

Annex

Official Journal

of the

European Communities

No 233

September 1978

English edition

Debates of the European Parliament

1978-1979 Session

Report of Proceedings

from 11 to 15 September 1978

European Centre, Luxembourg

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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 COLOMBO

President

(The sitting was opened at 5.00 p.m.)

President. — The sitting is open.

1. *Resumption of the session*

President. — I declare resumed the session of the European Parliament suspended on Friday, 7 July 1978.

2. *Death of His Holiness Pope Paul VI*

President. — Honourable Members, on the evening of 6 August 1978 the death occurred at Castelgandolfo of His Holiness Pope Paul VI. I should like to take the opportunity, as we resume our proceedings here today, of paying tribute to the memory of a Pope who throughout his fifteen-year pontificate brought a message of reconciliation to a world torn by conflict.

On assuming the heavy burden of leadership of the Church in 1963, Paul VI displayed an unconditional idealism in the cause of humanity, above all in favour of the poor and the oppressed. The guiding force of his pontificate was deep longing for justice and peace that drew from him a commitment which he never failed to live up to.

This is not the time or the place for me to recall each of the many achievements of the rich and inspiring pontificate of Paul VI. I do feel however that we should consider certain aspects of that pontificate which are particularly relevant to ourselves as responsible elected representatives and men of goodwill.

Paul VI began his reign as the Pope of reconciliation at all levels — reconciliation among Christians, non-Christians and non-believers; reconciliation in the family, in the community and in society; reconciliation among all humanity. He went on to give a specific meaning to his message with his commitment to the solidarity of nations and peoples. For this reason Paul VI can be called the *nuntius Evangelii Pacis* — the messenger of the gospel of peace — as shown by his address to the United Nations. Remaining faithful to the message which John XXIII set out in his encyclical *pacem in Terris*, and displaying a firm commitment to the equality of all peoples and all human beings, which he set out brilliantly in his encyclical *Populorum Progressio*, he gave the world ample proof that his vocation was to serve with unselfishness, humility and compassion: and it was with these virtues in mind that he launched the moving and considered appeal for peace which each of us can remember. With his overwhelming commitment to peace, Paul VI showed himself to the Chris-

tian world as more than simply the Pope of St Peter's Square, he was too the Pope of the *via della Conciliazione*, reaching out from the Street of Conciliation to every Christian, man and woman, and above all to the very poor, who continue to hope even in their poverty.

And so his message of solidarity and justice went from Bombay to Hong Kong, from Libya to the Philippines.

The inequalities between peoples, the fundamental imbalances between the rich world of our own industrialized countries and the countries where almost everyone goes hungry, were a permanent source of anguish to him. He came down heavily and unselfishly in favour of the less-favoured parts of the world. Although he was a Pope committed to the Third World, he was nevertheless still able to say:

You have observed that our attention is more willingly directed beyond Europe towards the developing countries; nevertheless Europe remains at the centre of our concerns and has our highest esteem and confidence.

For this reason I felt it was appropriate to point out in the message of condolences which I sent to the Holy See on behalf of the European Parliament how deeply we Europeans appreciate the importance His Holiness attributed to the ideal of European union when he turned his mind to the problems of the world in which we live. The non-political but profoundly human principle in which the Pope placed so much faith is worth recalling:

We have the firm hope that when Europe is finally united it will not disappoint the expectations of humanity.

Like his immediate predecessors, Paul VI made a constant effort to stress the importance of the quiet revolution taking place from one day to the next European countries that is leading to a common ideal that will unite them.

From this quiet process there will emerge a more human and more equitable Europe, a Europe free of discrimination, the kind of Europe which Paul VI hoped the next generation would inherit when he said:

We note that the youth of Europe aspires to reconciliation and repudiates barriers for which it no longer understands the need.

He also noted that it was incumbent on youth to know the value of the progress now being made towards the unification that would lead eventually to a more equitable sharing of prosperity and of responsibilities, with a view to improving the well-being of all.

In paying tribute to Paul VI we would do well to have in mind the words he himself quoted from St Augustine:

Peace is a thing of such greatness that of all earthly and mortal things there is nothing more gratifying than to

President

hear it proclaimed, or more worthy than to seek it or, indeed, more precious than to possess it.

Depending on our respective personal convictions, we will look up to Pope Paul VI as a model or, more simply, consider him as an important historic figure, but I hope we would all constantly bear in mind the message he left to posterity :

We are firmly convinced that the cause of European unification will finally triumph over all obstacles. The latter may certainly hamper progress, but they cannot stop completely the march towards unity of peoples whose history and geography will impel them to live in mutual understanding rather than in an unstable equilibrium or in a situation of continuing antagonism.

(The Assembly observed one minute's silence)

3. Tribute

President. — On 20 August the death occurred of Mr A. Colin, who was a Member of the Parliamentary Assembly from March to December 1958, a Member of this Parliament from 1964 and a Vice-President from March 1973 to March 1974.

Mr Colin was a Member of the Bureau of the Christian-Democratic Group (EPP) and was particularly active in the Political Affairs Committee and in the Committee on Regional Policy, Regional Planning and Transport.

Mr Colin was a member of the French Chamber of Deputies from 1946 to 1948 and became a Senator of the French Republic in 1959. He served as Under-Secretary to the President of the Council in 1946, was Minister of the Merchant Marine from 1948 to 1949, Under-Secretary for the Interior from 1949 to 1953 and Minister for Overseas Territories in 1958.

On behalf of Parliament I have sent a message of our deepest sympathy to Mr Colin's family and to the Christian-Democratic Group.

I have also sent Parliament's condolences on the death of our late colleague, Friedrich Burgbacher, to the Christian-Democratic Group and to his family.

Mr Burgbacher was a Member of the Common Assembly from September 1957 to March 1958 and a Member of this Parliament until January 1977.

He will, I am sure, be remembered in this House for his firm commitment to European unity and to the extension of the powers of this Parliament.

He was an active Member of the Bureau in his capacity as a Vice-President and made important contributions to the debates in this Assembly on energy problems.

(The Assembly observed, one minute's silence)

4. Election of His Holiness Pope John Paul I

President. — I have pleasure in informing Parliament of the message which I forwarded on behalf of

Parliament to His Holiness, Pope John Paul I on the occasion of his election.

The European Parliament shares in the universal joy at the election of Your Holiness and extends its firm wish that the Christian ideals of peace, fraternity goodness and human welfare expressed by Your Holiness should find the response in the hearts of all men. May I also express my own devout and filial sentiments of hope and joy.

5. Appointment of Members

President. — The Danish Folketing has appointed Mr Børge Halvgaard to replace Mr Ib Christensen as a Member of the European Parliament with effect from 16 August 1978 and Mr Brøndlund Nielsen to replace Mr Kofoed as a Member of the European Parliament with effect from 2 September 1978.

I should like to congratulate Mr Kofoed on his appointment as Minister of Agriculture of his country's government.

The verification of the credentials of the new Members will take place at the next meeting of the Bureau : pursuant to Rule 3 (3) of the Rules of Procedure, they will provisionally take their seats in Parliament and on its committees with the same rights as other Members.

I should like to extend a warm welcome to the new Members Mr Halvgaard and Mr Nielsen.

(Applause)

6. Petitions

President. — I have received :

- from Mr P. Bastien, a petition on the Treatment of phalloid poisoning ;
- from Mr L. Hillyer-Funke, a petition on the right to have a vote for the European Parliament and for the British parliament at Westminster for British citizens living and working outside the United Kingdom ;
- from Mrs Rosenzweig, on behalf of the Mondial Alternatif Foundation, a petition on the prohibition of imports of Japanese nets into the Nine Member States of the EEC.

These petitions have been entered under Nos. 14/18, 15/78 and 16/78 on the register provided pursuant to Rule 48(2) of the Rules of Procedure and, pursuant to paragraph 3 of the same Rule, referred to the Committee on the Rules of Procedure and Petitions.

At its meeting of 20 and 21 June 1978, the Committee on the Rules of Procedure and Petitions decided to forward Petition No 18/76 to the Commission and to file Petition No 7/78 without further action since it was no longer relevant following the meeting of the Joint Committee of the ACP-EEC Consultative Assembly.

7. Elections to the European Parliament by Direct Universal Suffrage

President. — There is an announcement in the Bulletin of the European Parliament informing Members that, by decision of 25 July 1978, and after consulting Parliament, the Council has fixed the date for the first elections of representatives to Parliament by direct universal suffrage for the period from 7 to 10 June 1979. I should like honourable Members to know that the President-in-Office of the Council informed me personally of this decision which represents a major step forward in the development of the Community.

This means that the procedures which will lead to the creation of our directly-elected Parliament for the peoples of Europe have now been finalized. I am sure Members will agree that this represents an event of considerable historic importance.

8. Authorization of reports — Reference to committee

President. — Pursuant to Rule 38 (1) of the Rules of Procedure I have authorized certain committees to draw up reports as follows :

Committee on External Economic Relations :

- economic and trade relations between the EEC and Australia ;
- economic and trade relations between the EEC and New Zealand ;

Committee on Budgets :

- revision of the Staff Regulations ;

Committee on Energy and Research :

- the possibilities and limits of the decentralization of energy of energy production (soft technology).

Pursuant to Rule 38 (3) of the Rules of Procedure I have, at their own request, authorized the Committee on Economic and Monetary Affairs and the Committee on Development and Cooperation to draw up opinions on the enlargement prospects of the Community, a subject on which the Political Affairs Committee has been authorized to draw up a report. I have also authorized the Committee on External Economic Relations to draw up an opinion on the decision concerning the activities of certain state-trading countries in cargoliner shipping on which the Committee on Regional Policy, Regional Planning and Transport has been authorized to draw up a report.

9. Documents submitted

President. — Since the session was resumed, I have received :

- a) from the Council, requests for opinions on the following Commission proposals :

a regulation amending Regulation (EEC) No 950/68 on the Common Customs Tariff (Doc. 236/78)

which has been referred to the Committee on External Economic Relations ;

- I. a regulation on the management of food aid
- II. a regulation amending Regulation (EEC) No 1703/72 as regards the Community financing of expenditure arising from the implementation of food aid conventions
- III. a decision amending the Decision 72/335/EEC on the Community financing of certain special expenditure arising from the implementation of the Food Aid Convention of 1971

(Doc. 237/78)

which has been referred to the Committee on Development and Cooperation as the committee responsible, and the Committee on Budgets for its opinion ;

- a directive amending Directives 66/401/EEC, 66/402/EEC, 66/403/EEC, 69/208/EEC, 70/458/EEC and 70/457/EEC on the marketing of fodder plant seed, cereal seed, seed potatoes, seed of oil and fibre plants, vegetable seed and on the common catalogue of varieties of agricultural plant species (Doc. 239/78)

which has been referred to the Committee on Agriculture ;

- a regulation on the development of an agricultural advisory service in Italy (Doc. 242/78)

which has been referred to the Committee on Agriculture as the committee responsible and the Committee on Regional Policy, Regional Planning and Transport and the Committee on Budgets for their opinions ;

- a regulation providing for an aid for degerming maize (Doc. 243/78)

which has been referred to the Committee on Agriculture as the committee responsible, and the Committee on Budgets for its opinion ;

- a regulation on temporary importation arrangements (Doc. 244/78)

which has been referred to the Committee on External Economic Relations ;

- a decision reviewing the second multiannual research and development programme for the European Economic Community in the environmental field (indirect action) adopted by Decision 76/311/EEC (Doc. 245/78)

which has been referred to the Committee on the Environment, Public Health and Consumer Protection as the committee responsible and the Committee on Budgets and the Committee on Energy and Research for their opinions ;

