of the European Conservative Group.

**Lord Reay.** — It is disappointing that we should be discussing a report like Mr Seefeld's and also one like that of Mr Sandri—both of which deal with proposals involving Community expenditure amounting to hundreds of millions of units of account per annum—on a Friday morning. It is quite wrong that the general rule should apply that business of the Committee on Development and Cooperation is taken on a Friday morning without regard to the importance of the reports concerned. I hope that in future those responsible for arguing the importance of our committee's business will succeed in getting reports dealing with matters of such outstanding importance taken earlier in the week.

In Document 37/74 of 5 April, the committee has approved a substantial extension of direct food aid to be committed in non-emergency situations by the Community to developing countries. The Commission proposes that the amount to be committed should be increased over the present levels by a minimum of about 50% up to a maximum of about 100%. It proposes that the commitments should be made for a three-year period instead of, as at present, for a one-year period, and it proposes also that the commitments should be made in terms of volume and not in terms of value, with the consequence that the Community's budget will have to be made to fit the commitment and not the commitment to fit the budget.

It cannot be denied that vast numbers of people in the developing world are desperately in need of food, that in many, if not in most, cases, their hold on life has been made dramatically more precarious by their countries' economic experience following the rise in the prices of oil and other raw materials, that owing to the relentless increase in world population and the failure of the world's economic and political organizations to develop in step to deal with the world's needs, the situation is more likely to deteriorate than to improve, and that the future will probably bring famines of exceptional extent and gravity.

**Lord Reay**

It is also true that agricultural production in the Community could certainly be increased in order to meet the developing countries' growing need for food imports, although it is arguable whether that food should be grown in the Community rather than in the developing countries themselves, and that for the Community to aim to increase its food aid—for example, in the case of cereals from 1 to 2% of total Community production—would seem to be both just and feasible.

For these reasons, politically it would be hardly possible for this House to withhold support for the Commission's proposals. It was probably necessary to make some increase in the programme for food aid, although there are obvious dangers in the Community's assuming additional external financial obligations at the present time.

I shall have more to say about this later.

Apart from the question of timing in relation to the Community's external payments situation, in the light of which perhaps in the beginning we should not expect the Community to aim higher than the minimum proposals put forward by the Commission, I tend to think that other difficulties may be entailed in the adoption of the Commission's programme which the Commission does not discuss in its document. One of these difficulties is that of predicting the cost. Here it might have been better if the Commission had professed a greater degree of uncertainty with regard to cost. The fact is that we simply do not know—we cannot know—what the cost will be in 1977, or in 1976, or even in 1975. We cannot tell what the cost of wheat will be in future; we cannot tell what the cost will be of superimposing on existing international traffic the transport of these additional quantities.

In both cases the Commission may have made substantial under-estimates, or it may not. If the general tendency is towards a further deterioration in the balance between supply and demand in basic foods, it is very likely that its estimates of food costs will be too low.

Perhaps I may take this opportunity to ask the Commissioner whether the Commission stands by its original estimates, particularly its estimate of the transport costs, about which I have heard various views and about which, I think, some doubts exist in the mind of the rapporteur.

On this point I should like to refer to a paragraph of the resolution in Mr Seefeld's report about which I am not altogether happy. In paragraph 5 Mr Seefeld refers to the Commission's

efforts to free food aid policy from the internal market aspects of the European Community's agricultural policy. I take it that he is referring to the fact that the Commission proposes to commit in advance certain quantities of skimmed milk powder, butter oil, and sugar, rather than, as in the past, give rise to the suspicion that foods of these sorts were supplied as food aid only because surpluses already existed in them in the Community. Nevertheless, I wonder whether it can be proved that the food aid policy can be separated from the internal market aspect of the Community's agricultural policy.

Surely, when prices are set under the agricultural policy, target prices and so on, account is taken of the quantities required to be produced, and these must include the food to be committed in aid. Is not that the procedure?

Perhaps I may put the question this way. Can the Commissioner say categorically that an increase in the amount to be committed in food aid will not require adjustment in the prices of these products under the common agricultural policy?

It is crucial for us to know whether the Commission expects to be producing these extra quantities within the Community and, if so, with what incentives for extra production; whether it expects to be diverting from what would otherwise have been exports commercially sold, or whether it expects to be a buyer on the world market.

I should like now to turn to a question of administration. I think that we should wholeheartedly endorse the Commission's opinion that in principle all future food aid should take the form of Community action. At present, only some 45% takes the form of Community action. But if all future aid is to take the form of Community action and if the quantities committed by the Council were the maximum called for by the Commission, the Commission would find itself handling, in the example of the principal item, cereals, some four to five times the quantities that it is now handling. I wonder how it is to be able to do that. It would be interesting to hear from the Commissioner what sort of administrative problems the Commission expects in this respect and what it proposes to do to meet them.

It would also be interesting to hear what problems the Commission envisages in the efficient distribution within recipient countries. Is there not a danger of this becoming an even bigger problem than it has been in the past if the quantities are increased and the number of recipient countries is increased, particularly in view of the Community's policy of concentrating its food

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aid on the poorest countries and therefore, presumably, on those which might be expected to have the least efficient distribution system? It goes without saying that food aid should only be increased to the extent that it can be efficiently distributed.

I am pleased that Mr Seefeld in his motion for a resolution devoted five paragraphs—15-19—to the problem of stimulating food production within the developing countries themselves. I should like to hear from the Commission, if possible, what it is spending, or intends to spend, on purposes which could be said to have that objective. As Mr Seefeld says in paragraph 15, and as he repeated this morning, food aid is not a final solution. No one believes that the developing countries are producing food to the maximum capacity which is technically possible. So I believe there needs to be a balance between what the Community spends on stimulating production within those countries and what it spends directly on food aid. We need to be able to make a comparison between what it spends under each heading. We know what is spent on food aid; we do not know how to assess what the Community is doing to stimulate production of goods within the developing countries themselves for consumption within those countries.

No doubt greater wealth—this was said in the report—in the hands of the consumers would stimulate higher production of food, but food production is determined or influenced by other factors as well as the purchasing power of the masses. It is a fact that Community food aid as proposed by the Commission and in the products proposed by the Commission is more likely to stimulate production in the Community than in the developing countries. Perhaps the Commission should consider replacing products grown or produced in the Community in the list of products to be provided as food aid with products produced in developing countries. Why should the Community not contract to purchase food grown within developing countries for inclusion in its food aid programme?

Moreover, if it is true that what food production in developing countries needs above all is the stimulus of a market with greater purchasing power, the normal method used by the Community for the distribution of food aid—which is to donate food to be sold on local markets—must be fundamentally damaging because it means that purchasing power is diverted from domestic production to external production.

These are matters which perhaps can be considered further in the future. I have said, I

think, for the moment quite enough. I have no wish to stand any further in the way of the adoption by Parliament of Mr Seefeld's conscientious report.

(Applause)

**President.** — I call Mr Cheysson.

**Mr Cheysson, Member of the Commission of the European Communities.** — (F) Mr President, with this and the following item on the agenda, we broach two subjects which are very important and dramatic—world-wide misery and Europe's reaction to it.

I should like to begin by associating myself with the remarks made by Lord Reay regarding the day to which these subjects have been allocated. Like him, the Commission finds it surprising and regrettable that such a vast subject, including world-wide misery and famine, the reaction of our peoples to such dramatic phenomena, and expenditure constituting almost 10 percent of the Community budget, should be discussed in a House which is almost three-quarters empty.

The Commission's regret is all the greater since it knows how this Parliament has always taken an interest in these subjects and is aware how many Members of this House who cannot be here today have devoted hours, days, months of effort to enhancing European aid and sometimes accepted missions, journeys and the compilation of reports which distracted them from their own constituencies. This, Mr President, makes it particularly regrettable that subjects of this scale should be debated on a Friday morning. The regret is all the greater in view of the fact that the present debate is based on a report which for my part I would describe as remarkable. Mr Seefeld's report will be a landmark among the documents submitted to this House, not only because of its detailed analysis of the problem, but also because of the range with which Mr Seefeld has covered this problem of famine and food shortages. He has based his analysis on an all-embracing vision, and that is the thing that counts. He has given his conclusions a positive note, and it is a positive attitude that we need when confronted with a misfortune that we cannot take lying down.

It would therefore be possible for me to say nothing and just associate myself without reservation with the rapporteur's analysis and conclusions. But since this might be misunderstood, I shall permit myself, on behalf of the Commission, to make a few remarks, while being fully aware of my inability to rival the rapporteur.

It is true: 1 000 million people in the world are faced with food problems; among these, 400 mil-

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lion are already seriously threatened. These are figures which are unfortunately beyond dispute. There is a world shortage of food, which has been aggravated in the last few years. Consumption in the industrial world has increased and primarily affects the richer foodstuffs, which consume a larger quantity of agricultural produce than the same quantity of simpler food conveyed to our delicate stomachs. This shortage has been further aggravated by the fact that the needs of the developing countries have increased extremely rapidly by virtue not only of the increasing population but also of the evolution of societies. Progressive urbanization necessitates the import of foodstuffs for populations which previously had lived at subsistence level.

Finally, the 'green revolution' has not produced the results expected, for the same reasons that explain the slowness of progress in rural areas of our own societies: the peasant world has to be convinced, it has to be affected in all its parts, before technical progress, the results of pilot experiments, can have their full effects. This needs time—much more in the culturally less-developed countries than in our own. We should therefore not be surprised when the FAO report on the forthcoming World Food Conference tells us that by 1985 we must be prepared to find the developing countries importing 80, 90 or perhaps 100 million tons of cereals.

Let us not be surprised at this, but rather examine its significance. Today, poverty has been joined by food shortages: atmospheric conditions have been unfavourable over large areas of the world affected by drought—advanced areas such as the Soviet Union and backward areas such as the Sahel and others. Malnutrition and famine have far-reaching effects on societies, and that is why I paid such a heartfelt tribute to Mr Seefeld's report. He has well described the vicious circle in which these countries are caught up. Nevertheless, I would look at this circle the other way round the way described by Mr Seefeld: malnutrition creates unfavourable physiological conditions and so leads to physical and physiological development which is often horrifying. It is all very well thus to talk about the laziness of some countries, of some people, in a tone of contempt which sometimes approaches racialism. Is this idleness not due in most cases to the physiological conditions in which a child has grown up, in which the adult lives?

Malnutrition alone creates bad productivity conditions in view its effect on men and on societies: malnutrition—poor physiological development—low productivity—low production and consequently low purchasing-power,

whence poverty and the essential features of underdevelopment.

It is therefore no exaggeration to say, taking a leaf out of your rapporteur's book, that malnutrition is the original sin of underdevelopment and that we unfortunately have not yet found the baptism that will free these peoples from this original sin.