- a decision adopting joint research programmes and programmes for coordinating agricultural research (Doc. 247/78)

which has been referred to the Committee on Agriculture as the committee responsible and the Committee on the Environment, Public Health and Consumer Protection and the Committee on Budgets for their opinions ;

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- a decision adopting a research and development programme for the European Economic Community in the field of reference materials and methods (Community Bureau of Reference — BCR) and applied metrology (non-nuclear indirect action) (1979-1982) (Doc. 248/78)

which has been referred to the Committee on Energy and Research as the committee responsible, and the Committee on Budgets for its opinion ;

- a decision on the memorandum of understanding of 2 March 1978 between certain maritime authorities on the maintenance of standards on merchant ships (Doc. 252/78)

which has been referred to the Committee on Regional Policy, Regional Planning and Transport as the committee responsible and to the Committee on Economic and Monetary Affairs and the Committee on the Environment, Public Health and Consumer Protection for their opinions ;

- a regulation amending Regulation (EEC) No 1544/69 on the tariff treatment applicable to goods contained in travellers' personal luggage (Doc. 254/78)

which has been referred to the Committee on External Economic Relations ;

- a regulation extending the period of validity of Regulation (EEC) No 2862/77 on levies applicable to imports of certain adult bovine animals and beef from Yugoslavia (Doc. 256/78)

which has been referred to the Committee on External Economic Relations as the committee responsible and the Committee on Agriculture and the Committee on Budgets for their opinions ;

- a directive amending Directive 75/130/EEC on the establishment of common rules for certain types of combined road/rail carriage of goods between Member States (Doc. 257/78)

which has been referred to the Committee on Regional Policy, Regional Planning and Transport ;

- a regulation amending Regulation (EEC) No 525/77 establishing a system of production aid for tinned pineapple (Doc. 258/78)

which has been referred to the Committee on Agriculture as the committee responsible and to the Committee on Budgets and the Committee on Development and Cooperation for their opinions ;

- a directive amending Directive 75/726/EEC on the approximation of the laws of the Member States concerning fruit juices and certain similar products (Doc. 259/78)

which has been referred to the Committee on the Environment, Public Health and consumer Protection as the committee responsible, and the Committee on Agriculture for its opinion ;

- a regulation amending Regulation (EEC) No 3164/76 on the Community quota for the carriage of goods by road between Member States (Doc. 260/78)

which has been referred to the Committee on Regional Policy, Regional Planning and Transport ;

- a directive on the application to collective investment institutions of the Council Directive concerning the harmonization of systems of company taxation and of withholding taxes on dividends (Doc. 261/78)

which has been referred to the Committee on Economic and Monetary Affairs ;

- a regulation opening, allocating and providing for the administration of a Community tariff quota for fresh or chilled tomatoes falling within subheading ex 07.01 M of the Common Customs Tariff, originating in the African, Caribbean and Pacific States and in the overseas countries and territories (Doc. 262/78)

which has been referred to the Committee on Development and Cooperation as the committee responsible and to the Committee on Agriculture for its opinion ;

- a regulation on the importation free of Common Customs Tariff duties of materials for the use of the blind and other handicapped persons (Doc. 263/78)

which has been referred to the Committee on External Economic Relations as the committee responsible, and the Committee on Social Affairs, Employment and Education for its opinion ;

- a regulation amending Regulation (EEC) No 1798/75 on the importation free of Common Customs Tariff duties of educational, scientific and cultural materials (Doc. 264/78)

which has been referred to the Committee on External Economic Relations as the committee responsible, and the Committee on Social Affairs, Employment and Education for its opinion ;

- a directive concerning the flood protection programme in the Herault valley (Doc. 265/78)

which has been referred to the Committee on Agriculture as the committee responsible, and the Committee on Budgets and the Committee on Regional Policy, Regional Planning and Transport for their opinions ;

- a directive relative to the programme for the acceleration and guidance of collective irrigation works in Corsica (Doc. 266/78)

which has been referred to the Committee on Agriculture as the committee responsible and the Committee on Budgets and the Committee on Regional Policy, Regional Planning and Transport for their opinions ;

- a regulation amending Regulation (EEC) No 1108/70 introducing an accounting system for expenditure on infrastructure in respect of transport by rail, road and inland waterway (Doc. 268/78)

which has been referred to the Committee on Regional Policy, Regional Planning and Transport ;

- a directive on the methods of measurement and frequencies of sampling and analysis of the parameters of the quality required of surface water intended for the abstraction of drinking water in the Member States (Doc. 269/78)

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which has been referred to the Committee on the Environment, Public Health and Consumer Protection ;

- a directive on the approximation of the laws of the Member States relating
 - to headlamps which function as main-beam and/or dipped-beam headlamps and to incandescent electric filament lamps for such headlamps
 - to end-outline marker lamps
 - to front position (side) lamps
 - to rear position (side) and stop lamps
 - to direction indicator lamps
 - to reflex reflectors
 - to the rear registration plate lamps
 - to front fog lamps and filament lamps for such lamps
 - to rear fog lamps
 - to reversing lamps
 - to parking lamps
- for wheeled agricultural or forestry tractors (Doc. 270/78)

which has been referred to the Committee on Regional Policy, Regional Planning and Transport as the committee responsible, and the Committee on Economic and Monetary Affairs for its opinion ;

- a regulation on the total or partial suspension of Common Customs Tariff duties on certain products, falling within Chapters 1 to 24 of the Common Customs Tariff, originating in Malta (1979) (Doc. 271/78)

which has been referred to the Committee on External Economic Relations as the committee responsible, and the Committee on Agriculture and the Committee on Budgets for their opinions ;

- proposals for :
 - I. a regulation amending Regulation (EEC) No 816/70 laying down additional provisions for the common organization of the market in wine
 - II. a regulation on the grant of conversion and permanent abandonment premiums in respect of certain areas under vines
 - III. a regulation establishing a system of premiums for the cessation of wine-growing

(Doc. 272/78)

which has been referred to the Committee on Agriculture as the committee responsible and the Committee on Budgets for its opinion ;

- proposals for :
 - I. a regulation on the opening, allocating and providing for the administration of a Community tariff quota for Malaga wines falling within heading ex 22.05 of the Common Customs Tariff, originating in Spain (1979/80)
 - II. a regulation on the opening, allocating and providing for the administration of a Community tariff quota for wines from Jumilla, Priorato, Rioja and Valdepenas falling within heading ex 22.05 of the Common Customs Tariff, originating in Spain (1979/80)
 - III. a regulation on the opening, allocating and providing for the administration of a Community

tariff quota for sherry falling within heading ex 22.05 of the Common Customs Tariff, originating in Spain (1979/80)

(Doc. 273/78)

which has been referred to the Committee on External Economic Relations as the committee responsible and the Committee on Agriculture for its opinion ;

— proposals for :

- I. a directive on the indication by labelling on the energy consumption of domestic appliances
- II. a directive applying to electric ovens the Council Directive on the indication by labelling of the energy consumption of domestic appliances

(Doc. 274/78)

which has been referred to the Committee on Energy and Research as the committee responsible and to the Committee on Economic and Monetary Affairs and the Committee on the Environment, Public Health and Consumer Protection for their opinions ;

— proposals for :

- I. a regulation opening, allocating and providing for the administration of Community tariff quotas for Madeira wines, falling within heading ex 22.05 of the Common Customs Tariff, and originating in Portugal (1979/80)
- II. a regulation opening, allocating and providing for the administration of Community tariff quotas for Setubal muscatel wines falling within heading ex 22.05 of the Common Customs Tariff, and originating in Portugal (1979/80)
- III. a regulation opening, allocating and providing for the administration of Community tariff quotas for port wines, falling within heading ex 22.05 of the Common Customs Tariff, and originating in Portugal (1979/80)

(Doc. 275/78)

which has been referred to the Committee on External Economic Relations as the committee responsible and the Committee on Agriculture for its opinion ;

- a regulation amending the Staff Regulations of Officials and Conditions of Employment of Other Servants of the European Communities and establishing an Administrative Tribunal of the European Communities (Doc. 276/78)

— a second year energy research and development programme (Doc. 293/78)

which has been referred to the Committee on Energy and Research as the committee responsible and to the Committee on Budgets for its opinion ;

- a decision adopting a second R & D programme of the European Economic Community in the sector of medical and public health research consisting of five multiannual concerted projects (Doc. 295/78)

which has been referred to the Committee on the Environment, Public Health and Consumer Protec-

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tion as the committee responsible and to the Committee on Budgets for its opinion ;

b) from the committee, the following reports :

- by Mr Pisoni, on behalf of the Committee on Social Affairs, Employment and Education, on an amended proposal from the Commission of the European Communities to the Council (Doc. 58/78) for a directive concerning the approximation of the legislation of Member States in order to combat illegal migration and illegal employment (Doc. 238/78) ;
- by Mr Calewaert, on behalf of the Political Affairs Committee, on the proposal from the Commission of the European Communities to the Council (Doc. 351/76) for a directive relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products (Doc. 246/78) ;
- by Mr Herbert, on behalf of the Committee on Agriculture, on the proposal from the Commission of the European Communities to the Council (Doc. 56/78) for a regulation on the common organization of the market in sheepmeat (Doc. 249/78) ;
- by Mr Hansen, on behalf of the Committee on Agriculture, on the proposal from the Commission of the European Communities to the Council (Doc. 239/78) for a directive amending Directives 66/401/EEC, 66/402/EEC, 66/403/EEC, 69/208/EEC, 70/458/EEC and 70/457/EEC on the marketing of fodder plant seed, cereal seed, seed potatoes, seed of oil and fibre plants, vegetable seed and on the common catalogue of varieties of agricultural plant species (Doc. 250/78) ;

c) the following oral questions with debate :

- by Mr Hamilton, Mr Brown, Mr Edwards, Mr Hughes and Mr Price to the Council on a single place of work of the European Parliament (Doc. 277/78) ;
- by Mr Jahn, Mr van Aerssen, Mr Schyns, Mr Verhagen and Mr McDonald to the Council on the imminent prospect of the Commission's proposal for a directive on bird conservation not being adopted (Doc. 278/78) ;
- by Mr Albers, Mr Seefeld, Mr Dondelinger, Mr Schreiber, Mr Kavanagh and Mrs Dunwoody to the Commission on European Youth Forums (Doc. 280/78) ;
- by Mr Müller-Hermann, Mr Klepsch, Mr Pisoni, Mr Noè and Mr Santer to the Commission on the introduction of summertime (Doc. 281/78) ;
- by Mr Müller-Hermann, Mr Klepsch, Mr Pisoni, Mr Noè and Mr Santer to the Commission on the introduction of summertime (Doc. 282/78) ;
- by Sir Geoffrey de Freitas, Mr Hansen, Mr Lange, Lord Bruce of Donington, Mr Seefeld and Mr Sieglerschmidt to the Council on the elimination of border controls (Doc. 283/78) ;
- by Mr Fellermaier, Mr Dankert and Mr Sieglerschmidt, on behalf of the Socialist Group, to the Commission on the standardization of weapons legislation (Doc. 284/78) ;
- by Mr van Aerssen, Mr Martinelli, Mr Müller-Hermann, Mr Vandewiele, Mr Jahn and Mr Klepsch,

on behalf of the Christian-Democratic Group (EPP), to the Commission on trade relations between the European Community and Australia (Doc. 285/78) ;