However, there is no question of the inevitability of fate; we must reject this idea and I thank the rapporteur for having said so. We must manage to get back onto the right path. For my part, I regret that the rapporteur should have spoken of 'chronic poverty': I refuse to accept this idea, and I am borne out in this by authorities more distinguished than myself in this field, in the FAO and elsewhere.

There cannot, there must not, be any chronic poverty. If we have grasped the problem clearly, it can and must be treated. As Lord Reay pointed out, the development of local manufactures is beyond any doubt feasible on the technical plane, and if these are to acquire their full value structural, sociological modifications will be required, sometimes an organization extending over the whole of these countries.

Once again I refer to Mr Seefeld's report. I thank him for pointing out that the improvement of agricultural production is a problem which does not concern the farmer alone but the whole of society, including the industrial, administrative and commercial aspects of development. If technical progress is to be made in the sphere of agricultural production and bring about an improvement of this production, the whole country must be developed. This aspect, I think, will be one of the most interesting points at the World Food Conference to be held this November, and for this reason this Conference will be an important event.

And so we have to help these countries to produce more. To this end, the Community must act resolutely and without delay. I should like to say to Lord Reay that what we have already done is by no means negligible. Since 1958, the share of agriculture in the commitments of the three European development funds *vis-à-vis* the 18 Associated countries has moved from 16 per cent for the first EDF, or 88 million u.a. for 5 years, to 30 per cent for the second EDF, or 200 million u.a., and 37 per cent for the third EDF, or 230 million u.a. These are direct aids to agriculture, for agricultural measures such as the training of specialists, the creation of hydro-agricultural infrastructures, and the improvement of production. These 518 million units of account for the three EFD represent, as you will agree, a by no means negligible sum.

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The fact remains that this activity must be further developed, and I am counting on the World Food Conference to convince our governments of this necessity. This activity has to be developed in the form of direct aid, but also, as Lord Reay said when speaking after Mr Seefeld, by indirect means.

Shall we be able to contribute to the distribution of fertilizers, or at least to guarantees of fertilizer supplies to these countries? That would be very desirable indeed.

For the moment we have done very little in this sphere, but I would point out, Mr President, that when we come to the next item on the agenda, concerning urgent measures in favour of the countries most affected by the crisis, I shall be referring to deliveries of fertilizers in this connection. In my view, the fund which will—soon, I hope—become available should be partially used for purchasing and delivering fertilizers to the countries at present most affected. These countries are so much affected that, as you know, their orders for fertilizers throughout the world have fallen dramatically. As Mr Seefeld has pointed out, the loss of one million tons of fertilizer means a loss of 10 million tons of cereals and a corresponding increase in the shortage of foodstuffs.

When studying the question of additional manufactures for the developing countries, the possibility should be investigated whether the markets in countries which have the greatest facilities in the sphere of agricultural production could not be opened up more widely. For my part, I have great faith in this approach.

In the Sahel, part of the aid we have given is in a directly budgetary form and is intended for purchases on the spot. Thus, with regard to animal food, we have preferred purchasing large quantities of cotton-seed from countries having it to sell to sending food from Europe.

The approach recommended by Lord Reay seems to me to be perfectly suitable.

So much for improving local production: let us have no illusions; it will take a long time, for it is a matter of modifying societies. In the meantime, food aid is obviously necessary. No one disputes this in this House, and it is enough to refer to Mr Seefeld's report. Food aid is imperative so long as it is necessary, and that is to say—let us make no illusions about this—for a long time to come.

Europe has a production capacity which enables it to contribute to this food aid. Speakers, the report and the Commission Memorandum have indicated what this means in relation to our production. The percentages are negligible: at

present, we are delivering 1 per cent of our output of cereals, and if we were to increase this proportion to 2 per cent it would still be negligible. I can therefore say to Lord Reay that since these deliveries constitute such negligible percentages of our production they are without effect upon the products covered by the common agricultural policy.

We therefore have the capacity. Already we have done something for food aid, and the report stresses that we have had some success when dealing with urgent cases. The budget you approved included 223 million u.a. for food aid in 1974, to which—thanks to you, the European Parliament—40 million u.a.'s worth of structural aid, i.e. aid to production, for the Sahel were subsequently added.

Nevertheless, our programmes and activities have so far exhibited faults to which attention is drawn in the Commission's Memorandum and Mr Seefeld's report. These faults may be divided into four kinds.

Firstly, our programmes were lacking in continuity. It was consequently impossible for the countries supposed to be benefiting from our aid to know in advance what we should be able to supply, to plan their own development and so plan how their resources were to be used. It was equally impossible for the international organizations, which do excellent work in this sphere—public and private charitable organizations—to know how we should contribute to the overall campaign.

We must therefore plan for the long term. This seems to me indisputable, and I fail to understand how two countries of the Community, otherwise favourably disposed towards food aid, can doubt the advantage, which seems evident to me, of planning several years ahead.

Secondly, we want to diversify our deliveries and send more products of high nutritional value or products with certain nutritional characteristics—first of all, because in this way it is possible to make a bigger food contribution with smaller quantities and reduced transport and distribution costs; then, because Europe dominates the world's food products market and consequently must assume a much greater share of responsibility with regard to cereals; lastly, because we can then reach very important sections of the population in the stricken regions, primarily mothers and children. We therefore want to diversify our programme.

We also need a higher degree of flexibility in the supply of this aid, particularly in cases where it is urgently needed. It is all very well for us, the countries of Europe, to play at decision-

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making by means of processes whose complexity is frightening and already a matter for regret; but when action is urgently required on behalf of needy populations, this is a luxury which we cannot indulge in at their expense. We must find more flexible mechanisms, and the same recommendation has been put forward by your committee.

On the other hand, this should not mean a reduction of the opportunities for controlling operations. The problem of control in the beneficiary countries is extraordinarily difficult. It has been raised in the report, and several speakers have referred to it. I must be very frank with you, because we need your assistance in this problem of food aid. We shall never arrive at a perfect system of control or inspection in the beneficiary countries, particularly as we shall be dealing with the neediest of them, that is to say, with those whose need results from a lack of resources producing administrative structures that are largely inadequate.

We must accept the fact that this control will never be perfect. I have spoken on this subject to the Director-General of the World Food Programme, Mr Aquino, who has promised us his wholehearted support. I have also discussed it with responsible officials of the American programmes, and they have arrived at the same conclusions as we: controls will be most effective if our modes of procedure are simple. I shall return to this point in a moment.

Sales on the market represent the best means—so far as it is simple, realistic and flexible—of avoiding leaks or misappropriations. On the other hand, in those countries where we are permanently represented, the problem is much simpler for us. There is no doubt that in the Associated countries, the resident supervisors constitute an effective instrument, but this relates only to a fraction of our food aid.

The fourth criticism made of our programme so far is that its volume is inadequate. It must be increased. This has been stated by the rapporteur and by Lord Reay and I shall not dwell on the point.

Nevertheless, Mr President, let us not overlook the effort which that means for the governments, for the Community. I am not speaking of the effort in terms of production—I have already pointed out that this will in any case be inconsiderable in relation to the total output of the Community—but in budgetary terms. This year, 5 per cent of our budget is devoted to food aid. If we add to this the cost of urgent measures, which will largely take the form of food, or of deliveries of fertilizers, the proportion of the total budget reaches 7 or 8 per cent. These

are, indeed, considerable figures: in the budget for 1975, 305 million u.a. will be devoted to food aid.

I am very grateful to your committee for calling for an urgent appeal to the national governments in paragraph 10 of the motion for a resolution! but, like Mr Lenihan and the Committee on Budgets, I think we must bear in mind that the fundamental orientation of our measures taken abroad, and even of our Community budget, will have to be reviewed. That is why I was very cautious just now regarding the recommendation concerning fertilizers, whereas I would gladly take up the suggestion made by the rapporteur concerning the effort which the Community should make to assure considerable stocks in the countries benefiting from food aid.

Mr President, the report rightly stresses that this food-aid policy must be closely related to the agricultural and commercial policies and to other sectors of the Community's internal policy. This seems to me to be important, if only for the sake of assuring a straightforward integration of the needs created by food-aid *vis-à-vis* our agricultural production. This close relationship must therefore be established.

On the other hand—and once more the Commission agrees with the rapporteur—it must be recognized that food-aid is not a means of disposing of surpluses. Such an attitude would be ethically intolerable and economically absurd, since it would imply that we should cut off food-aid when there were no more surpluses in the world, that is to say, at the moment when it was most needed, when the indigent peoples were worst off. I repeat, food aid is not a means of disposing of surpluses of the common agricultural policy. We must abandon this old idea once and for all. The current year proves the point, since in the world outside there are shortages and prices are high for each one of the products that we are offering in the form of food-aid.

I pass rapidly, Mr President, to the few points that remain.

Both the rapporteur and Lord Reay have dwelt on the World Food Conference while acknowledging that it is not the subject of today's debate. I support both of these points. For us, the World Food Conference is fundamental, since it is to make an all-embracing study of production in the developing countries and of food-aid; moreover, it will, I hope, succeed in making itself heard by all.

The next point is the suggestion that we draw up a food balance for each country. Here, I would reply to the rapporteur that we work in

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very close cooperation with the FAO and that in our view the work done by this organization, precisely its food balances by countries, is thorough enough to justify our not reduplicating it.

Lord Reay has asked me whether we stand by our present estimates concerning proposals for food aid. My reply to him is: Yes. As regards prices for the next few years, I agree with him that it is a risk, a wager. We do not know what world prices will be in a few years time; but I see no reason for modifying the terms of this wager.

As regards the costs of transportation, I remind the House that the greater part of our food-aid is delivered f.o.b.; that is to say, it entails no transportation costs. These we assume only in urgent cases as, for example, the deliveries to the Sahel in 1974. We have no intention for the moment of modifying this policy, and we think our estimates for transport costs should be adequate.

Lord Reay also asked me whether the staff administering food aid should not be increased as a result of the extension of our programmes. My reply to him is that at the moment we are indeed slightly understaffed, but that the situation will not get any worse, even if the programmes are augmented; for our mode of action does not entail any very learned or detailed studies on the long-term action taken by each country, and consequently does not entail any need, as for the World Food Programme, of extra staff when the quantities delivered are increased.

And while on this subject of modes of action, I would add that our present distribution procedures are reasonably well adapted, and capable of withstanding criticism concerning internal balances or the distortion of commercial trends. This point has also been made by your rapporteur. I therefore appreciate his support, and in particular his remark that sales on the market are simple and inexpensive.

I think this is the right formula, which enables us to avoid allegations of inefficient distribution such as those made by Lord Reay a short while ago, since sale on the market is in fact a very simple procedure. In the case of more advanced countries possessing more highly-developed administrative structures, we share the rapporteur's view that the World Food Programme takes the right approach. That is why, as you know, part of our aid—more than 10 per cent of the cereals and 35 per cent of the powdered milk we send—passes through the World Food Programme. We are hoping to develop this cooperation further, but cannot go beyond a

certain point since the procedures are complex and consequently benefit only the less backward of the poor countries, whereas it is our aim to reach the poorest of them as well.

That, Mr President, is what I wanted to say. Obviously, I could stop here, merely asking you to approve the motion for a resolution submitted to you; but I should like to ask for your attention for a few minutes more in order to tell the House that since we are convinced that this food aid is essential, that poverty, famine and the accompanying dangers are one of the problems of the present time, each one of you must help us to explain these things and to mobilize public opinion.

Too often we hear people say: 'Why should we take an interest in food aid? We aren't hungry: who thinks about hunger?' How many people are aware of the data put forward by Mr Seefeld? How many were not taken unawares by the Sahel disaster, although similar disasters have occurred elsewhere and the situation as a whole is infinitely graver than that in the Sahel? We must mobilize public opinion, and you parliamentarians, who are in touch with the people in each of your constituencies, must help. I take the liberty of suggesting, Mr President, that a remarkable film on the subject of the Sahel be shown in Strasbourg, not in order to move your feelings—they are moved already—but in order that you should tell others what you have seen.

We also need your help with the politicians, the professors, the distinguished experts who argue on the subject of underdevelopment in a way which I, for my part, find utterly academic. They describe food aid as humiliating, as paralysing and preventing progress. Many of them say this in good faith while still believing in development aid; but they have not understood the things which Mr Seefeld explains so well in his report. For this reason, Mr President, we shall take the liberty of publicizing this report very widely in a number of countries and among a large number of politicians in our various governments.

These ministers must be made to understand that problems of development aid are not merely matters of statistics or learned calculations of rates of growth, matters for reports by highly-qualified academicians. They are also, they are primarily, human problems, and when men are underdeveloped in their own flesh and that of their children that is what demands our attention before anything else.

That, Mr President, is where we need this Assembly. We need an all embracing policy for development and peace, as Mr Seefeld said. If we were to let people die before our very eyes,

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if Europe took no interest in their fate, I think Europe would be committing a grave sin in the eyes of its younger generation and its public opinion.

It is for you, the Members of this Parliament, to say these things. We, the executive of this Community, cannot do so.

*(Loud applause)*

**President.** — Thank you, Mr Cheysson.

I call Mr Normanton to speak on behalf of the European Conservative Group.

**Mr Normanton.** — After such an inspiring address to Parliament by Mr Cheysson and after the many valuable and equally inspiring contributions by my colleagues, some may feel that any additional comments of mine will be superfluous. However, I should like respectfully to point to two paragraphs in Mr Seefeld's motion for a resolution which, frankly, do not go far enough.

I have intentionally not tabled any amendments either as an individual or on behalf of my group. I did not want to detract from what I hope is to be the unanimous support of this programme and its total effect on which we shall vote in a moment. However, perhaps I may use the occasion briefly to add two points that I hope the Commission will bear in mind if by any stroke of chance they have somehow been overlooked.

I refer to paragraph 4 and paragraph 21, which are interrelated. The first refers to the political implications of aid and the second to greater publicity for the work of the Community. I strongly endorse the view that the two should be linked, and the second should be supported by constructive action and words by the Commission.

Aid is political. The Community has to be seen playing its valuable part in the world as a whole. It is playing a part in this regrettable but factual battle among various ideologies for men's minds. The West—and I include the Community within the framework of the West—is playing an incredibly valuable and constructive role, but that fact is not reaching the minds of men in the world generally.

If it were just a matter of falling short, that would be serious of itself. But I am bound to say in addition that we are not making sufficient impact on the minds of the people of our Member States. One frequently hears—I have heard it in my own constituency—well-intentioned groups of do-gooders, in the best sense

of that term, talking of the West as falling short of international agreements and commitments. In fact it is not the West that is falling short but other countries with ideologies that are politically committed against us. Our contribution is greater than the Soviet or Chinese contribution.

Let us get the record firmly established in the minds of men throughout the world and especially in our own Member States. If we do that in our own Member States, we shall have made a valuable and constructive contribution towards helping the people in the Community to identify themselves as a Community.

The second point relates to paragraph 19, in which the Commission is requested to see that experts are sent to the countries which are in distress. Yes, we would all support that. But I would earnestly couple this with stating what I think is missing in the resolution, namely, that the real reason why countries which suffer from time to time the bitter disasters of famine and the like is not a shortage of food in those countries but a shortage of people—the right people, people with experience, people with ability, people with dynamism.

Although I have very particular views on immigration into Europe, I should like to feel that we shall keep our doors open in Europe for people from all developing countries and more particularly those countries to which we are referring in the Seefeld Report, to be encouraged to come to Europe, to study and learn and gain knowledge and experience, and then to go back home. The biggest void in these countries is the absence of an infrastructure, the people with powers of dynamism and energy devoted to helping their own fellow men. It is, therefore, on the field of training the peoples of those countries that I think insufficient emphasis has been placed in the Seefeld Report.

Finally, the aim of the Community must surely be to help people to help themselves and not to do for them what they should, can and must do on their own behalf. This report shows that the European Economic Community has a heart as well as a purse. Both are, and must be, open, but both the heart and the purse must be controlled effectively and efficiently by the head, and it is not too much to say, after the inspiring remarks and contributions to this Parliament by Mr Cheysson, that the head is well served by the Commission. We are grateful for it, and we back it and support it not only in words but in deeds.

*(Applause)*

**President.** — Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

8. *Communication on the neutralization of the consequences of certain price movements for developing countries*

**President.** — The next item is a debate on the report drawn up by Mr Sandri, on behalf of the Committee on Development and Cooperation, on the attempt to neutralize certain international price movements for the most affected developing countries (Doc. 177/74).

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

**Mr Sandri, rapporteur.** — (I) Mr President, the motion for a resolution which we have the honour to submit to the European Parliament for discussion and vote concerns possibly the most dramatic and certainly the most distressing aspect of the current disturbances in international economic relations and in the internal life of so many countries in the world. We refer to the consequences of the rise in prices of certain raw materials, especially oil, for the developing countries. This rise took place, as you know, on top of the already existing monetary disorder, the inflationary thrust and all the other phenomena which it would be needless to enumerate.

I should like to recall that at a meeting of the Committee on Development and Cooperation held in March, Commissioner Cheysson gave a preliminary analysis of this problem, which was both acute in the picture it gave and practical in terms of operational consequences. In my opinion, the Commissioner's report had above all the merit of highlighting the superficiality and baselessness of the assertion, which has been so widespread in recent months in political, scientific and journalistic circles, that the price increases for oil and other raw materials would open up a new epoch for the developing countries, traditionally defined as exporters of raw materials. In this epoch, the tendency to continuous deterioration in the terms of trade—and this is the fundamental economic law regulating relations between the industrialized countries and the developing countries—would, it was maintained, result in a complete reversal in favour of the latter, and hence to the detriment of the industrialized West.

The baselessness of this theorizing can be seen from the study completed in parallel by the offices of the Commission, the OECD and the UN, on the effects on the developing countries of the movements in the international prices of oil, grain and fertilizers. Even though it was limited to this area, the survey found that for the current year—that is, for 1974—the increase in these three prices could be expected to give rise to a supplementary burden of around 15,000 million dollars for the developing countries. In this connection we consider it useful to draw your attention, ladies and gentlemen, to the speech delivered by President Boumédiène to the recent extraordinary Assembly of the United Nations, called on the initiative of Algeria. The president mentioned, first of all, the speculative manoeuvre by the companies in the cartel on the increase in oil prices decided on by the exporting countries and, secondly, the fourfold increase in the price of grain and the doubling of the price of fertilizers—products which the developing countries certainly do not export—which had taken place between June 1972 and the autumn of 1973, that is, before the rise in oil prices. In fact, there should be added to the additional burden of 15,000 million dollars for the developing countries the increase in prices of imported industrial products, which for 1973 were around 19 per cent up on the previous year.

Of course, an overall evaluation of the problems must take account of the fact that many developing countries had an increase in earnings as a result of the increase in the price of exported raw materials such as copper, phosphates, etc. However, all things considered, for the developing countries as a whole, there was—as our report points out—a deterioration in the terms of trade between 1972 and 1974 which may be put at 7,700 million dollars at constant volume.

So no new epoch is opening up: the truth is that the economic law dictating the impoverishment of the so-called Third world has not been overturned but has continued to operate implacably.

This was apparent from the first report by Commissioner Cheysson, and is, in my opinion, the first point. Furthermore, a marked differentiation between the countries concerned has been taking pace. From the total number there sticks out a group of 25-30 states whose economy is threatening to disintegrate under the disruptive impact of the increase in prices of oil, grain and fertilizers, with which they cannot cope since they lack raw materials, have an extremely slight or non-existent industrial apparatus and an agriculture which is incapable

**Sandri**

of satisfying their national needs, and are, furthermore, unable to have recourse to foreign loans since they are already in debt up to the neck.

This group of 25-30 states will have to support a total additional burden in respect of these three price increases of around 3,000 million dollars for the currency year. To deal with the situation, Commissioner Cheysson put forward in March the idea of setting up an emergency fund of 3,000 million dollars, one half financed by the industrialized countries, including a Community contribution of 500 million dollars, and the other half by the oil-exporting countries.

This idea, which was formulated in the Communication from the Commission to the Council of 20 March, has made considerable headway, up to the point of forming the basis for the initiative which our resolution proposes to improve in full.

Without going through all the stages, let us merely recall the declaration of availability made by President Scheel, then spokesman for the Community at the extraordinary Assembly of the United Nations, the obligations taken on there and elsewhere by the oil-exporting countries, and the appeal sent by the *ad hoc* committee, constituted under the auspices of the United Nations, to 44 countries, including the nine Community countries, by 15 June decisions on the establishment of the emergency fund.

Let us finally recall that on 25 June Mr Cheysson told the committee, meeting in Luxembourg to discuss this motion for a resolution, that on the morning of the same day the Council of the Communities had formally decided to communicate to the United Nations their decision to allocate 500 million dollars as a contribution to the creation of the emergency fund, provided similar steps were taken by the other interested parties, over and above any other aid programme already laid down or being laid down.

I do not think the importance of this decision needs illustration. It was taken at a difficult moment for the Community itself and has the value of being a precise assumption of responsibility towards the developing countries, a stimulus to other partners to go beyond purely verbal undertakings, and an appeal to the international community to overcome all differences and coordinate all efforts to take emergency measures to deal with the danger of death by starvation facing the group of countries in question. This statement is not rhetorical; it is sufficient to recall the news coming from Bangla Desh these last few days to understand that there really is a danger of death by starva-

tion. For these reasons, the committee whose rapporteur I am wished in adopting the motion for a resolution to express its own sincere praise for the perspicacity, timeliness and breadth of vision which characterized the Community's decision.