- by Mr Dondelinger, on behalf of the Committee on Social Affairs, Employment and Education, to the Commission on the protection of the purchasing power of frontier workers (Doc. 286/78) ;
- by the Committee on External Economic Relations to the Commission on the creation of a European Export Bank (Doc. 287/78) ;
- by Mr Pisani, Mr Hoffmann, Mrs Dahlerup, Mr Albers, Mr Dinesen, Mr Glinne, Mr Dankert, Lord Ardwick and Mr Laurain, on behalf of the Socialist Group, to the Council on the employment situation in the European Community (Doc. 288/78) ;
- by Mr Pisani, Mr Hoffmann, Mrs Dahlerup, Mr Albers, Mr Dinesen, Mr Glinne, Mr Dankert, Lord Ardwick and Mr Laurain, on behalf of the Socialist Group, to the Commission on the employment situation in the European Community (Doc. 289/78) ;
- by Mr Müller-Hermann, Mr Notenboom, Mr Ripamonti, Mr Deschamps and Mr Klepsch, on behalf of the Christian-Democratic Group (EPP Group), to the Council on plans for the creation of a stable European monetary zone (Doc. 290/78) ;
- by Mr Müller-Hermann, Mr Notenboom, Mr Ripamonti, Mr Deschamps and Mr Klepsch, on behalf of the Christian-Democratic Group (EPP), to the Commission on plans for the creation of a stable European monetary zone (Doc. 291/78) ;
- by Mr Ansart, Mr Bordu, Mr Eberhard, Mr Porcu and Mr Soury to the Commission on supplies of ore to the Community (Doc. 292/78) ;

d) the following oral question without debate :

- by Mr Patijn and Mr Dankert, to the Commission, on European Investment Bank loans (Doc. 279/78) ;

e) for Question Time on 12, 13, and 14 September 1978, pursuant to Rule 47 A of the Rules of Procedure, oral Questions by :

- Sir Geoffrey de Freitas, Lord Bessborough, Mr Mitchell, Mr Bettiza, Mr Porcu, Mr Cunningham, Mr Glinne, Mr Blumenfeld, Mr Pisoni, Mr Osborn, Mr Yeats, Mr Nolan, Mr Corrie, Mr Normanton, Mr Brosnan, Mrs Ewing, Mr Soury, Mr Scott-Hopkins, Mr Herbert, Mr van Aerssen, Mr Brugh, Mr Power, Mr Fitch, Mr Vitale, Mr de Clercq, Mr Edwards, Mr Nyborg, Mrs Dahlerup, Mr Schyns, Mr Cifarelli, Mr Kavanagh, Mr Brown, Mr l'Estrange, Mrs Ewing, Mr Ryan, Mr Ripamonti, Mr Baas, Mr Cunningham, Mr Yeats, Mr Albers, Mr de Clercq, Mr Nyborg, Mr Schyns, Mr Edwards, Mr Osborn, Mr Pintat, Sir Geoffrey de Freitas, Mrs Ewing, Mr Klepsch and Mr Osborn ;

f) from the Commission :

- on 12 July 1978 :
- a proposal for the transfer of appropriations between chapters in Section III — Commission — of the general budget of the European Communities for the financial year 1978 (Doc. 240/78)

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which has been transferred to the Committee on Budgets :

- on 31 July 1978 :
- a proposal for the transfer of appropriations between chapters in Section III — Commission — of the general budget of the European Communities for the financial year 1978 (Doc. 253/78)

which has been referred to the Committee on Budgets ;

As these proposals concern expenditure not necessarily resulting from the Treaties, pursuant to the provisions of the Financial Regulation, I have consulted the Council on behalf of Parliament ;

- on 8 August 1978 :
- a proposal for the transfer of appropriations between chapters in Section III — Commission — of the general budget of the European Communities for the financial year 1978 (Doc. 267/78)

which has been referred to the Committee on Budgets ;

- a report on the financial situation of the Communities on 31 March 1978 (Doc. 241/78)

which has been referred to the Committee on Budgets ;

g) from the Council, opinions :

- the proposal for the transfer of appropriations between chapters in Section III — Commission — of the general budget of the European Communities for the financial year 1978 (Doc. 159/78) — (Doc. 251/78)

which has been referred to the Committee on Budgets ;

- the proposal for the transfer of appropriations between chapters in Section III — Commission — on the general budget of the European Communities for the financial year 1978 (Doc. 240/78) — (Doc. 255/78)

which has been referred to the Committee on Budgets ;

h) from the Council a request for an opinion on

- the establishment plans of the European Centre for the development of professional training and the European Foundation for the improvement of living and working conditions for the financial year 1979, approved by the Council of the European Communities (Doc. 298/78)

which has been referred to the Committee on Budgets.

10. *Texts of Treaties forwarded by the Council*

President. — I have received from the Council certified true copies of :

- act of notification of the approval by the Community of the supplementary protocol to the agreement establishing an association between the European Economic Community and the Republic of Cyprus and the protocol laying down certain provisions

relating to trade in agricultural products between the European Economic Community and the Republic of Cyprus and the final act ;

- agreement between the European Economic Community and the People's Republic of Bangladesh on trade in jute products ;
- agreement in the form of exchanges of letters, between the European Economic Community and the People's Republic of Bangladesh on trade in jute products ;
- agreement extending the interim agreement between the European Economic Community and the People's Democratic Republic of Algeria ;
- agreement extending the interim agreement between the European Economic Community and the Republic of Tunisia ;
- agreement extending the interim agreement between the European Economic Community and the Lebanese Republic ;
- agreement extending the interim agreement between the European Economic Community and the Arab Republic of Egypt ;
- agreement extending the interim agreement between the European Economic Community and the Kingdom of Morocco ;
- agreement extending the interim agreement between the European Economic Community and the Syrian Arab Republic ;
- agreement extending the interim agreement between the European Economic Community and the Syrian Arab Republic ;
- agreement extending the interim agreement between the European Economic Community and the Hashemite Kingdom of Jordan ;
- act of notification of the approval by the Community of the financial protocol between the European Economic Community and Greece ;
- act of notification of the completion by the Community of the procedures necessary for the entry into force of the agreement and of the agreement in the form of exchanges of letters between the European Economic Community and the People's Republic of Bangladesh on trade in jute products ;

These documents have been deposited in the European Parliament's archives.

11. *Urgent procedure*

President. — I have received the following motions for resolutions with requests for urgent debate, pursuant to Rule 14 of the Rules of Procedure :

- by Mr Berkhouwer and Mr Croze, on behalf of the Liberal and Democratic Group, Mr Spénale on behalf of the Socialist Group, M Bertrand, on behalf of the Christian-Democratic Group (EEP Group), Mr Scott-Hopkins, on behalf of the European Conservative Group, Mr Sandri, on behalf of the Communist and Allies Group, and Mr de la Malène on behalf of the Group of European Progressive Democrats, on aid to the Sahel regions (Doc. 297/78)

President

- by Mr Bangemann, on behalf of the Liberal and Democratic Group, on the delay in the conclusion of a fishing agreement between Spain and the European Community (Doc. 299/78)
- by Mr Bangemann, on behalf of the Committee on Budgets, on the implications of the meeting of the European Council in Bremen and the Bonn Economic Summit for the preparation of the general budget of the Communities for the 1979 financial year (Doc. 300/78).

Pursuant to Rule 14 (1), second paragraph, of the Rules of Procedure, the vote on these requests will be held at the beginning of tomorrow's sitting.

12. Order of business

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

By virtue of the mandate conferred on me by the enlarged Bureau at its meeting of 6 July 1978, I have drawn up the draft agenda of this part session which has been distributed.

Pursuant to the Rules of Procedure, the oral question with debate, by Mr Müller-Hermann and others, on behalf of the Christian Democratic Group (EPP), to the Council (Doc. 290/78) and the Commission (Doc. 291/78) on plans for the creation of a stable European monetary zone, will be taken as part of the joint debate on the Bremen European Council and the Bonn economic Summit.

I call Mrs Ewing on a point of order.

Mrs Ewing. — I do not have the document.

President. — Mrs Ewing, I understand you have not received a copy of the document.

Mrs Ewing. — Could we have a reference number whereby I could identify it?

President. — The number is PE 54-600.

I call Mr Adams.

Mr Adams. — *(D)* Mr President, do you really think it is the President's responsibility to find out whether Members have the right documents?

(Applause)

President. — You are quite right, Mr Adams, we must not make a habit of this.

I call Mrs Ewing.

Mrs Ewing. — Of course I accept that the President is not responsible for my papers, but on the other hand I cannot take any meaningful part in these proceedings unless I have the necessary papers in front of me. Parliament will be judged by the way it treats independent Members.

President. — Mrs Ewing, I think I have given you the information you asked for. The matter is closed.

I call Mr Calewaert.

Mr Calewaert. — *(NL)* Mr President, in settling the order of business I should also like to draw your attention to item No 182. This is a report which I have to present on behalf of the Legal Affairs Committee on the proposal from the Commission of the European Communities to the Council for a directive on the harmonization of the Member States' statutory and fiscal provisions on liability for defective products.

For reasons beyond my control this report was distributed very late to Members. This is a very complicated subject which may well give rise to a number of amendments and some Members have therefore asked me to suggest that consideration of the report should be held over the October part-session. The report could be debated then or perhaps referred back to committee.

Mr President, my request is therefore that report No 182 should be taken off the agenda for this week and placed on the agenda of the October part-session.

President. — I call Sir Derek Walker-Smith.

Sir Derek Walker-Smith, Chairman of the Legal Affairs Committee. — Mr President, as chairman of the committee concerned, I rise very briefly to support the application by Mr Calewaert. This is a long report on a difficult, complex and technical subject, which has taken up thirteen sittings in the committee. I am sure that he is right — justice could not be done to it today, and I therefore support his application that it be held over until October.

President. — Mr Calewaert, are you asking formally for a change to be made to the agenda for today?

Mr Calewaert. — *(NL)* Mr President, I maintain my request not only because of my personal opinion that this is a highly complex subject and that every Member of Parliament must be allowed enough time to prepare possible amendments and observations but also because my own view is shared by several other members of the committee who are aware of the difficulties involved.

President. — I call Mr Fellermaier.

Mr Fellermaier. — *(D)* Mr President, I am not so much interested in the pros and cons as in a clarification of the following point: the rapporteur, in agreement with the chairman of the Legal Affairs Committee, has asked for the debate to be held over until October because a series of amendments can be expected and the text was printed only a short while ago. On the other hand, neither the rapporteur nor the chairman has informed the House whether the report is to be referred back, with the amendments, to the Legal Affairs Committee for further discussion or whether it is quite simply to be put under wraps until the October part-session.

Fellermaier

This point must be clarified — otherwise we may be faced in October with the same situation if a good many amendments have again been tabled and the chairman of the Legal Affairs Committee, in agreement with the rapporteur, considers that his committee should be consulted again.

The honourable lawyers with their fund of expert knowledge ought surely to clarify this point so that we know exactly what they want.

(Laughter)

President. — Mr Calewaert, are you asking for the debate to be held over until a later part-session, or for referral to committee?

Mr Calewaert. — *(NL)* Mr President, as the chairman of the Legal Affairs Committee has pointed out, this is a complex directive. We discussed the directive in committee and a number of amendments were adopted while others were rejected. During the committee's work one final difficulty arose in connection with the motion for a resolution where Article 100 of the Treaty is indicated as the basis of the directive.

Discussion of this last point — the problem of the applicability of Article 100 — became heated: a majority and minority view emerged. Two points therefore require separate consideration: firstly, the applicability of Article 100, and secondly the acceptance or rejection by the plenary sitting of the amendments adopted in committee.

These are the reasons for which I have asked for this item to be held over until October. The debate will then show whether the matter can be dealt with fully by the plenary assembly or whether reference back to committee is necessary. I think this is perfectly clear.

President. — Mr Calewaert has asked for the debate to be postponed until the October part-session.

Since there are no objections, that is agreed.

I call Mr Porcu.

Mr Porcu. — *(I)* I have put an oral question to the Commission on Community ore supplies. My question has been put down on the agenda for Friday. Unfortunately I must leave with a delegation of the French Parliament to another country on Friday. I should therefore like you to ask the Bureau to bring this question forward to Wednesday or Thursday.

President. — Your request will be put to the Bureau at its next meeting.

I call Mr Cointat.

Mr Cointat. — *(F)* Mr President, may I draw your attention to item 200, the report by Mr Herbert (Doc. 249/78) which is down for consideration next Thursday. It involves a particularly important subject: the common organization of the market in sheepmeat.

The debate may be very long so that the vote can only be taken on Friday. My own contacts with the chairmen of other political groups suggest that it would be preferable to limit the debate to a maximum of three hours enabling it to be completed on the morning of Thursday, 14 September; the vote could then be taken on Thursday afternoon and all the Members could attend.

I hope you will be able to adopt my suggestion, Mr President.

President. — I call Mrs Dunwoody.

Mrs Dunwoody. — Mr President, this debate is an extremely important one and I would ask that there should be no restriction on the length of discussion other than the normal limits laid down by the Rules of Procedure. The organization of the market in sheepmeat will affect very many people, not only consumers but also producers, and any attempt to limit discussion on this topic would not be in the interests of the ordinary citizen of the European Community.

President. — I call Mr Klepsch.

Mr Klepsch. — *(D)* Mr President, I support the proposal worked out by the group chairmen. We believe it should be sufficient to allow three hours, in other words the whole morning, for this debate. I hope Mrs Dunwoody has heard me. It might of course also be maintained that other reports which follow on the agenda all affect the consumers and producers in the Community and that the debate on them should not in any way be limited. But in that case we should hardly get through any items on the agenda. If we allow the whole morning for this particular debate we shall have close on three hours for it. That is a substantial part of the time available at this part-session and I hope that Mrs Dunwoody will be able to support this agreement. If, however, a majority of members of this House want a debate without any time limit I would suggest that we should begin the debate at a late sitting on the previous day. At all events we should make sure that the debate is over, as agreed, by Thursday at midday.

President. — Mr Cointat has proposed that the vote on the report by Mr Herbert on sheepmeat (Doc. 292/78) should be held on Thursday afternoon in order to ensure the best possible attendance. This would leave the whole of Thursday morning free for the debate, and I am inclined to think that is sufficient time.

I would say the same in reply to Mrs Dunwoody's view that more time should be allocated to this item in view of its importance. I repeat that a debate lasting at least three hours on Thursday morning should be

President

ample, since we shall have to neglect other important business.

I call Mrs Dunwoody.

Mrs Dunwoody. — Mr President, I have no desire to argue with the Chair, but I would point out that by limiting debating time you are automatically making an assumption regarding the number of people who will want to speak in this debate. I must say with the greatest respect, that any attempt to stop people who have very specific views on this question taking part in the debate will be interpreted elsewhere as a very clear indication that Parliament intends to produce a particular result even before the subject has been discussed.

President. — Mrs Dunwoody, I am sure you will agree that an item can be debated quite adequately in a few hours without having several days' proceedings devoted to it.

(Applause from the centre and the right)

I call Mr Klepsch.

Mr Klepsch. — *(D)* Mr President, I readily agree with your remarks. I just want confirmation of the decision referred to by you to end the debate by 1 pm. If that was the purport of your remark I have nothing to add. In other words the debate on sheepmeat will end by 1 pm on Thursday.

President. — I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — I was going to put the same question as Mr Klepsch. I am not quite clear how we now stand. I understood you to say there would be a three-hour debate. Are you now going to divide up the time political group or in some other way?

Will this simply be announced to us tomorrow or will there be an agreement amongst us as to how the time is to be divided up? There are, of course, problems. It basically affects three countries, and as these three countries are represented in smaller groups this will cause further difficulties and problems. Mrs Dunwoody's point, of course, is also valid.

President. — I call Mr Fellermaier.

Mr Fellermaier. — *(D)* Mr President, if the House agrees to limit speaking time to three hours this of course means that Rule 28 of the Rules of Procedure will be applied and that the speaking time will be divided up between the six political groups in the normal way — in other words on the same basis as for two other major debates. The groups must then determine for themselves how to allocate the available time to their own members. On behalf of my group, I am able to say that the speaking time allocated to us will be enough.

(Laughter)

President. — Following Mr Cointat's request for a limit on speaking time in the debate on the report by Mr Herbert on sheepmeat (Doc. 249/78), I propose that speaking time should be allocated in the usual way as follows:

Rapporteur :	15 minutes
Commission :	15 minutes
Socialist Group :	41 minutes
Christian-Democratic Group (EPP Group)	34 minutes
Liberal and Democratic Group :	19 minutes
European Conservative Group :	17 minutes
Communist and Allies Group :	17 minutes
Group of European Progressive Democrats :	16 minutes
Non-attached Members :	7 minutes.

I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — I feel I must object on behalf of my group because this recommendation from the Commission affects the United Kingdom very greatly, just as of course it affects France as well. My group is particularly interested in this topic, and yet we are only going to get 17 or 18 minutes. Quire frankly that is not sufficient. I am sure there are problems in other groups, but this is a special problem. At least five or six members of my group will want to speak and the time is not sufficient to permit this.

President. — What precisely are you proposing?

Mr Scott-Hopkins. — To increase the time for the Conservative Group, of course, Sir.

(Laughter)

I propose that there should be a discussion amongst the group chairman to see whether an equitable solution cannot be arrived at. We obviously cannot do a barter over the table here in the plenary. May I suggest that the group chairmen get together and hold a discussion.

President. — I call Mrs Ewing.

Mrs Ewing. — Mr President, as long as the agreement that is going to take place behind these closed doors and to which I will not be invited, will not reduce the time for non-attached Members to less than seven minutes, I have no objections.

President. — I call Mrs Dunwoody.

Mrs Dunwoody. — That was Mr Scott-Hopkin's proposal. Please understand that it was Mr Scott-Hopkin's proposal. We do not mind anybody discussing it with him, so long as they do not actually agree to it.

(Laughter)

President. — If there are any changes in the speaking time agreed to, the House will be informed of them.

I call Mrs Ewing.

(Murmurs of dissent)

Mrs Ewing. — On behalf of the non-attached Members, who are getting seven minutes on this matter — and I do represent the hillfarming area — I feel that this last remark of yours is a bit sinister. It does suggest that persons like myself might be left with no right to take part in the discussion, and might have our seven minutes reduced in some way. If I could just have the assurance that we will have the seven minutes we start off with I would be quite delighted.

President. — Mrs Ewing, I doubt very much that anyone would wish to take any of your speaking time away from you, considering that you only have seven minutes.

I would ask honourable Members to do their best to avoid these protracted procedural discussions which take up valuable time that could otherwise be devoted to matters of substance.

(Applause)

Are there any further comments?

The allocation of speaking time for this item is agreed.

The order of business will therefore be as follows:

This afternoon:

- Procedure without report
- Commission statement on action taken on the opinions of Parliament
- Jozeau-Marginé report on the Communities' position in public international law
- Oral question with debate to the Commission on weapons legislation
- De Keersmaecker report on commercial agents

Tuesday, 12 September 1978, 9.30 a.m. and afternoon:

- Introduction and discussion of the draft general budget for 1979
- Commission statement on GATT (followed by debate)
- Müller-Hermann report on the EEC-China trade agreement
- Oral question with debate to the Commission on the European Export Bank

3.00 p.m.: — Question Time (questions to the Commission)

3.45 p.m.: — Voting time

Wednesday, 13 September 1978, 10.00 a.m. and afternoon:

- European Council in Bremen and Bonn Economic Summit (two oral questions to the Council and on a stable European monetary zone will be included in the debate)
- Reay report on inter-institutional relations
- Joint debate on two oral questions to the Council and Commission on employment in the Community
- Joint debate on two oral questions to the Council and Commission on summertime
- Oral question with debate to the Council on the place of work of Parliament

- Oral question with debate to the Council on bird conservation

- Oral question with debate to the Council on border controls

- Reay report on the internal procedures of Parliament

3.00 p.m.: — Question time (questions to the Council and the Foreign Ministers)

4.30 p.m.: — Voting time

Thursday, 14 September 1978, 10.15 a.m. and afternoon:

- Herbert report on sheepmeat

- Pisoni report on taxes on wine

- Hansen report on the marketing of seeds

- Vandewiele report on the economic activity of the Member States

- Oral question with debate to the Commission on EEC-Australia trade relations

3.00 p.m.: — Question time (questions to the Commission)

3.45 p.m.: — Voting time

Friday, 15 September 1978

9.00 a.m.:

- Procedure without report

- Oral question with debate to the Commission on the purchasing power of border workers

- Oral question with debate to the Commission on European Foundation

- Oral question with debate to the Commission on ore supplies

- Oral question without debate to the Commission on European Investment Bank loans

- Oral question without debate to the Commission on the levying of import charges by the Netherlands 'Produktschappen'

End of sitting: — Voting time

Since there are no objections, that is agreed.

13. *Limit on speaking time*

President. — I propose that except for the debate on the report by Mr Herbert, speaking time on all reports and motions for resolutions on our agenda should be limited as follows:

- 15 minutes for the rapporteur and for one speaker on behalf of each political group;
- 10 minutes for all other speakers.

I propose that speaking time on the following debates be limited as follows:

- debate on the draft general budget of the European Communities for 1979:

Commission and Council	: 60 minutes
Socialist Group	: 51 minutes
Christian-Democratic Group (EPP Group)	: 43 minutes
Liberal and Democratic Group	: 23 minutes
European Conservative Group	: 19 minutes
Communist and Allies Group	: 19 minutes
Group of European Progressive Democrats	: 18 minutes
Non-attached Members	: 8 minutes

President

— debate on the European Council in Bremen, the Bonn Economic Summit and the creation of a stable European monetary zone :

Commission and Council	: 60 minutes
Authors	: 10 minutes
Socialist Group	: 51 minutes
Christian-Democratic Group (EPP Group)	: 43 minutes
Liberal and Democratic Group	: 23 minutes
European Conservative Group	: 19 minutes
Communist and Allies Group	: 19 minutes
Group of European Progressive Democrats	: 18 minutes
Non-attached Members	: 8 minutes

Since there are no objections, that is agreed.

14. Procedure without report

President. — Pursuant to Rule 27A(5) of the Rules of Procedure, the following Commission proposal has been placed on the agenda for this part-session for consideration without report.

— proposal from the Commission of the European Communities to the Council for a regulation on the procedure for amending the tariff nomenclature used for agricultural products (Doc. 215/78)

This proposal had been referred to the Committee on External Economic Relations.

I would remind Parliament that unless any Member asks leave to speak on this proposal, or amendments to it are tabled before the opening of the sitting on Friday, 15 September 1978, I shall, at that sitting declare it to be approved pursuant to Rule 27A(6) of the Rules of Procedure.

15. Forwarding of the 1979 draft budget

President. — I have received the draft general budget of the European Communities for the financial year 1979 drawn up by the Council (Doc. 296/78).