The resolution and the explanatory statement remain, as you will have found, on a general plane, and we do not think that it could have been otherwise. The list of countries to receive aid from the fund will be defined by the United Nations. All that we think can be said in advance is that the list will cover areas in which hundreds of millions of human beings live; in the first place, it will include the Indian sub-continent, which has been very severely hit by the current situation, on top of all its old ills.

Nor can we anticipate the operation of the fund—apart from saying that it should commence by 1 January 1975 at the latest. The operation of the fund must be determined by the United Nations and will, it is to be hoped, without pre-empting discussion, be marked by rapidity in intervention, strictness and efficiency in supervision, which in our view are indispensable.

At the end of the explanatory statement accompanying the resolution, we left open some questions to which Mr Cheysson had already given exhaustive answers on 25 June; we left them open in order to permit a reply to this Assembly.

For our part, we confine ourselves to asking the Commission representatives what response the Community's decision has had from other interested countries, and what point the setting up of the emergency fund under the United Nations has reached.

In conclusion, Mr President, we should like to make it clear that we do not attribute any magical or miraculous power to the decision under discussion. It is (as is apparent from its title) an attempt which is limited not only in the quantity and quality of the action but also in time. It is an attempt covering a period of 12 months. What then?

For this reason we would single out for especial attention paragraph 4 of the motion for a resolution, where a continuation of the emergency action beyond the initial period is hoped for. But even if this took place, it is in our view obvious that it is only a radical process of restructuring relations between the various areas of the world that will enable these 25-30 states among the total number of developing countries to break the chain of backward-

**Sandri**

ness, underdevelopment and the crippling needs which at present afflict them, and enter into an international division of labour based on equity. This process presupposes, from the countries of the Third World, the full recovery of sovereign control over their own resources and, from the countries of the West, equal and democratic cooperation. It would, we think, be naïve to overlook the complexity, the extreme difficulty and the length of this process; but since the present Community decision, though it may be put down as a limited factor, has a political and moral value (I emphasize: political and moral value) which certainly transcends the sum allocated, though that is substantial, we invite the Assembly to add its own vote to the appreciation expressed by the Committee on Development and Cooperation in its motion for a resolution for the Community initiative, for the idea which inspired it and for the perspicacity with which it has been put forward. (*Applause*)

**President.** — I call Lord Reay to speak on behalf of the European Conservative Group.

**Lord Reay.** — There is not very much I wish to say on this matter but, like Mr Sandri, I should not like this occasion to pass without complimenting Mr Cheysson on his courage in taking the initiative in this matter. He took it even before the special session of the United Nations General Assembly on raw materials had taken place in April. It was a moment which many people might have thought somewhat inauspicious in view of the experience the Community was having in the wake of the rise in the price of oil.

I think that Mr Cheysson's proposal for this fund of three billion dollars, to be contributed to equally by the oil-producing and industrialized countries—of which the Community's share would be five hundred million dollars—was first embodied in Commission Document 1121, published on 20 March. The Council of Ministers approved the proposal on 25 June, although the Community's contribution will be made only if the oil-producing countries and the other industrialized countries make the comparable contributions which were proposed.

Like Mr Sandri, I should also like to hear from the Commissioner what news there is about the progress of the United Nations fund. For example, what can he report about the likelihood of commitments being made by other countries? I wonder whether the other countries concerned have pledged comparable amounts—indeed, whether they have pledged any amounts at all.

There has been good reason for some scepticism about the likelihood of this scheme getting off the ground, although the Commissioner, in the discussion on the last item on the agenda, appeared to make an optimistic allusion to the future of the fund. I believe that the world's economic and monetary prospects would be greatly improved if means could be found to link the three elements of a triangle—the productive capacity of the industrialized countries, the consumer capacity of the developing world, and the financial capacity of the OPEC countries.

The first problem with this scheme, which is now to be placed in the framework of the United Nations demand for such a fund, is that it pretends that the financial strength of the industrialized countries is equal to that of the OPEC countries, which is not true at present. The second problem, as I see it, is that the fund, its size and the generosity of its terms for the developing countries—I assume that it would be in the form of untied grants—do not seem entirely to match what appear to be current Arab aspirations. I have a suspicion that the Arabs are in a mood to concentrate on the advantages they can secure for themselves out of their recent financial windfall, both in terms of securing their future wealth and in terms of developing the independent character of their foreign policy—in other words, like other rich people before them, they seem likely to prefer to take their own initiatives.

The proposal made by Mr Cheysson represents about the limit of what the Community could possibly offer to do on the financial level at present. If he had gone further, the charge could have been made that since the Community countries for the most part now have substantial balance-of-payments deficits, it was irresponsible for the Community to try to play the role of lender—indeed, to play the role of long-term lender—because it could only cover its position by borrowing short term on the private capital market.

The only answer to such a charge would be that some countries, particularly the Federal Republic of Germany, still have surpluses on their balance-of-payments accounts. In other words, the only respectable way of viewing additional grants or loans to foreign countries made by the Community is to view them as German loans with a Community label. I do not think that it is a sufficient justification for schemes of this kind to point to the disparities of wealth between us and the developing countries. It is part of the justification, but it is not of itself sufficient. Our first responsibility at the present time to our own populations and to the world at

**Lord Reay**

large is to contain, control and in time to reduce our balance-of-payments deficits, certainly not to aggravate them.

The collapse of our own economic and trading activity would not be in the interests of the developing countries.

Therefore, I think that we need to be cautious about initiatives of this kind, and I have some reservations about paragraph 4 in Mr Sandri's report. However strong our wish is to alleviate hardship in other parts of the world, and without denying the fact of our superior living standards, nothing can alter the fact that at present it is not our countries but other countries that have disposable funds; if such funds are mobilized for the purpose Mr Cheysson has in mind and on a scale commensurate with the nature of the problem, I have a suspicion that it is not from the Community that the initiatives must come at the present time.

**President.** — I call Mr Cheysson.

**Mr Cheysson, Member of the Commission of the European Communities.** — (F) First of all, Mr President, the Commission would like to thank the rapporteur and other speakers for the political support which this House is going to be able to confirm for the recommendations we have made.

As Mr Sandri has pointed out, this recommendation is based on an objective analysis of the effects of the present rise in prices on the developing countries. For some of these countries, this increase in prices results in a considerable improvement in their balance of payments; for others, the improvement in exports is balanced by the increased cost of imports; for others again, the increased cost of imports is not compensated at all and the balance of payments disappears into thin air. The economic prospects of these countries are reduced to nothing, and their situation is growing worse. Cuts in essential imports are inevitable. A few moments ago, I stated that in southern Asia orders for fertilizers have already been reduced by more than 30 per cent. In these countries, therefore, the situation is grave and will have repercussions on the economic situation throughout the world. In those countries which had already been reduced to a state of extreme weakness, a state of famine, the situation may assume catastrophic proportions.

The rapporteur referred to Bangla Desh. Here I may refer to a visit paid to the Commission by a member of this country's government. In view of this country's lack of resources and the absence of all stocks or reserves as a result of

the war which gave birth to this state, a crisis such as the one it is presently undergoing may have consequences that can easily be imagined.

Something therefore had to be done, and it seemed to us that the best course was to launch the initial challenge and see how the world community would react.

Before dealing with this political aspect, I should like to reply to some of the questions contained in the report or raised by the two speakers. I begin by pointing out that the measures proposed by the United Nations Assembly—and proposed before by ourselves—are complementary to the normal aid programmes. It is a matter not simply of aiding but of curing or, at the very least, of protecting certain countries from a disaster which would otherwise be their ruin. These measures should therefore not be confused with a permanent system, and in this connection the Commission has some reservations regarding the special programme, as a whole, recommended by the extraordinary session of the United Nations. To Lord Reay I would say that for the moment we are not proposing any new form of permanent and regular action on the Community's part. For myself, I do not think that Community action for development aid should be placed on a permanent basis since it is, as I see it, quite exceptional.

I would add that the special programme proposed by the extraordinary session of the United Nations raises many other problems: does yet another United Nations Fund have to be created? Is there not, as Mr Sandri rightly pointed out, a close connection between these problems and others of a monetary nature concerning primary commodities? And if this is so, is a new United Nations Fund the right approach to all these problems taken together? Isn't there something rather attractive about the recent proposal to set up a joint committee of the International Monetary Fund and the International Reconstruction and Development Bank for the purpose of correlating the monetary, raw materials and financial problems referred to here?

However that may be, I wish to stress that the Commission, the Community, is committed not to the whole of the special programme but only to this urgent set of measures. With regard to these, the report stresses, very properly, that prudence must be shown with regard to the mechanisms for applying these measures and with regard to the lists of beneficiaries. I am glad to see that the letter sent on 26 June by the President of the Council to the Secretary-General of the United Nations states explicitly that the Community will carry out these inten-

**Cheysson**

tions when an agreement has been made on the modes of procedure for granting aid and on the criteria for choosing the beneficiaries.

You are acquainted with the criteria that we propose. We maintain that this action should benefit the poor countries (those with a per capita income of approximately 300 dollars or less), the countries affected by the crisis—this is the very point of the operation—and finally the countries that are heavily indebted.

The rapporteur is concerned about this third criterion. I nevertheless support it, because it seems to us that there are countries who are affected by the crisis but whose monetary reserves and credit-worthiness are so high that it seems quite normal that they should have recourse to normal banking arrangements or the special financial facilities created precisely for their benefit by the International Monetary Fund. I think of the Lebanon as an example. This country has resources of its own which allow it to survive this critical moment without any particularly exceptional measures' being taken on its behalf—this, even though it satisfies the first two criteria.

We now come to the list to be set up on the basis of these three criteria. Its composition will pose a number of problems, as the rapporteur has amusingly pointed out. Nevertheless, I think we should adhere very strictly to objective criteria and in no case allow political considerations to play a part, as certain signs, unfortunately, would suggest. We must remain entirely objective in assessing this poverty, and any distortion of this assessment through any political approach whatever would be intolerable.

What is the present position? On 25 June, the Council adopted the Commission's project in the form with which you are acquainted. It is clearly understood that it is no more than a project—not yet a precise proposal or detailed decision; it does not include any modes of procedure, particularly in budgetary questions. These will come; the Council is committed to them, provided the other conditions are satisfied on a word-wide scale. The Secretary-General of the United Nations, who is conducting the operations in accordance with the request of the extraordinary session of the Assembly, was supplied by us—please excuse my lack of modesty on the Community's behalf, but it is a fact—with the means, hitherto lacking, of obtaining precise replies from the potential donor states. His envoy, Dr Prebish, was virtually assured by each of them that it was an excellent idea, they were very favourably disposed, but that, of course, they would not say any more until certain countries had made large contributions.