Pursuant to Rule 23(2) of the Rules of Procedure, this document has been referred to the Committee on Budgets.

16. Action taken by the Commission on the opinions of Parliament

President. — The next item is the statement by the Commission on the action taken on the opinions of Parliament.

I call Mr Davignon.

Mr Davignon, Member of the Commission. — (F) At its July part-session the European Parliament delivered its opinion on fourteen Commission proposals. In nine cases, Parliament approved the Commission's proposals without amendment. In the five other cases, Parliament tabled amendments and the Commission

explained during the debates why — in just one of the cases — it could not accept the amendments.

On the four matters where the Commission has endorsed Parliament's position, the situation is as follows :

As regards the proposal relating to the classification, packaging and labelling of dangerous substances on which Mr Lamberts was the rapporteur, the Commission will be deciding next Wednesday on the proposal as amended by Parliament and the document will then be forwarded to the Council and Parliament.

As regards the amendment tabled by Mr Hughes to Article 2 of the regulation on the conservation of fishery resources in waters off Greenland and applicable to vessels flying the Canadian flag, the Council approved the regulation on 25 July.

As regards Mr Hughes' report on the three regulations concerning herring stocks, vessels fishing in the waters of Norway and those fishing in the waters of the Faroe Islands, negotiations are still in progress with the third countries and — although the Commission is favourably disposed towards the amendment, as it has already stated — the formal proposal to amend the regulation has not yet been made because it is bound up with these negotiations.

Finally, as regards the amendments tabled by Mr Liogier in his report on supplementary provisions for the common organization of the market in wine and wine products, the Council adopted on 25 July its decision on the Commission's proposal amended on the lines requested in the report.

In June Parliament adopted a resolution calling on the Commission to provide emergency aid to the victims on the floods in Baden-Württemberg, Bavaria and Rhineland-Palatinate and to allocate money for this purpose from the disaster fund. The Commission has taken the decision requested by Parliament and granted a sum of 500 000 EUA to the disaster victims in these three Länder and in the Land of Hesse.

President. — I call Lord Bruce.

Lord Bruce of Donington. — Mr President, I rise to thank the Commissioner for the report he has just given, but also to point out that, once again, no progress has been made on a request that has been now made from the floor during at least three part-sessions : that when the Commission makes its statement on the action taken on Parliament's resolutions and opinions, its remarks should be illuminated by the prior distribution in each case. It is really no good for the Commissioner to get up and make reference to the Liogier report or some other report, without any document in front of Parliament.

Lord Bruce of Donington

Mr President, I will be within your recollection as having raised this matter on numerous occasions. I thought I understood from you, Sir, that progress was being made with obtaining a document from the Commission informing Parliament exactly how the Commission had dealt with each item of business. But we are now in precisely the same position as in April last when I first raised this point. I really must ask for your guidance as to what further action Parliament can take to get the Commission to do what Parliament has been requesting it to do for the last four months.

President. — I call Lord Reay.

Lord Reay. — Mr President, I would very much like to support what Lord Bruce has just said. As he pointed out, he has again and again risen in this House at the beginning of every part-session to ask why it is that the Commission has not put in writing its description of the action it has taken on the opinions of this Parliament. I am also astonished, like Lord Bruce, to find that we are once again in a situation where there is no document of any sort, despite the fact that there has been two months in which to prepare one. Like him, I also understood that you yourself, Mr President, had at one time informed us that the Bureau of this Parliament were going to reach a satisfactory agreement with the Commission. It seems to me that to have a written statement from the Commission available from the very beginning of the part-session in all languages would put the report of the Commission in quite a different status from a report which the Commission gives orally and which is not available in all languages for a further six weeks or so. That is the essential reason why we need this report in writing, and like Lord Bruce, Sir, I would like to hear from you why it is that we have made such little progress in this matter.

President. — I should like to make one or two observations on this matter which I believe will answer the questions raised by Lord Bruce and Lord Reay.

As honourable Members are aware, Parliament has raised this matter several times, and I have undertaken to bring it to the attention of the Commission. As a result of our discussions, the Commission forwarded proposals which I submitted to the Bureau. The Bureau considered that certain procedural aspects were unsatisfactory, and asked me to approach the Commission with certain proposed changes.

This was done before the summer recess, and we now await the Commission's reply before initiating the relevant procedure.

I should like at this stage to ask Mr Davignon to impress on the Commission that we attach considerable importance to this matter.

17. *European Communities' position in public international law*

President. — The next item is the report (Doc. 567/77) by Mr Jozeau-Marigné on behalf of the Legal Affairs Committee, on

the position of the European Communities in Public International Law.

I call Sir Derek Walker-Smith.

Sir Derek Walker-Smith, deputy rapporteur. — Mr President, on the 27 February last, the Legal Affairs Committee unanimously adopted the report prepared by Mr Jozeau-Marigné on the important question of the position of the European Communities in public international law. I wish, Mr President, that Mr Jozeau-Marigné could be here to present it himself with all the eloquence, clarity and persuasiveness which have always marked his contributions to this House. But in February unfortunately Mr Jozeau-Marigné's membership of this Parliament was coming to an end and it was clear that he could not himself present this report to Parliament. In those circumstances he did me the honour of asking me to present the report when the occasion should arise. Conscious as I necessarily was of my inadequacy for the task compared with him, I naturally accepted with pride and pleasure the invitation of my old colleague and dear friend.

It follows, Mr President, that I should perhaps take my initial text from the 27th Chapter of the Book of Genesis at the 22nd verse: 'The hand is the hand of Esau but the voice is the voice of Jacob'. Though the voice is mine, the skilled hand is that of Mr Jozeau-Marigné, and indeed, while speaking, of Mr Jozeau-Marigné, I might take one further text from holy writ: 'Let us now praise famous men'. Over many years Mr Jozeau-Marigné brought to the work of this Parliament great authority, experience, clarity of thought and lucidity of exposition. We are indeed grateful to him and we of the Legal Affairs Committee in particular regret his departure and salute his achievements.

Mr President, the scope of this report, is, as can be seen from its title, large and ambitious. It is an own-initiative report and the Legal Affairs Committee has followed a method which we hope was appropriate to the importance and difficulty of the subject. To guide our approach we ask the Director-General of Research and Documentation to be good enough to provide a study of the legal instruments of the Community in the domain of public international law and of the declarations of this Parliament on the matter. Our committee has examined the study which was produced in depth, and its conclusions are set out in the report. The motion for a resolution has been drafted taking as its starting point an analysis of the study thus provided and of recent case law in the European Court of Justice in the field of international relations. The motion for a resolution is relatively short

Walker-Smith

and clear, and I would therefore just like to draw attention to paragraph 4 of the motion for a resolution, which in its present form incorporates my amendment in the committee, which Mr Jozeau-Marigné was good enough to accept and the committee to endorse. I would like to emphasize in the context of the motion and this paragraph in particular that the conclusions of the Legal Affairs Committee, as embodied in this report, rest on a juridical interpretation at once meticulous and prudent of the Treaties, which are the sole basis of the jurisdiction of our Community institutions.

So I conclude, Mr President, by saying this: the report is long and its content is important. I have been brief in my presentation, because I think the report speaks for itself. I respectfully submit it to the judgment of Parliament and ask for its adoption.

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

Mr Calewaert. — (NL) Mr President, I want to add my voice to the words of praise from the chairman of the Legal Affairs Committee to the rapporteur, Mr Jozeau-Marigné. He was indeed a most energetic member of the Legal Affairs Committee and an outstanding chairman.

This report has a long history, because the Legal Affairs Committee had already asked for authorization to prepare a report in 1972 — six years ago. Approval was given on 16 June 1972.

It is very important for the Communities' position in public international law to be defined. The rapporteur, Mr Jozeau-Marigné, has conducted an excellent study. You will find in the report a summary of the relations which the Member States of the Community may maintain with third countries. Attention is drawn to the difference between the specific juridical characteristics of the European Communities and those of traditional inter-governmental organizations. Attention is also quite rightly drawn to Treaty law and consideration given to the legal character of the European Communities and to the opinions and rulings of the Court of Justice. The rapporteur has not confined himself to the Treaties but also looked into secondary legislation, the law embodied in decisions of the Council and developed through the opinions and decisions of the Court.

Mr President, I am able to say on behalf of my group that it fully endorses the motion for a resolution contained in Mr Jozeau-Marigné's report and completely shares the views expressed by the chairman of the Legal Affairs Committee.

President. — I call Mr Luster to speak on behalf of the Christian Democratic Group (EPP).

Mr Luster. — (D) Mr President, ladies and gentlemen, on behalf of the Christian-Democratic

Group I would also like to put on record our unanimous and strong support for this motion for a resolution. I have not been a member of this House for long enough to participate in the early stages of the work on this subject. But I should also like to include the chairman of the Legal Affairs Committee, Sir Derek Walker Smith, and Mr Calewaert in the vote of thanks to the rapporteur.

An exemplary report has been produced, showing clearly the position of the European Community in international law. The report deals with legal matters. But the resolution also requests our support on certain political issues and one of the important points on which the Christian-Democratic Group most willingly agrees is the reaffirmation by Parliament of the need for democratic control of all Community legal acts and for Parliament itself to participate more extensively and actively in the conclusion of agreements between the Community and third countries.

That is the purport of point 6 of the motion for a resolution and we consider this provision particularly important because we believe that the Member States represented as a body in this Parliament should not have a different or less well developed concept of democracy than the Member States taken individually; this should be reflected in the powers of the European Parliament. I thought it appropriate to stress this political consideration. In conclusion I wish to thank everyone who has taken part in this exemplary effort and to repeat our full support for the motion.

President. — I call Mr Berkhouwer to speak on behalf of the Liberal and Democratic Group.

Mr Berkhouwer. — (NL) Mr President, I sincerely endorse the words of previous speakers about the work done by our colleague, Mr Jozeau-Marigné, in the Legal Affairs Committee.

I had the privilege to meet him in Bonn this morning at the annual conference of the Inter-Parliamentary Union and I told him then that we should no doubt be remembering his work as vice-chairman of the Legal Affairs Committee with great gratitude this afternoon.

This report is so excellent that there is little more to say.

I shall confine myself to three brief remarks.

The Court of Justice has pointed out on more than one occasion that the Community is not an organization of states of the type we have known in the past: nor is it a federated state, a federation or a confederation but an organization *sui generis* — an entirely new concept hitherto unknown in international law. The Court adds that the Community is a legal community *par excellence* which attributes direct powers and direct subjective rights to its citizens while, on the other hand, obligations on other organs of the

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Community flow directly from the Treaties with further binding obligations for the citizens.

We are concerned here with the internal character of the Community, with its position as a legal person in international public law. Here too the Court has already made certain pronouncements on which this report is based.

Not only do the Treaties make it clear that the Community is a legal entity in international law; it is also apparent from all kinds of provisions that the Community can be a party to international agreements in the wider community of nations. The Treaties refer *inter alia* to the conclusion of associations and entry into trade agreements.

The members of my group and I feel the need to ask once again on this occasion for Article 238 to be implemented to the letter, namely for Parliament to be specifically consulted before association agreements are concluded in their definitive form by the competent bodies of the Community.

That is my first point. Then there is the question of the exclusion of other concurrent powers in the matter of the conclusion of agreements.

I have in mind here the provisions of paragraph 22(b) of the motion for a resolution to the effect that where the Community has authority to conclude trade agreements with third countries the Member States individually must have no concurrent, similar powers.

Our national parliaments and the European Parliament have not yet been able to solve this problem. There is a real difficulty here which needs to be considered by the Council and Commission and perhaps also by the Legal Affairs Committee.

The Community concludes agreements with the Mediterranean countries, for example with those of the Maghreb. These agreements take the form of trade agreements drawn up by the Community pursuant to Article 113. In principle therefore the individual Member States should have no further part to play in this matter. However, we find that the agreements are placed before the national Parliaments for ratification which leads to all kinds of complications. There was one agreement with Portugal, and I think also one with Greece, which remained in abeyance for years because one national Parliament or another failed to ratify them in time with the result that, for example, the financial protocols could not be implemented.

I am pleased that the Commissioner is here to listen to this debate. We are always being told that ratification is inevitable because there are financial obligations — obligations which must in part be met from the national budgets. But it seems to me that this budgetary argument has now been relegated somewhat into the background because the amounts stipulated in the financial protocols are in future to be financed from the Community budget. It seems to me that this

makes ratification by the national parliaments superfluous. The observation made in paragraph 2(b) is therefore also intended to facilitate the procedure and enable agreements to enter into force more rapidly.

I should welcome a reply from Commissioner Davignon because we could then perhaps settle a specific point in the context of this debate.

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

Mr Rivierez. — (*F*) Mr President, the chairman of the Legal Affairs Committee who replaced our outstanding colleague, Mr Jozeau-Marigné, as rapporteur on this matter, and the previous speakers have all spoken so highly of this report that what is there for us to add, apart from our own congratulations?

I would, however, just like to pick out a few aspects of this report for especial mention. It is an established fact, as we have seen throughout our work, that the Community has a legal personality in international law but on occasion that personality may not be recognized by a particular State because questions of national sovereignty arise and we know that the Community has experienced some difficulty in gaining international recognition, in particular by the socialist countries and a number of developing nations. The most immediate example is the difficulty in obtaining the inclusion of a Community clause in the Convention to be drawn up by the third Conference on the law of the sea. Consequently, although within the Community and in certain cases outside it, the international legal personality of the European Communities is not questioned, we must still expect to encounter certain difficulties, sometimes even from our own Member States. We have seen that the Community which can only exercise external authority insofar as it flows from internal powers cannot intervene in negotiations in place of the Member States. At present one country will not allow the Community to negotiate for all the Member States within the world intellectual property organization.

This whole framework of international competences of the Community must be accepted by third countries — but in fact the legal personality of the Community in this respect is highly complex. The Convention of Lomé was signed not only by the Council but also by each of the Community's Member States: an indication in itself of the originality of this legal personality. The Convention of Lomé which is a Community act *par excellence* was subsequently ratified by the national parliaments of each of its Member States.

Another example of this highly original character of the Community in international law is provided by the final act of the Helsinki Conference: this was signed by the late Aldo Moro in his dual capacity as a member of the Italian government and President-in-of-

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office of the Foreign Ministers of the European Community. Thus the Community is an original structure which, as we see it, obviously has the power of a sovereign state in certain cases ...

The motion for a resolution now before us calls for one observation about the right of Parliament to intervene when agreements are being discussed by the Community, through its representatives, and about the nature of the control which Parliament should exercise. The Luns-Westerterp procedures currently apply in this matter; as we know, Article 238 of the Treaty stipulates that agreements are concluded by the Council after consulting the Assembly. Mr Berkhouwer referred just now to Parliament's consent to the conclusion of such agreements. I think that this was a very bold assertion for the simple reason that the text of the Treaty merely stipulates that the Assembly shall be consulted before the relevant agreement is concluded by the Community's executive. I understand that a more satisfactory procedure than that laid down by the Luns-Westerterp arrangement is being sought for the consideration of these agreements, but let us not speak of 'Parliament's consent'. Let us remain with the provisions of the Treaty which speaks of consultation of the Assembly. Consequently we must arrive at a *modus vivendi* and our group will of course participate in this, but without going beyond the terms of the Treaty.

Those were the observations which the Group of European Progressive Democrats wished me to make to the Assembly before voting in favour of the motion for a resolution contained in the Jozeau-Marigné report.

President. — I call Mrs Ewing.

Mrs Ewing. — Mr President, as a member of the Legal Affairs Committee I have great pleasure in supporting the report by Mr Jozeau-Marigné put forward by the chairman, Sir Derek Walker-Smith. It is sometimes the case that lawyers are more aware than others of what we have in common with people in neighbouring countries, because lawyers have to be aware of the whole framework of society.

I am glad to say that we do not have here any arrogance because we are a powerful Community in terms of numbers and in terms of material wealth when it comes to the existing Treaty law, which is all we have to go on in international law. It was, after all, a Dutchman, the father of international law, who said that pacts are our servants. In recognizing that treaties between sovereign states are the beginning of some international order, I do not think anything in this document conflicts with that basic principle: if it did, I think it would be in serious trouble, and so would this Community. I think the whole document is trying to fit in with, not to dictate to such treaties as

exist in the international legal world. To that extent I would like to offer my personal congratulations on the paper and the principle behind it. We are not trying to be above any association but just to graft ourselves in. At least, that is what I hope, because there are new arenas: atomic energy is new, for example, and new arrangements and treaties constantly have to be made, but as long as the old principles remain I am sure that we cannot go far wrong.

Many manning attempts have been made. Many attempts have been made to bring mankind closer together: we have seen empires come and go: we have seen a Roman Empire, a Holy Roman Empire, and other empires; they have always represented an attempt to establish some kind of international set of treaties. I think it is very important in this body that whatever we do, we never allow ourselves to think that because we may be materially wealthy we can dictate terms on any matter of international law where the rights of individuals are concerned.

When I was a post-graduate student, just after the war, there used to be debates in universities all around Europe, in some of which I participated as a student at The Hague Academy, on the question of whether there was such a thing as international law: did it exist? That was a very fashionable subject. On the whole the noes had it. It was thought that international law did not exist, and I suppose that, for some, would still be the basic truth; but it is very important in reports of this kind to keep trying to establish some headings of principle governing treaties and the rights of units that enter into these treaties, whatever size they may be and however materially wealthy they may be, so that their rights are recognized. In other words, I would like to think that the EEC's idea was to graft its international commitments onto international law, which I do think has existed, must exist and, in the interests of all of us, must continue to exist in accordance with the best principles of Grotius. I therefore have no hesitation in supporting the report.

IN THE CHAIR: MR MEINTZ

Vice-President

President. — I call Mr Davignon.

Mr Davignon, Member of the Commission. — (F) It is not possible for the Commission to remain silent on a report as important as that presented to us today by the chairman of the Legal Affairs Committee in place of Mr Jozeau-Marigné; this report establishes, in full agreement with the Commission, a number of principles which are of fundamental significance and affect not only the situation as it is now, but also the way in which it is to develop. The report reflects the political determination to see the European Community assume its rightful role based on the juridical reality which gives it its true identity.

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I think too that the report comes at an opportune moment because it has enabled the committee and its rapporteur to take account of all the cases of jurisprudence dealt with since the Court's famous ruling in 1971 on the AETR affair.

I feel that the report and the resolution draw attention to a number of central principles which deserve to be stressed at this stage in the process of European unification. Firstly, the fact that the European Communities — regardless of the exact nature of their originality and specific character — have their own juridical characteristics which set them apart from inter-governmental organizations of the traditional type.

I believe it is important for this political affirmation to be repeated often enough for there to be no direct association of the Community with other international organizations.

I think it is also very important to recall this fact now that we are on the eve of direct elections to the European Parliament because this means that the European Community has a separate character from the Member States taken individually and that when its institutions — in particular the Commission — come to negotiate on behalf of the Community they enjoy autonomy vis-a-vis the Member States and the decisions taken are binding on the latter and on their citizens. It is vital to remember this fact.

This original juridical structure has certain well-known repercussions in international relations — as Mr Rivierez so aptly pointed out: there is a direct link between internal Community activities and their external repercussions.

The Community enjoys this external capacity only to the extent that the agreements are compatible with the Treaties of Paris and Rome and the Court of Justice is of course responsible for verifying the 'constitutionality' — if I may use that term — of these acts; as you know, the Commission has already on two occasions requested the Court's opinion on the basis of Article 228 to ascertain this compatibility between the proposed agreement and the Treaty.

Thanks to its specific legal structure, the Community may thus enter into commitments towards third countries or international organizations; this leads the third countries concerned to recognize the Community as a partner and to establish relations and agreements with it.

In broaching this subject, we are of course dealing with an eminently political matter involving the aspects of political objectives and political will. The motion for a resolution points out — and we welcome the fact — that recognition by the international community of our European Community is not merely the result of the Community's specific juridical structure but also in large measure attributable to the political will shown by its institutions and Member States. We are of course still in a situation where this political will has to be affirmed through a

constant but slow process towards general acceptance of the reality of the Community as a full partner in relations with other States and international organizations; we note that progress has been made in the establishment of links between the Community as such and certain countries which in the past had not recognized it: the recent discussions on textiles and steel have once again brought progress in this matter.

The interesting point here is that this function of the Community is not something which can be invoked or disregarded as the mood takes us. The vital ruling handed down by the Court of Justice in its judgment of 14 July 1976 in the Kramer case stipulates that the Member States must use all the legal and political means at their disposal to enable the Community to exercise its duties and powers at the international level. We therefore do not have the choice and cannot determine what it is in our interest to do at any particular time; I think it vital to remember this. The Community has developed this sphere of international action by opening negotiations in areas closely related to the terms of the Court of Justice's ruling in the Kramer case, since in the spheres of transport or environmental protection which are by definition new or newer facets of the Communities' practical activities, we have affirmed the reality of the existence of genuine external relations of the Community.

The objective is thus to pursue our action so that in practice the Community's international relations can promote the attainment of the objectives laid down in the Treaties of Paris and Rome; the committee — and we agree on this point — has stressed the importance of this action in terms of our cooperation with the Member States.

I should like to say a word here about the harmonization of external policies within the European Community which does not fall within the areas juridically covered by the Treaties; the Commission feels that this activity can encourage the performance of the tasks given to the Community by the Treaties by strengthening the Community's political image and opening the path towards the development of our external cohesion which is inevitable since it is a necessary condition for asserting the Community's identity and a central feature of the future European union. Several questions have been asked about the Parliament's participation in the Community's international action and you know that the Commission sees this as an important factor. Mr Luster stressed this point and Mr Berkhouver put certain questions about the progress being made. I think we must draw a distinction here: there are first of all procedures for involving Parliament in the development of this policy through the normal play of questions and answers in Parliament and in the committees responsible; there are also contacts with the Council through the Luns-Westerterp procedure with which you are all familiar. Admittedly these measures have

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not fully satisfied Parliament but the development of these relations is less a juridical than an inter-institutional problem and Parliament will have occasion to return to the subject at this part-session when it debates Lord Reay's report on Wednesday.

Mr Berkhouwer put a more specific question when he asked how it was possible to make sure that the original nature of a number of agreements did not postpone their implementation. I am all the better placed to answer this question as I was myself the Commission's spokesman when the matter of the association agreement with Turkey arose and the payment of aid to Turkey — or use of the aid fund for Turkey — was held up because of delays in ratification by a number of Member States. I willingly subscribe to Mr Berkhouwer's suggestion that the various aspects of this problem should be examined by the Legal Affairs Committee with, of course, the cooperation of the Committee on Budgets because, quite apart from political considerations, one of the principal reasons for these delays resides in the nature of the expenditure to be incurred which may appear in the budget as compulsory or non-compulsory expenditure; all these factors have a bearing on the way in which the matter is handled.