The other industrialized countries and the petroleum-producing countries were told that Europe would give 500 million dollars if they contributed the same amount, and to this extent, things have started moving. Certainly something has been achieved so far as the industrialized countries are concerned. Sweden committed itself even before we did; immediately afterwards, Norway, Finland, Canada, Iceland, Japan (for a smaller sum than was expected: 100 million dollars only) and New Zealand have undertaken very precise commitments. The United States has not yet given a final answer, but has reliably stated that it would contribute to this emergency campaign under the financial terms suggested in the United Nations recommendation—i.e., in the form of gifts or of loans on the International Development Association's conditions. The same reply has been received from Austria. Switzerland and Australia have agreed in principle, while reserving the right to give precise figures at a later date. It may be said that, as of today, 12 July, it is more than probable that the 1,500 million dollars—one-half of the total expected from the industrialized countries—will be collected under satisfactory conditions, i.e., in the form of immediate offers over and above the aid programme, offers which adequately correspond to the needs of the stricken countries.

The 'treatment' applied to the industrialized countries has in fact produced the results expected by the Secretary-General of the United Nations: a few figures are still outstanding, but the situation is developing favourably.

As regards the petroleum-producing countries, the situation is, at the moment, less promising. Whereas Iran and Venezuela indicated without delay the sums they might furnish, which may be of the order of 300 or 400 million dollars for the two together, the replies given by the emirates have been much vaguer. In some cases, there was a generous response which, however, confused the emergency action, which is needed straight away, with longer-term projects. During the course of the last few days, Dr Prebish visited these countries and, indeed, the whole of the Near East. I do not yet know the result of this visit, but we shall be more precisely informed in a few days' time, since the Secretary-General of the United Nations is meeting the potential donors next Monday, 15 July, in order to reach a final decision.

I still feel some concern with regard to the petroleum-producing countries, not only as regards the sum but also as regards the conditions governing their participation, since the tendency to act only on the bilateral level may, in certain cases, result in a choice of

**Cheysson**

beneficiaries, and this would make it difficult to apply objectively the criteria of which we were speaking a few moments ago. We shall see how this works out after the meeting of 15 July.

I should also like to tell the House that the Commission as such as been invited to attend this meeting. This is an important new development, for, to my knowledge, it is the first time that the Commission of the European Communities as such will attend a meeting summoned by the United Nations.

Thus, the problem remains so far as the petroleum-producing countries are concerned: very soon, they are going to have to assume their responsibilities. If they agree to contribute to this emergency campaign, it will be a political event of considerable importance. It will, in fact, be the first time in history that these countries have made such a big contribution to development.

If they refuse, I think they will be equally unambiguously assuming a responsibility of no less importance. Our attitude, our actions, will have the merit of clarifying the issue and, in view of the dramatic situation of certain countries—Bangla Desh being the extreme case—of confronting the potential donors—the industrialized and the petroleum-producing countries—with their responsibilities on a worldwide scale: new elements in the political situation of tomorrow will emerge.

First of all, there is this triangle to which Lord Reay rightly drew attention a short while ago: the production capacities of the industrialized countries, the financial resources of the *nouveau riche* countries, and the needs of desperately starved markets, i.e., the markets of the developing countries. This triangle will grow increasingly in importance during the years to come.

I admit quite frankly that we have an interest in the successful conclusion of this campaign, for while the budgetary contribution proposed is in effect considerable, helping to recycle Arab capital coming from the petroleum-producing countries and transferring it to the developing countries, who will make immediate use of it to purchase on the world's markets the goods which are essential to them, constitutes an economic operation which is both intelligent and favourable to our balance of payments.

But in a much more general way, on the political plane, it is important—and the rapporteur has stressed this—that the Community should be the first industrialized group to take up a stand in face of this dramatic challenge and that it should have done so in good time—

something which is not exactly a regular occurrence in this Community of ours. It is important that it should have been able to do so simply, clearly, in the space of a few pages, in circumstances easily grasped by public opinion and designed to bring out clearly the responsibility of others, whether these others accept it (which I hope) or not (which would have grave consequences for them as well).

That is why this proposal has had a considerable impact in the third—or, rather, in the fourth—world, this new world of the poor who have become even poorer.

Forty-eight hours ago, I was in Africa. I can assure you that, even in those countries that will not be beneficiaries, the initiative taken by the Community has had considerable repercussions; and in countries whose future is gravely threatened, such as India and Bangla Desh, in particular, I can assure you that the impact has been very great. This will, I think, be one of the really important operations in the field of foreign policy which this Community has performed since its birth. That is why I am very grateful to the rapporteur, Mr President, for recommending that the House approve the initiative we have taken.

(Applause)

**President.** — Thank you, Mr Cheysson.

I call Mr Van der Hek, to speak on behalf of the Socialist Group.

**Mr Van der Hek.** — (NL) Mr President, first of all I should offer my apologies to the rapporteur, to Mr Cheysson and to my colleagues for the fact that I am only now able to take part in this debate. Owing to a misunderstanding, it was clearly impossible for you to give me the floor earlier.

I will therefore keep my observations very brief. The Socialist Group warmly supports the Commission's proposal. First of all the Commission has shown, by this proposal, that it fully accepts its responsibilities *vis-à-vis* the development taking place in the Third World. Secondly, it has shown that it is possible to take an initiative of such importance in a very short time. I believe it was principally Mr Cheysson who persuaded the Council that quick decisions can and must be taken in this area.

It is therefore a pity that one of the most prosperous Member States of our Community—if not the most prosperous—should have included a reservation in the answer given by the Community to the Secretary-General of the United Nations. This is most unfortunate.

**Van der Hek**

I hope that I speak on behalf of many—at least I know that I am speaking on behalf of my own group—when I say that even if other industrialized countries and other countries which could be considered to be in a position to make a major contribution to solving the problems of those countries worst hit by the oil crisis hesitate to make their contributions or only do so after some time, the Community will have to make a move itself. If each country waited for all the other donor countries to make their contribution before giving such aid, the world would never have had a development policy. It is the action of those who are willing to set an example which will encourage others to make a sacrifice towards the solution of this important problem.

I believe that this observation had to be made. I hope that the Community will be able to arrange its action in this sphere so that the objections raised by one Member State will not be maintained, since the needs of the developing countries are more important than the needs of the prosperous world resulting from the energy crisis.

I have a further question for the Commissioner responsible. We have now debated a number of reports concerned with development cooperation, namely on food aid and a special fund. Large sums of money are entailed. Also scheduled are a new European Development Fund in the framework of the renewed Association, and the financial commitments which the Community will soon have to enter into with respect to the Mediterranean area. There is also the possibility—although this has not yet been elaborated in detail—of a Community contribution to financial aid on a world level. The dialogue between Europe and the Arab States may also have financial implications for the Community.

Some people have justifiably asked—albeit, I believe, not Members of this Parliament—whether it might not be useful to draw up a list of all the financial implications in order to establish priorities and the resources required to finance this policy in the coming years.

My question to the Commissioner is, therefore: Has the Commission already drawn up such a list, and if not, when does it contemplate doing so? Is the Commission prepared to forward the completed list directly to Parliament, so that this House can review the various activities and their financial implications in relation to each other and lay down clearly which of the various measures should be given priority by the Community?

**President.** — I call Mr Cheysson.

**Mr Cheysson, Member of the Commission of the European Communities.** — (F) Mr President, I thank Mr Van der Hek. Nevertheless, I am a little perplexed by his remarks concerning the reservations alleged to have been made by a Member State.

When the project was laid before the Council, in general terms, without precise figures, one Member State did, in fact, express reservations: Denmark. The result was that Mr Scheel's declaration to the Assembly of the United Nations had to be held up until the very last few days of the session. However, before the United Nations Assembly was over, Denmark, after the Parliamentary debate in Copenhagen, withdrew its reservations, which thus ceased to exist. As a result, the Commission was asked to give precise figures and this it did. The Council experienced some difficulty in adopting these figures: right until the last minute, until 24 June, we did not know whether the agreement of all the governments would be obtained.

But, as you know, this agreement was reached. The best proof of this is the letter sent by Mr Waldheim on 26 June, containing the Community's precise offer of 500 million dollars as part of a total effort of 3,000 million dollars and with the few reservations I explained in my first speech. As things stand, therefore, there is no ground for speaking of reservations put forward by a Member State regarding the offer made at United Nations level.

Mr Van der Hek spoke of the extent of the financial commitments that we are taking on, one after another, in the field of development aid. They are of two kinds. There are the contractual commitments, those resulting from conventions and treaties. Then there are unilateral commitments which we undertake of our own accord—in particular, this considerable commitment concerning the emergency action in favour of the countries affected by the crisis. We have, of course, performed all these operations with the reservation that there is a difficulty in assessing the contractual commitments, since several conventions are in the process of being negotiated. The Council asked us for a memorandum on this subject, and this I have presented, not in the form of a Commission proposal, but precisely, as Mr Van der Hek said, as a catalogue of actions already decided upon or envisaged. Of course, the Commission is perfectly prepared to transmit this document to the Parliament if so requested by one of the parliamentary committees, that which considers itself to be the most competent.

**President.** — Thank you, Mr Cheysson.

**President**

Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

9. *Regulation on generalized preferences in favour of developing countries*

**President.** — The next item on the agenda is a debate on the report drawn up by Mr Knud Nielsen, on behalf of the Committee on Development and Cooperation, on the proposal from the Commission of the European Communities to the Council for a regulation to extend the list of products falling within Chapters 1 to 24 of the Common Customs Tariff, in respect of which the scheme of generalized preferences in favour of developing countries is applicable under regulation (EEC) No 3506/73 of the Council of 18 December 1973 (Doc. 172/74).

The rapporteur has informed me that he has nothing to add to his written report.

I call Mr Klepsch, draftsman of the opinion of the Committee on External Economic Relations.

**Mr Klepsch, draftsman of an opinion.** — (D) Mr President, ladies and gentlemen, on behalf of the Committee on External Economic Relations I have a few remarks to make on the excellent report by Mr Nielsen, which also contains the opinions of our committee and of the Committee on Agriculture. On the basis of the discussion in the Committee on External Economic Relations, I have three points to make.

First, we wish to state explicitly that the granting of generalized preferences to the developing countries represents very considerable efforts on the part of the European Economic Community. We find it a matter for regret that such measures should not have been carried out to the same extent by the other industrial countries. This point we wish to stress.

Secondly, the extension of the system of generalized preferences in favour of the developing countries offers considerable economic advantages to these countries, which, in many cases, are having to cope with serious economic problems. The Committee for External Economic Relations, however, wishes to draw attention to one problem which is more or less inevitable and which we must constantly bear in mind. The policy of extending these preferences undermines the advantages granted by the European Community to the Associated countries, and, as a result, the Community is being subjected to

growing criticism. Here I am thinking in particular of the prolonged discussions we are having with Turkey, but we shall have to expect similar complaints from a large number of other Associated countries.