The Commission would of course like to see the greatest possible cohesion established and a clear recognition within the Community of the fact that this is a matter for the Community as such and that the external responsibility rests entirely with the Community. We are bound to have further discussions on this subject because as our action, for example, on primary products and stabilization of primary commodities develops — assuming that national agreements are concluded and that the Community is willing to participate in them — the question of our financial participation in these funds and of the exact nature of our participation will inevitably arise; this in turn will mean that an answer will have to be found to the questions raised by Mr Berkhouwer. We have our own views on this matter and we have defined our position in the Commission but it would be useful for a discussion to take place jointly with Parliament and more particularly with the two committees to which I referred; the discussion might be confined to factual aspects with a view to defining a number of basic principles.

Parliament is well aware of the importance which we attach to the development, in harmonious cooperation with it, of our various external activities; the precious assistance which we obtain from the joint parliamentary committees with the associated countries, clearly demonstrates that all the Community institutions participate in the expression of the external political will and identity of the Community.

Mr President, the Commission therefore welcomes the substance and the form of the report presented to Parliament today by Mr Jozeau-Marigné, just as it

welcomes the support given to this report by all the political groups, thus lending further strength to the fundamental affirmation that the Community has its own external juridical identity, for both political and juridical reasons: it is appropriate to draw attention to this fact and we are grateful to Parliament for having done so in the terms chosen by it.

President. — I note that no one else wishes to speak. The motion for a resolution will be put to the vote as it stands at voting time tomorrow.

The debate is closed.

18. Weapons legislation

President. — The next item is the following oral question with debate (Doc. 284/78) by Mr Fellermaier, Mr Dankert and Mr Sieglerschmidt, on behalf of the Socialist Group:

Subject: Standardization of weapons legislation

For some time firearms used to commit acts of violence in the Member States of the European Community have often been illegally imported from other Member States or even from outside the Community.

The acquisition of firearms is subject to differing legal requirements in the Member States, and it is possible for foreigners to acquire firearms practically without formality on condition that they export them immediately. Harmonization is therefore urgently needed. This is the aim of the European Convention on the control of the acquisition and possession of firearms by individuals presented for signing by the Committee of Ministers of the Council of Europe on 28 June 1978.

We therefore ask the Commission:

1. Does the Commission feel that the European Convention on the control of the acquisition and possession of firearms by individuals should be signed and ratified at an early date in order to remedy the unsatisfactory situation referred to above?
2. Does the Commission agree that the diversity of legislation on weapons described above has a direct and unfavourable effect on the functioning of the common market in firearms?
3. What measures in addition to the European Convention does the Commission consider necessary and feasible?

I call Mr Sieglerschmidt.

Mr Sieglerschmidt. — (D) Mr President, ladies and gentlemen, in recent decades there has been an alarming increase in crimes of violence using firearms in the Community; the level of the increase has of course varied from country to country. As you know, the crimes in question include bank robberies, other forms of robbery, the taking of hostages to exact ransoms and, since the early seventies, acts of violence by national and international groups of terrorists. Mr President, the question arises as to how these come by their weapons. It will be found that a small number of these crimes are committed with firearms which have been acquired quite legally or have legally entered the

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country in which the crimes occur. There are a great many instances in which the weapons originate from thefts from or attacks on military and police depots or weapons stores; however, it is relatively uncommon for the perpetrators of violent crime to obtain their weapons directly from such sources. I would stress here that terrorists are an exception in international violent crime in that they do generally obtain their weapons by such direct means.

I want to stress at this point that my question to the Commission is not concerned in the first instance with measures to combat terrorism but more generally with action against all forms of violent crime committed with the use of firearms.

Where do they come from and where do they go? In general weapons obtained illegally finish up on the black market. We all know this; the situation may perhaps differ from one country to another, but there is scarcely any country in which firearms cannot be obtained — with varying degrees of difficulty — on the black market. But there is another special factor here: we find that weapons sometimes move across frontiers between the national black markets. The national security authorities are aware of a number of complaints from one Member State about another that weapons are being illegally imported between them and then finding their way onto the black market.

This phenomenon is not only a consequence of the ease of travel across frontiers today, Mr President, although the fact that weapons can be brought more easily across our frontiers is clearly a relevant consideration; a further consideration is that under the weapons laws of the Member States the acquisition of firearms by foreigners is sometimes relatively easy provided that they are immediately exported by the purchasers. The stringency of the controls provided for in national weapons laws also varies widely. This is due to the different national provisions. The result is of course that weapons are then illegally imported from the countries where national controls are less stringent into those where stricter rules apply. We have many examples of this. When we look at the crimes committed with firearms in our Member States we find that many of them are committed with weapons coming from another country — not necessarily a Community country because third countries are obviously also involved. As a result of this situation an initiative was taken in the Parliamentary Assembly of the Council of Europe in 1971 for which I was myself largely responsible; in January 1972 the Parliamentary Assembly then recommended to the Committee of Ministers that a European Convention should be drafted for the harmonization of weapons legislation in the member countries of the Council of Europe.

When I use the word harmonization I obviously do not mean that the general average of security standards in this area should be maintained but that a

general standard may be laid down, as is the case in other areas of Community legislation, leaving the Member States themselves free to introduce more stringent requirements.

The convention was drafted in difficult negotiations during the last six years and was laid open for ratification on 28 June 1978. Four Member States of the Community were the first to sign it, namely Denmark, Germany, Ireland and the United Kingdom. The convention provides for standardization and joint control of weapons exports from one member country of the Council of Europe to another. The negotiations which led up to this convention were inevitably extremely difficult. As the rapporteur for the Parliamentary Assembly of the Council of Europe, I myself took part in the meeting of the committee of experts; you will readily understand that statutory and practical conditions relating to the acquisition and possession of firearms in the 17 or 19 member countries of the Council of Europe varied so widely that it was only possible to reach agreement on a relatively low common denominator and that optimum control could not be ensured within the framework of this convention. Be that as it may, Mr President, I still think it important for this convention to be signed and ratified as soon as possible by all the Member States of the Community. But, having regard to my previous remarks, the question now arises — and this is one important point that we are putting to the Commission — as to whether the Community itself cannot do more in this area because of its greater uniformity of statutory and practical conditions than the present twenty member states of the Council of Europe.

The question arises as to whether this is possible with the resources of the common market since the trade in weapons — the private trade with which we are concerned here — clearly has a bearing on the general economic conditions in the Community. Perhaps too the Commission sees other possibilities — possibly in the context of the meetings of the Ministers of Home Affairs — for arriving at more uniform provisions of weapons law, especially in the matter of control of the acquisition, possession and carrying of firearms.

Mr President, it is satisfying to note that in recent years the Community has been able to step up greatly its action against the perpetrators of acts of violence — not only terrorists but criminals in general — through uniform joint measures. This certainly is very important but it would be even more important to take more stringent action to prevent these criminals from coming into possession of the firearms in the first place.

The Socialist Group would very much like to hear the Commission's proposals on this matter and we shall give them our close attention.

President. — I call Mr Davignon.

Mr. Davignon, Member of the Commission. — (F) I should first like to thank Mr Sieglerschmidt for having put his questions so clearly, bringing out the essential differences there are between the various aspects of this highly delicate problem. It is of course a simple matter to list the points on which we are agreed, the first being that the spread of violence and criminal violence, whatever form it may take — Mr Sieglerschmidt quite rightly said that it would be a mistake to confine ourselves to terrorism and leave out other criminal acts — is one of the disturbing features in our society and should concern us as members of a Community which finds itself faced with those problems. The Commission is certainly very much concerned with them and what can be done to solve them. I should like to take the various points that were raised one by one, on the understanding that we are agreed that there is cause for concern and a need for action.

The first point is to see what the Member States can do to cooperate in taking preventive action. This is basically what the Convention drafted by the Council of Europe is about; through closer cooperation, it will help to prevent what happens when a national of one of the Member States of the Council of Europe purchases weapons in another Member State in which he does not reside. The problem here is the movement of firearms and the Commission welcomes the fact that four Community Member States — Denmark, the Federal Republic of Germany, Ireland and the United Kingdom — have already signed the Convention.

We feel that it is important, if only for geographical reasons, that as many countries as possible should do likewise, but I would add that while I am happy to put the Commission's view to the House, we cannot express it in a recommendation to the Member States for it concerns a matter which clearly does not come within our province. It nevertheless remains our view and it is clear that the Convention will help us to achieve more effectively the objectives which we have been discussing.

There are two questions however, which we must ask ourselves: first, would it be advisable to do more at Community level and secondly, what action could be taken by the Commission.

The first question, which was whether we could do better in a Community context where the relationship between countries is far closer than in the Council of Europe, must obviously receive an affirmative answer. It is only logical that we should wish to be a Community in which everyone has a sense of belonging and that we should try to go further. But the question is how.

On this subject, I should like to come back to what Mr Jenkins said during Question Time. Replying to an initial question by Mr Broeks, he said that in this

matter, it seemed more important to seek action than indulge in legal debate. As to who should take the first step — and the question here is whether the work done by the Ministers of Home Affairs two years ago and continued with the participation, in some countries, of the Ministers of Justice, can produce satisfactory results — we would only say that if a parliamentary committee or any of the Ministers of Home Affairs or Justice asked us for the benefit of the knowledge and experience we have acquired in the matter, we should be most happy to oblige. But, as we see it, the initiative so far has been taken by the States acting in cooperation but not on the basis of the Treaty, and our role is to make their task easier and this we are prepared to do.

The last question was whether we could take any legal action, in other words whether we could issue a binding regulation governing the *movement* of firearms, but not the *possession* of firearms, which is quite a different matter.

I shall try to make my views clear by saying that in the Commission's opinion, it would be more advisable from a political point of view to accord priority for the time being to inter-state cooperation.

That, of course, is a political judgement.

Secondly, even if our political judgement were different, what action could the Commission take from a legal point of view? So far I have been talking about the advisability of action, and I said that our feeling for the moment was that, with the considerable experience we have gained, calling in another cook would not make the broth any better. So much for our views on the advisability of taking action.

Turning to the purely legal aspect of the matter, the very least I can say is that we would have quite serious doubts about taking action on the legal basis at our disposal. The position would obviously be slightly different if the Member States unanimously agreed that we all interpreted the situation in the same way and that something would have to be done, for in this case our basis might be Article 235 of the Treaty, which would make the problem different. But without this unanimity, without this debate and without the context of Article 235, we would find ourselves, Mr Sieglerschmidt, in the context of Article 100.

Now you are well aware that I am not half-hearted in my interpretation of Article 100 but I would say that if we were talking about product liability, a point which should have come after the one we are discussing, you would have heard me argue that the Commission would have been right to base a regulation on Article 100. But in the present instance, I would find it rather difficult to make out a case for action on the basis Article 100, which provides for the approximation of legislation to the extent required for the operation of the Common market. If it were asked

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whether Article 36, under which the Member States can, for security reasons, take action that constitutes a hindrance to the free movement of goods, could be taken as a basis, we should have to reply that measures taken under this article — and we see them as necessary measures since we are all convinced that specific security measures are required on the ownership and movement of firearms, a point I made when I spoke in support of the Strasbourg Convention — create distortions on the internal market and would have to be harmonized in order to prevent this.

Here, we might well find ourselves on somewhat uncertain ground for, on the one hand, we would be advocating more controls in order to justify harmonization and, on the other, we would be arguing that Article 100 can be used because existing controls form a hindrance to the smooth operation of the internal market. We should then find ourselves in what, at the very least, would be an ambiguous position.