Admittedly, this point seems insignificant in view of the number of products concerned; the Committee on External Economic Relations, however, takes the view that this is a general trend which we welcome in principle and which we wish to continue, but that we must not forget the problem of the Associated countries and its consequences. This is another point we wish to stress.

Thirdly, in paragraph 6 of our opinion, we point out that many developing countries eligible to benefit from the system of generalized preferences cannot make use of it in practice, mainly because of the excessively complicated administrative arrangements needed to take advantage of it. In our opinion, we have therefore expressed the view that this state of affairs should be corrected as soon as possible. It would, I think, be useful for all of us if the Commission were to submit a report on this problem.

What is this system, which is so complicated that it creates these difficulties? How could it be improved, and why is such a bureaucratic procedure necessary? We should be grateful for an explanation of these difficulties. We appreciate that they are partly due to a lack of administrative experience in most developing countries; but precisely for this reason, an effort should be made to find a procedure which was as uncomplicated as possible. My committee would be very grateful for a detailed report on this question from the Commission.

Mr President, these are the points I was asked to make on behalf of the Committee on External Economic Relations. For the rest, I should like to express my warm thanks to the rapporteur, Mr Nielsen, for his all-embracing report.

**President.** — I call Mr Van der Hek to speak on behalf of the Socialist Group.

**Mr Van der Hek.** — (NL) Mr President, although this part-session is now more or less over, we are being given the opportunity to debate what might well be one of the most remarkable proposals submitted in recent times by the Commission to the Council. Naturally it is, in itself, an attractive idea to try to improve the scheme of generalized preferences in the course of any year, and especially in respect of processed agricultural products which are so important to the developing countries. This is the idea that has been put forward by a number of Member

<sup>1</sup> OJ No C 93 of 7 August 1974.

**Van der Hek**

States of the Community. They have agreed to an improvement for 1974 so long as further improvement is achieved in the course of that year, particularly in respect of processed agricultural products.

I believe they have two reasons for doing this. The first is that processed agricultural products are of especial importance to the developing countries as they are exported by these countries, and the second is the unreserved declaration at the Paris Summit Conference that Community preferences must be considerably improved.

We have now received the Commission's proposal. Both its content and its motivation are a model of generosity. The Community enjoys talking about developing initiatives and putting words into deeds in the interests of the third world, but in the area of trade policy in particular nothing much has been achieved. The complexity of the matter has already been pointed out, and it also seems to me that the content of the proposal is not terribly good.

I shall deal first with the Commission's Explanatory Memorandum. It starts off on a rather sullen note with the observation that three Member States, i.e., Denmark, Holland and the United Kingdom, had made a request concerning, amongst other things, a number of basic products and raw materials which, in principle, according to Resolution 21 (II) of UNCTAD, should not be included in the GSP. However, they are not mentioned in the actual text of that resolution—if they are mentioned at all, it is in the title—and the Commission also contradicts its own precepts since its own proposal nevertheless covers a number of raw materials.

That argument therefore fails to hold water. It lapsed completely when the extraordinary meeting of the General Assembly of the United Nations devoted to raw materials was held. This meeting passed a resolution, with the approval of all the Member States of the Community, stating that, without any exceptions, preferences including tariff preferences, should be granted to developing countries. The argument that Resolution 21(II) of the Second UNCTAD contains a restriction in respect of the granting of preferences—if this can be regarded as an argument—has lost its validity since the sixth special meeting of the United Nations, with the explicit approval of the Community. It is consequently difficult for me to see how this idea has crept into the Commission's proposal.

Secondly, it is stated—and this in fact amounts to an apology from the Commission—that the improvement of the offer on agricultural goods is limited in scope, since multilateral negotiations still have to be held in the framework

of GATT. This, too, is hardly impressive reasoning. We all know that at the forthcoming GATT negotiations agricultural products, in particular processed agricultural products, will be among the most important topics. But the fact that this is taken as a reason for a measure of caution with regard to preferences for processed agricultural products is rather curious both in the light of the statement made at the Paris Summit Conference and in the light of the views formulated by the Commission itself in its proposals for 1975.

With your leave, I should like to quote from these proposals: 'The less advanced countries, in particular, are becoming more and more afraid that the industrialized countries will slow the pace of improving the GSP in order to hold over possible concessions for future negotiations the scope, date and concrete results of which they are not yet able to anticipate with any accuracy. It is only proper, therefore, to set these fears at rest by proceeding as far as possible with developing and improving the GSP.'

Why, then, do we now have such a meagre interim proposal? Why present proposals for 1975 which are an improvement on 1974 if nothing has been allowed to happen in the intervening period? This is a streak of cynicism of which the Council is also guilty when it says: Must we in fact make interim improvements? Must the improvements be made by 1 September? Should these interim proposals not indeed be included in the improvement anticipated for 1975, and what is the Commission doing to prevent this? What pressure is it prepared to exert on the Member States to make this improvement in the interim period, and, if possible, to extend it if certain Member States make a request to this effect or have indeed already done so?

The content of the present proposal seems all the more unusual if we compare it with other Commission proposals in the area of processed agricultural products. The same Commission which submitted the present proposal on the generalized preferences scheme on 24 May then submitted, on 26 May, a proposal for the temporary suspension of autonomous duties in the Common Customs Tariff on a number of agricultural products. The similarity between these two proposals on various products is striking. It is also striking that the Council has been able to reach a decision on the latter proposals without any delay whatsoever, although it has still not been able to take a decision on the proposals concerning the preferences.

On 25 June, the Council adopted a large part of the Commission's proposal on the lowering or

**Van der Hek**

suspension of tariffs on agricultural products of all kinds, but it was still not able to take a decision on preferences. I find this rather pitiful. It shows that the Community is well aware of matters concerning its own interests and always reacts rather slowly when the interests of other parties are concerned—interests which these other parties cannot themselves defend within the Community since they are developing countries which happen not to belong to the Community.

There is also the remarkable coincidence that both the first and second proposals contain identical products. There can be no question of granting special preferences for developing countries in respect of such products since, if we suspend a certain duty without restriction in one proposal, we cannot include that duty once again *vis-à-vis* developing countries in another proposal.

This is far from being an elegant way of acting or behaving; in fact it is somewhat embarrassing. I hope that the developing countries have not realized what is happening. One clear illustration is the argument in the explanatory memorandum to the *unrestricted* suspension of tariffs on dates that this is in the interests of French packers, while at the same time the impression is given that the preferences are being improved in the interests of producers in the developing countries. What reasons does the Commission in fact consider to be more important—help for certain processing industries in the Community or the interests of the developing countries? What reasons are in fact instrumental for the Commission?

The Commission seems to be speaking here with a forked tongue, a regrettable state of affairs. I believe that some explanation of these points is due from Mr Cheysson.

With the reservation that this whole matter is rather unsound but that the measure must be implemented quickly, the Socialist Group gives its approval to the motion for a resolution. We hope that Mr Cheysson will be able to give some encouraging reasons for us to make our approval more heart-felt.

**President.** — I call Lord Reay to speak on behalf of the European Conservative Group.

**Lord Reay.** — The proposals contained in Commission Document 104/74 are to extend the list of products falling within Chapters 1 to 24 of the Common Customs Tariff in respect of which generalized preferences are applicable to 18 items with an average tariff reduction which I calculate to be 8 points (although I see that the Commission described it as 10 points—there

must be some difference in our system of arriving at an average) or something over 40% over a period of four months.

The items are all processed agricultural products by virtue of the chapters under which they come, and the proposal stems from requests, as Mr Van der Hek pointed out, made by Denmark, Holland and the United Kingdom. They fall within the area in which extensions to the generalized preference schemes are most to be welcomed and have been most frequently requested in this Parliament.

The proposals are modest in so far as the coverage at 1971 values amounts to no more than 28.7 million units of account for EEC imports from the generalized preference beneficiaries. However, I am not of the opinion that the modesty of the proposals constitutes by itself a reason for criticizing them. These are half-term proposals falling between the much more substantial extensions brought in for 1974 and those, completed by the Commission although not yet discussed in this Parliament, for 1975.

In this connection, let me say that the Commission deserves to be congratulated on already having completed its proposals for 1975. With no more meetings of the parliamentary committees concerned before September, I doubt whether it is possible for this Parliament in plenary session to discuss them before October. However, I hope that this Parliament will then be able to complete its discussions, which should still give the Council sufficient time to approve the proposals for them to come into force at the start of next year.

I should like to hear a little more about the likely timing of these modest interim proposals. They have an independent value only if they come into force before the 1975 scheme, and therefore we should know when the Council is likely to discuss them. If the Council does not approve these proposals very soon, this document might just as well not have been produced.

Perhaps the Commissioner could say when at the latest the Council must approve them. If the Council does not approve them, perhaps the Commissioner could confirm that the specific extensions contained in these proposals will be included in the 1975 scheme.

On the specific items contained in this proposal, I do not wish to say much except to welcome the fact that certain items such as spices and castor oil are of particular interest to Asian Commonwealth countries, and their inclusion represents a stage in the implementation of the Joint Declaration of Intent attached

**Lord Reay**

to the Treaty of Accession. Such countries, on the accession of the United Kingdom to the EEC, lost preferences which they had hitherto enjoyed on the United Kingdom market. The inclusion of items of particular interest to them in this interim proposal, in the 1974 scheme, and in the 1975 scheme, represents compensation for what those countries lost on the accession of the United Kingdom. Such countries are well aware that they may benefit far more from a trade concession offered by the Community as a whole than they would from a larger concession which was available only from the United Kingdom.

I want to take this opportunity to make some comments on the general operation of the Community's generalized preferences scheme and to raise matters which Mr Klepsch also brought up, in paragraph 6 of his opinion for the Committee on External Economic Relations. There, he makes the point that many countries eligible to benefit have not in practice made use of the scheme.

'... mainly because of the excessively complicated administrative arrangements needed to take advantage of it.'

In that report, he asks that this state of affairs should be corrected as soon as possible, and I should like to hear what the Commissioner has to say to this request. Does he consider it practical? If so, what will the Commission propose, and when?

In general, what the Community has done about generalized preferences and what the Commission is continuing to do is very greatly to be welcomed. The Community's scheme of generalized preferences is well on its way to becoming an important political demonstration of the fact that the Community has progressed from a group of powers which saw their interest in the developing world as being limited to a relatively small number of Associated States in Africa, which received disproportionate privileges as compared with other, non-associated developing countries, into a major trading entity which recognizes its responsibilities to the developing world as a whole.

A great deal has been achieved in the last year or so in broadening the Community's approach towards the developing countries, and a much better balance has already been achieved between its policy of association and its policy towards the rest of the developing world; and in achieving this nothing has been more important than its scheme of generalized preferences. I am quite happy to welcome the proposals before us as a further small step forward in

what I am reasonably confident will be a path of continuing progress.

**President.** — I call Mr Cheysson.

**Mr Cheysson.** — (*F*) Mr President, as paragraph 10 of the Explanatory Statement contained in Mr Nielsen's excellent report rightly says, there is little point in launching an extensive discussion on the Community's policy on the basis of such a slight extension of the Community's preference system, all the more so as the European Parliament came to a decision on this point less than six months ago. The present proposals must, in fact, be seen in their proper perspective, i.e., in relation to the considerable improvements made on 1 January 1974 and to those that have already been proposed by the Commission to the Council for 1 January 1975.

What we are proposing today is, in fact, very limited. All the Commission set out to do was to enable the Council to adopt, without delay, a sensible proposal. Certain Member States, as you are aware, do not agree with the Commission on the date for bringing the new régime into force. Although these improvements are, I repeat, limited, they propose 1 January 1975 instead of 1 January 1974. They point out that a modification of the system of generalized preferences should take place, not during the calendar year, but only at the beginning of the calendar year. We regret that these countries did not inform us of this objection earlier, since this would have saved us the trouble of drawing up proposals and we should not have given rise to expectations in our discussions with various states.

The problem concerning the date of entry into force is only a minor one. The customs authorities want the new lists to be published two months in advance. We, for our part, would wish to consult the Associated countries. Practically speaking, therefore, the system is unlikely to come into force before November or December.

On the other hand, the date of adoption is important, if only for the sake of confirming our intentions. Bearing this in mind, we should prefer the Council's decision to be taken on 15 July, which would enable the new regulations to come into force before the end of the year.

There is some doubt as to whether we shall secure this decision in the next few days, in view of the reluctance of two Member States to allow the regulation to come into force before 1 January 1975. In any case, I can assure Mr Van der Hek and Lord Reay that these measures, as formulated, relate to the year 1974, but will remain valid in 1975, provided they are adopted.

**Cheysson**

If not, they will constitute part of the whole body of measures to be adopted in 1975 and so assume another dimension.

The main thing, Mr President, is the political fact that the adoption of this small-scale measure will confirm the Community's desire to improve the system of generalized preferences. On this point, there can be no doubt: it has been made clear by the Parliament and the Commission, and again by the Council in a resolution adopted quite recently, on 30 April 1974.

It is true, Mr Klepsch, that this raises a problem with regard to the Associated countries insofar as the contractual preferential régimes thereby lose some of their significance. But, as you know, this is one of the reasons why we should like to pursue the Associations beyond the point of mere commercial preferences and consider how other trading advantages might further enable the Associated countries to penetrate our markets according to their needs.

As I have said, much more important measures have been proposed by the Commission to the Council for 1 January 1975. These include improvements relating to agricultural products already included in the system of generalized preferences, trade in which in 1972 accounted for 450 million units of account. The new proposals provide for the inclusion of further agricultural products, trade in which in 1972—that is to say, before the introduction of generalized preferences—accounted for 155 million units of account. Vegetable oils occupy an important place in this list; the same applies to orchids imported by the Community for 4 million units of account in 1972.

For industrial products other than textiles, the Commission proposes preferences for imports not exceeding 2 300 million units of account in 1975 instead of the 2 000 million units of account in 1974. The improvements, therefore, are very appreciable.

Nevertheless, Mr President, we must leave no doubt about the fact that it is not our intention to cover all possible products. The interests of the Member States of the Community and of their producers must be taken into account. Otherwise, we may be encouraging a progressive extension of the system of generalized preferences, particularly in the sense that non-Member States of a size comparable to ours may agree to act in this manner, and this must be avoided at all costs. It will therefore be impossible, in the negotiations with Member States, to ensure that each proposal made will be universally acceptable. The system will be extended, but it will never cover all the products that each Member State may propose.

I should like to say to Mr Van der Hek that there is an appreciable difference between subjecting a product to a generalized preference and suspending the duties on this product: the former case entails a very long-term obligation, the system of generalized preferences covering a period of ten years, whereas the suspension of duties is only of limited duration.

Our proposals for 1975 will be submitted to Parliament in the autumn whenever it wishes to examine them. The parliament will then be able to see that the list of products falling within Chapters 1 to 24 of the Common Customs Tariff has been considerably extended as requested in paragraph 1 of the motion for a resolution now before you. It will also see that processed agricultural products such as vegetable oils, anchovies, tobacco, honey and pepper are included. For technical reasons, we have not been able to do very much about Indian food specialities, but we are hoping to find some other way of facilitating the entry of these products to the Community.

The House will appreciate that limited proposals such as those now before it hardly permit of revising the criteria for deciding whether a country is a developing country or not. This is a question to which the Commission has devoted a good deal of attention when preparing proposals of rather different scope—those for 1975. In these proposals you will see—and this is a point to which the Commission attaches great importance—that with effect from 1975 we are proposing modifications designed to enable the least-advanced countries to receive the greatest share of generalized preferences.

This is the first step towards settling a political question which is extremely delicate, since it concerns the manner in which the advantages of the system can be distributed among the beneficiaries so as to ensure that the most advanced of them do not receive the lion's share.

As to the distribution of the burden among the industrial countries, the Commission has expressed the hope that those industrial countries which have not yet introduced a system of this kind will do so in the near future. We still entertain this hope, and take this opportunity of expressing it publicly as regards the United States.

The House will be happy to know that last week Canada introduced a system of generalized preferences. On a world level, we are making progress.

As regards the capacity of the Commission and the burden falling on certain economic groups, I would reply quite frankly that we do not know exactly what the repercussions of the system

**Cheysson**

may be. For 1975, the Commission has proposed collecting as much data as possible on the utilization of the system and the establishment of a documentation and information centre to aid us and our populations the better to understand the nature and the effects of the system.

It must, however, be stated very clearly that there is no evidence to prove that our system, which has now been in force for more than two years, has harmed anyone or any interests whatever in the Community.

Mr Klepsch made some very appropriate comments on the complexity of the system, the difficulties encountered in appreciating its full significance by the developing countries, especially the least-advanced of them, which are administratively weak. Lord Reay made the same point.

The Commission is making a particular effort to inform beneficiaries and explain administrative procedures to the economic circles interested. This entails the organization of seminars in the beneficiary countries—this year in the Andin Group, in the Central American Common Market, in Haïti, in Bangla Desh, etc. In the annual review carried out in connection with the application of the system of generalized preferences, the Commission, taking account of the experience gained, tries to improve its proposals and simplify the system. A particular effort in this direction will be noticeable in the proposals for 1975. As you will see, we are proposing a substantial reduction in the number of products subject to quotas: if our proposals are adopted, this number will be reduced from 51 to 7.

In group B of the OECD we are also proposing simplified procedures concerning the rules of origin, a relaxation of the definition of 'origin' by granting recognition of the mixed origins of regional groups such as the Andin Group, the Central American Common Market, and in South-East Asia, the ASEAN.

The Commission is grateful to Parliament for the approval proposed in the excellent report by Mr Nielsen. It is very much in our interest that Parliament should adopt an equally liberal and progressive attitude on this subject on every occasion. We are sure that everyone in this House will support our action *vis-à-vis* his national parliament.

My colleague, Sir Christopher Soames, greatly regrets not being able to attend this debate, for, as you know, he takes a lively interest in this subject. Unfortunately, he is paying an official visit to Malta, which could not be arranged for any other time. Like all of us, he is looking forward with impatience to the debate which is

due to take place in the autumn on the evolution of the system of generalized preferences, on the basis of proposals which are on quite another scale than those modestly put before you today.

**President.** — Thank you, Mr Cheysson.

I call Mr Van der Hek.

**Mr Van der Hek.** — (NL) Mr President, despite the fact that Mr Cheysson quite rightly shows on the basis of paragraph 10 of the explanatory memorandum that we do not have to discuss development policy at this point, I should like to make a few more observations. First of all, I wish to point out that Mr Cheysson seems now to have no objection to the fact that raw materials, including agricultural raw materials, could easily be included in the future in the preferences scheme. Secondly, I note that regular improvement of the scheme is possible notwithstanding what happens during the GATT negotiations. Mr Cheysson did not make any observations in this respect with regard to what I said on the subject. He said that an effort would be made to reach a decision before the summer recess so that a supplementary improvement to the scheme could come into effect this autumn. It would be unfortunate if this improvement could only become effective as from 1 January 1975. Mr Cheysson left this possibility open. If the improvement only took effect as late as that the Commission could have saved itself the trouble of making these interim proposals, since the scheme will have to be reviewed anyway as from 1 January 1975.

**President.** — I call Mr Cheysson.

**Mr Cheysson.** — (F) Mr President, I will give a very brief reply to Mr Van der Hek.

We want these limited proposals to enter into force before 1 January, as I said quite unambiguously a few moments ago. In view of the opposition of two Member States, there is some doubt on whether our wish will be granted. However that may be, the Commission's proposal put forward to the Council with much vigour by Sir Christopher Soames is that the Council should approve our proposals now, before the summer holidays, so that they may be applied before the end of the year, as we have indicated to a number of countries.

As to the other point, Mr President, I did not say that the Commission wanted the inclusion of agricultural products in the system of generalized preferences. I said that each case should be examined. In particular, with regard to unprocessed agricultural products, I would

**Cheysson**

remind the house that our main desire is to facilitate the export of processed products which goes against the inclusion of unprocessed agricultural products in the system of generalized preferences.

**President.** — Thank you, Mr Cheysson. Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

10. *Regulation on the customs treatment applicable to certain goods*

**President.** — The next item is a debate on the report drawn up by Mr Herbert, on behalf of the Committee on External Economic Relations, on the proposal from the Commission of the European Communities to the Council for a regulation on the customs treatment applicable to goods returned to the customs territory of the Community (Doc. 126/74).

I call Mr Knud Thomsen, deputizing for Mr Herbert, who has asked to present the report.

**Mr Knud Thomsen, deputy rapporteur.** — (DK) I shall be very brief; it is getting late.

There already exists a regulation according to which goods originating from the common market may, after being exported, be reimported free of duty, and goods exported from the common market which have been processed abroad may be reimported at reduced duty.

The Commission's proposal is simply a rationalization of the procedure here. The principles of this rationalization were agreed to by our committee and by the Committee on Budgets in its opinion.

Both committees nevertheless complained that the proposal was very laconic and did not give much information. The committee had to say, like Mr Van der Hek, that they more or less washed their hands of it, since they could not fully evaluate the economic and administrative effects of the proposal, nor the greater possibilities of fraud associated with it.

We wash our hand of it, while agreeing unreservedly with the principle as being the only one capable of replacing—as it must replace—a number of national regulations of a similar nature.

**President.** — I call Mr Cheysson.

**Mr Cheysson, Member of the Commission of the European Communities.** — (F) Mr President, we note with great satisfaction that the rapporteur, Mr Herbert, recommends the adoption of our text without amendments. As you are aware, it takes account of the fact that arrangements for 'returned goods' are provided by all the national regulations, so that there will be no real effect upon the raising of the Community's own resources. It will, however, help to eliminate inequalities of treatment among the interested parties, and to remove infractions of the Treaty inasmuch as every departure from the provisions of the common customs tariff is supposed to be authorized by a decision of the Council.

Mr Herbert's report contains five questions, to which I should like to give a brief reply.

He begins by asking for an explanation of the exact cases in which the proposal could be applied. The scope of our proposal is clearly defined in Article 1. For the moment, it is difficult to be more precise, since no statistics are available in Member States enabling one to estimate the scale on which goods are returned. The only assurance one can give is that it is confined to commercial necessities such as the return of goods as being unsold, defective, or failing to comply with the provisions of the relevant contract, etc.

Secondly, the rapporteur would like to know the Commission's attitude on difficulties arising from the lack to date of a Community definition of 'returned goods'. I remind the House that the customs provisions applied in each of the Member States provide for the admission, free of duty, of goods returned to their territory. These provisions have the disadvantage of being confined to the national territory of each Member State. Our proposal would extend the application of such provisions to the territory of the Six forthwith, and to that of the Nine with effect from 1977.

Thirdly, the rapporteur would like to know the financial implications of the measures proposed, and the speaker preceding me took up this problem once more. Since it is a question of harmonizing national provisions on a Community scale, the financial implications of the measures proposed are virtually nil. Only in exceptional cases where the proposed rules were stricter than those in force in certain Member States would they result in the application of duties or levies. Re-admission free of duty, is, in fact, the normal case.

Fourthly, reference was made to the question of the risks of fraud. Here I repeat once more that the system proposed applies on a Com-

<sup>1</sup> OJ No C 93 of 7 August 1974.

**Cheysson**

munity level measures already existing in the Member States. Consequently, with regard to frauds as in other respects, this system is no less efficient than that resulting from the application of national regulations, and these have so far, to our knowledge, not given rise to any criticism. Moreover, risks of fraud arising from the existence of the agricultural policy are eliminated by the provisions precluding the exemption from duty of agricultural products subject to export refunds, except in the most exceptional cases.

Moreover, so long as compensatory amounts are in force among the Member States, the arrangements concerning returned goods are applicable only when the goods concerned are re-imported by a Member State the direct import by whom of such goods from the exporting Member State has not previously given rise to the levy or granting of compensatory amounts.

Finally, we are asked about the membership of the Customs General Procedures Committee and the date when it will assume its responsibilities. I remind the House that the establishment of this committee figures in the proposal for a regulation on the duty-free import of educational, scientific and cultural materials, which has already received the favourable opinion of the European Parliament. Only when this proposal has been adopted by the Council, however, can the Customs General Procedures Committee be set up and the Council proceed to the adoption of the proposal for a regulation on the customs treatment of returned goods.

As the rapporteur has emphasized, the present proposal for a regulation is of an essentially technical nature. There therefore seems to be little purpose in going further into the details; instead, I will simply join Mr Herbert in recommending the House to adopt the motion for a resolution.

**President.** — Thank you, Mr Cheysson.

Does anyone else wish to speak?

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

11. *Regulation on the financing of the sale of beef at reduced prices—Adoption of a resolution by urgent procedure*

**President.** — I have received the following document, with request that it be dealt with

by urgent procedure pursuant to Rule 14 of the Rules of Procedure:

— Report drawn up by Mr Laban, on behalf of the Committee on Agriculture, on the proposal from the Commission of the European Communities to the Council for a regulation on the financing of the sale of beef and veal at reduced prices to certain categories of consumer (Doc. 203/74).

I call Mr Kirk to speak on a point of order.

**Mr Kirk, (Chairman of the European Conservative Group).** — On a point of order.

An item has appeared on the agenda, No 156, which was not on the agenda at the beginning of this week. As far as I know, it was not on the agenda up to the time when this morning's agenda was issued.

As far as I am aware, Parliament has not voted to put this item on the agenda: it has simply appeared here.

I understand that the Committee on Agriculture met last night to deal with this matter. Normally applications for matters to be taken under urgent procedure are taken at the beginning of business. I was present at the beginning of business this morning and no application was made for this matter to be taken under urgent procedure.

Very large sums of money are involved here. Only six Members of Parliament—three of whom are from my group—are present to deal with a matter of vital importance.

I am not arguing the merits of the case for the item. I merely wish to know under what procedure it ever appeared on the agenda, how it was agreed that it should appear there and how we are supposed to deal with it at ten minutes to one on a Friday morning sitting, on the basis of a report from the Committee on Agriculture which, to put it in the most charitable terms—and I mean no offence to Mr Laban here—is skimpy, involving as it does a matter of considerable principle.

In view of the fact that we have debated it already twice this week, would it not be possible to defer this matter until the September part-session, when we shall know what figures are involved and what the details are, and when we shall be able to go into the matter in greater detail and under much better rules of procedure than we have at present?

**President.** — I call Mr Laban.

<sup>1</sup> OJ No C 93 of 7 August 1974.

**Mr Laban.** — (NL) Mr President, I speak now as acting chairman of the Committee on Agriculture.

I should like to point out to Mr Kirk that we are faced with enormous problems in the beef and veal sector—a fact of which he must be aware. We were therefore very pleased that the Commission has taken a rapid decision on a number of measures. General agreement on these measures was expressed a few days ago.

The Council is due to reach a decision on the financial implications of the 'social beef' arrangements next Monday, but first the procedure laid down in Article 43 of the Treaty has to be completed. In order to prevent a decision from being taken without prior consultation of the Parliament and without extended delays, the Committee on Agriculture was asked to submit an opinion at very short notice. The Committee on Agriculture believed that this was correct. The Committee on Budgets also complied with the same request. We subsequently asked the Bureau to place this item on the agenda, and they obliged us by doing so. I wish to make a plea for this proposal to be considered now so that when the Council is making its decision on Monday it will have Parliament's opinion to hand.

**President.** — I call Mr Kirk.

**Mr Kirk.** — I am a member of the enlarged Bureau, which met yesterday. This matter was not mentioned at that meeting. The first mention of it was on today's agenda. I accept that the matter is urgent. But we are required to debate, in these conditions, a matter of very great importance involving very large sums of money and I want to ensure that we debate the matter in the proper conditions.

As a compromise, therefore, I propose that we take Mr Laban's motion formally in order to clear the way for the Council on Monday, but on the clear understanding that at our part-session in September we have a proper and effective debate based on a good report from the Committee on Agriculture, including the financial implications. In such a case, I would withdraw my objection now, but I sustain my objection to an important matter of this kind being brought in at the last possible moment, involving a point of principle of vital importance and very large sums of Community funds.

I hope that Mr Laban will be reasonable about this and agree that if we take the matter formally now—we do have to clear the way for the Council—his committee will come back with a much more detailed and thorough examination

in September, when we can deal with the matter in depth. We cannot possibly do that in the present circumstances.

**President.** — I must emphasize that it is naturally Parliament itself that decides how and when the report is to be debated.

I call Mr Laban to speak on a point of order.

**Mr Laban.** — (NL) Mr President, I should be most grateful if this matter could be considered now. It is not true—despite what Mr Kirk said—that the Committee on Agriculture has not debated this question thoroughly; the debate lasted about two-and-a-half hours and went into all the possible details. It is true that for purely technical reasons the explanatory statement could not do justice to all the points which emerged during the discussion; but the opposite is true of the motion for a resolution. It is the intention—but we are wasting a lot of time now—to give an account of the discussion and also to request the necessary financial information. It should be possible for Mr Kirk to be given this information.

I believe that we can quite satisfactorily debate this point now, but I would gladly propose to the Committee on Agriculture that we reconsider the question in September. We may perhaps—unless Mr Kirk withdraws his objection—have to decide to adopt urgent procedure, but this would, I believe, be very difficult. I would therefore propose that we start our debate on this report as quickly as possible.

**President.** — This document can be discussed only if Parliament deals with it according to the rules on urgent procedure.

I call Mr Cheysson.

**Mr Cheysson, Member of the Commission of the European Communities.** — (F) Mr President, the Commission much appreciates the care and diligence displayed by the Committee on Agriculture in their treatment of this problem, and I wish to convey the Commission's thanks to the rapporteur in particular and the committee members in general. As the House is aware, the point on which the Commission is here consulting the Parliament is the principle of sharing certain expenses 'fifty-fifty'.

So far as the Commission is concerned, Mr President, the proposal made by Mr Kirk, on a point of order, seems to us eminently satisfactory insofar as it would enable us to move forward and at the same time to hold a debate on the whole of this problem in more favourable con-

**Cheysson**

ditions than those applying today—in view of the late hour, the sparse attendance and, if I may say so, the absence of the Commissioner who really knows the situation.

**President.** — I call Mr Laban.

**Mr Laban.** — Mr President, it is of course impossible for me to consult the members of the Committee on Agriculture, but in view of the late hour and the fact that much time has already been wasted, I propose that we simply take a vote on the motion for a resolution without an explanation of the report from the rapporteur.

In this event, we should insist that this report, like the report on forestry, should be debated in September. If the Bureau concurs, we are prepared simply to take a vote on the motion for a resolution.

**President.** — Thank you. I think that resolves a big problem for the President.

I therefore consult Parliament on the adoption of urgent procedure.

Are there any objections?

The adoption of urgent procedure is agreed.

I put the motion for a resolution to the vote.

The resolution is adopted.<sup>1</sup>

A note shall be entered in the Minutes that the subject of this report is to be taken up again for discussion during the forthcoming part-session in September.

#### 12. *Presentation of a petition*

**President.** — I have received a petition on the removal of obstacles to the detection and bring-

ing to trial of war criminals, submitted by Mr Pierre Crcs on behalf of the Association of European Civil Servants formerly deportees and members of the Resistance and other signatories.

The petition has been entered under No 7/74 in the register provided for in Rule 48 of the Rules of Procedure and referred to the Legal Affairs Committee.

#### 13. *Dates for the next part-session*

**President.** — There are no other items on the agenda.

The enlarged Bureau proposes that our next sittings be held at Luxembourg during the period from 24 to 26 September 1974.

Are there any objections?

That is agreed.

#### 14. *Approval of minutes*

**President.** — Rule 17(2) of the Rules of Procedure requires me to lay before Parliament, for its approval, the minutes of proceedings of this sitting, which were written during the debates.

Are there any comments?

The minutes of proceedings are approved.

#### 15. *Adjournment of session*

**President.** — I declare the session of the European Parliament adjourned.

The sitting is closed.

*(The sitting was closed at 1.00 p.m.)*

<sup>1</sup> OJ No C 93 of 7 August 1974.