As Mr Sieglerschmidt will see, I do not wish to close every door, because we might find ourselves in a situation where the question of political advisability would be viewed differently, in which case we should have to show even more imagination than we are doing on the legal question. That having been said, I have attempted to give him a clear indication of the objections with which we should have to deal. I do not say that they are insuperable but they are there and would need to be considered most carefully so that, at some later date, we cannot be criticised in another context for compromising the body of Community law that is based on Article 100.

I shall sum up by saying that in our view, any action which, through the participation of the Member States of the Community, is conducive to wider action under the Council of Europe for instance, seems justified and advisable. I would add that the Commission would be happy to provide both Parliament and Council with any information that might be considered useful to the work that the Council has been doing or that Parliament would like to do. We feel that the efforts made by the Member States within the context of the Nine but outside the specific framework of the Community are both necessary and welcome. But we must not rush in blindly when action is in progress on other fronts, for this would create a situation of legal uncertainty at too early a juncture. The fact remains that this cautious attitude on the legal aspect is not at odds with our political will, for we wish to see progress made in the course of action which has already been set in train.

President. — I call Mr de Gaay Fortman to speak on behalf of the Christian-Democratic Group. (EPP).

Mr de Gaay Fortman. — (NL) Mr President, the question put by the honourable Member, Mr Sieglerschmidt, and other members of his political group, to

the Commission relates to a most important phenomenon — the sharp increase in crimes of violence. This applies not only to terrorist acts but also to what we in the Netherlands call ordinary crime. It is imperative for us to use all possible means to combat this criminality which — not least when it takes the form of terrorism — threatens the life and freedom of our citizens as well as the fabric of our economic life and social relations. This is therefore a vital matter for consideration by our Assembly and the Community as a whole.

These days we must not disregard small achievements and from that angle we welcome the convention drawn up by the Council of Europe, even though it is no more than a first step. Mr Sieglerschmidt has pointed out that it seeks merely to improve controls on the movement of weapons between member countries of the Council of Europe. It is not unimportant but it is no more than a small beginning.

In answer to the questions put to him, the Commissioner said, in substance, that cooperation exists between the Ministers of Home Affairs and where necessary the Ministers of Justice in the framework of the Community. This cooperation is important as I know from my experience in the not too distant past. But efforts to increase cooperation in combating violent crime must rest more with political cooperation between the ministers concerned than through the normal Community institutions; That seemed to be the Commissioner's view.

If, in the context of their cooperation; these ministers did in fact consider questions of the kind we are now considering, namely the harmonization of weapons legislation and also of practices for the implementation of such legislation, I should certainly agree with the Commissioner. However, the ministers do not seem to concern themselves with these matters in their discussions: they deal with questions of everyday administration. Following the advice of their security services and police authorities, they do what they think necessary in their respective countries. But the information which I have suggests that they do not deal with wider issues of lasting significance. I would therefore ask the Commissioner once again not to exclude the possibility of the normal Community institutions dealing with this matter on the basis of Article 235 of the Treaty. I should greatly appreciate it if the Commissioner would look into this matter further since I consider that Article 235 provides a basis for appropriate initial action. I referred earlier to the disturbance of economic and social order through terrorist activities. Secondly, Article 235 must be interpreted in the light of the preamble to the Treaty and of the development of concepts about the sphere of activity of the Community since 1957; evidence of this is provided by a matter which we discussed earlier today — namely the motion for a resolution in the

De Gaay Fortman

report by Mr Marigné, paragraph 7 of which expressly states — and I expect it to be adopted in the vote tomorrow — that at the summit at The Hague in December 1969, the Heads of State or Government 'went beyond a literal interpretation of the Treaties.'

If that is possible in one particular area, I see no obstacle to consideration of whether — given the conditions created by violent crime in all nine Member States — more can be done on the basis of Article 235 in the sphere of harmonization of weapons legislation.

President. — I call Mr Sieglerschmidt.

Mr Sieglerschmidt. —(D) Ladies and gentlemen, I shall confine myself to a few brief comments. First of all, I should like to thank Mr de Gaay Fortman for what he said and say that he has my full support.

I listened with great interest to the political and legal reflections put forward by Mr Davignon and will say that they did not surprise me. The view from the Commission's side could not look different. We shall continue to discuss this matter and I can well imagine that concerted action, if I may use the word, would be useful here in that we might take the Commission's information as a basis for a discussion with the Ministers meeting in political cooperation, who should perhaps give more attention to this important issue than they have done so far. As far as I know, the Ministers of Home Affairs have not discussed whether more could be done than is laid down in the European Convention.

Secondly, Mr Davignon, there is not a one-way relationship between the Ministers meeting in political cooperation and the Commission. There is nothing which says that the Commission cannot make suggestions to the Ministers for effective cooperation in this field and in this connection I would point to what is said in Article 235.

President. — The debate is closed.

19. Directive on commercial agents

President. — The next item is the report (Doc. 222/78) drawn up by Mr de Keersmaeker, on behalf of the Legal Affairs Committee, on the

proposal from the Commission of the European Communities to the Council for a directive to coordinate the laws of the Member States relating to (self-employed) commercial agents.

I call Mr Calewaert.

Mr Calewaert, deputy rapporteur. — (NL) Mr President, may I ask all the colleagues present in the House to be indulgent in their assessment of my introductory remarks. I was asked just two hours ago to stand in for Mr De Keersmaeker, and my speech may therefore be found wanting — but I shall try to the best of my ability to explain what the report is about.

This proposal for a directive relates to the coordination of Member States' legislation on commercial

agents. Why was this proposal necessary? Because limitations on the freedom of establishment have been abolished and services can now be provided freely in the different Member States. It is therefore necessary for national legislation on commercial agencies to be coordinated. That is one reason for the proposal.

Then there is the consideration that the present differences between national legislation on commercial agents are liable to lead to very real distortions of competition.

This proposal for a directive was considered by the Legal Affairs Committee, as the committee responsible, at a number of meetings. Mr De Keersmaeker draws attention to this in his report.

The motion for a resolution now before Parliament, reflects the committee's views and is of central importance.

As you will see from the motion for a resolution, the views of the Legal Affairs Committee reflect satisfaction with and approval of the proposal as such but at the same time certain criticisms. The committee states that while a number of categories have been excluded from application of the directive, it would also be desirable to exclude persons who occupy themselves for part of the day with mail order sales. The resolution also criticises the fact that as yet no proposal for a directive has been presented on insurance agents and agents of financial establishments. The Legal Affairs Committee therefore considers such a directive to be desirable.

The committee approves the provisions of the draft directive relating to the remuneration of commercial agents; these cover their right to a commission and reimbursement of expenses as well as protection in the case of *del credere* transactions. The committee considers, however, that the provisions relating to bankruptcy of the principal and to other proceedings which may be brought against him should be deleted from the text as there is no sufficient legal basis for them. It seems a need for more stringent formulation of the provisions on the evidence of contractual relations and finds the period of notice stipulated for the termination of contracts too long. This provision would create a measure of uncertainty between the parties concerned.

The committee approves the provisions concerning the possibility of terminating the agreement without notice. It believes too that the agent himself should be entitled to a reasonable compensation for business goodwill.

The Legal Affairs Committee is critical of the time limits for the prescription of the parties' rights which it feels should be shortened.

Finally the motion for a resolution indicates the Legal Affairs Committee's overall approval of the draft directive.

Calewaert

This directive is based on Article 100 of the Treaty, I have tried to summarize in very broad terms the criticisms and wishes expressed by the Legal Affairs Committee in the course of its discussions.

I invite you to adopt the report by Mr De Keersmaecker and to endorse the views of the Legal Affairs Committee set out in it.

President. — I call Sir Derek Walker-Smith to speak on behalf of the European Conservative Group.

Sir Derek Walker-Smith. — Mr President, the proposal for a directive on which Professor Calewaert has just introduced the report of the Legal Affairs Committee is of importance for two main, though somewhat different, reasons. First it affects and will govern a large number of commercial transactions and have a profound impact on the lives of many of the citizens in the Community. Secondly — and this is a different type of reason — it shows, certainly in the form in which it was originally presented by the Commission, the hazards involved in drafting this type of directive which seeks to impose a detailed and uniform pattern on commercial relationships, and it shows the pitfalls to be avoided in future. Fortunately, let me say at once, the form in which it is presented to this Parliament following consideration by the Legal Affairs Committee, shows a substantial improvement on the original. The Legal Affairs Committee has spent long and laborious hours on this proposal striving always for clarification and improvement, but, although much has been done, substantial improvements remain to be effected, and those are formulated in the amendments which I have tabled in the name of my group.

Mr President, I submit to this House that the requisites for commercial legislation are these. First, a minimum interference with the freedom of contract, a principle which should extend to the law on agency amongst others. Parties who are *sui juris* should in principle be allowed to arrive at a consensus in respect of their own contractual arrangements, provided these are within the law and not contrary to public policy. Statute law should only fetter contractual arrangements for good reason, to rectify inequality in the position of the parties, for example, or to provide appropriate mechanisms for the enforcement of obligations or a pattern for limitation. Secondly, where such statutory patterns are imposed they should be in a clear and comprehensible form giving rise to no undue difficulties of interpretation or application. Thirdly, they should not give rise to results which are indefensible in equity or logic. Fourthly, and more generally, they should of course be governed by the principle of no harmonization for harmonization's sake. That is, harmonization should be limited to what can clearly be justified under the criteria of the Treaty.

I am sorry to say that this proposal for a directive as originally presented fell foul of more than one of these criteria. First of all its framework was too tight.

Too little discretion was given in the Commission's draft to the parties to agree according to their particular individual requirements and too little scope was given for derogation from the strict and technical requirements of the proposal. Although in principle inequality of status may justify interference with the freedom of contract, the evidence that the agents as a class are in an economically weak position, as asserted by the Commission, is in my view tenuous. Certainly the relevant strength of parties must vary enormously according to the individual circumstances, and I doubt whether the Commission's claim can be substantiated. I see that my doubt is shared in the 22nd report of the House of Lords EEC Committee which says: 'the committee having taken evidence which is printed in our report were not convinced that a case had been made out for the agents on this point'.

In respect of my second criterion, there is too much imprecision in the language of the proposal. In its original form, it encountered strong — indeed scathing — criticism in the report of the Law Commission in London, a commission of eminent jurists who observed that the proposal's defects of substance, presentation and drafting are such that it fails even to provide a basis for negotiations. Those are strong words, and those criticisms were properly taken into account by the committee, as was the Law Commission's able defence of their position.

Many examples could be given, if time allowed: Article 5 refers to 'the care which a sound businessman would exercise'; Article 6 states '... consistent with the principles of a sound businessman' — what are the principles of a sound businessman? They may vary as much I suppose, as the principles of a sound politician, and heaven knows those vary enough.

(Cries of 'Hear!, hear!')

On my third criterion, a striking example of the inequitable and illogical results which the directive in its original form would bring about is the notorious Article 22, which would treat self-employed agents as if they were employees, with the object of giving them a preferential position on the bankruptcy or winding up of the principal, to the obvious detriment of other creditors.

Mr President, I think I have said enough to show that the proposal for a directive in its original form, however well-intentioned, was unsatisfactory. It has, as I say, been substantially improved in its progress through committee. Some of those improvements have been referred to by Mr Calewaert, and the House is grateful to him for assuming the burden of rapporteur at such short notice. I make only specific mention of those which were due to the initiative of the Conservative group. In substance they were three. First, the exclusion of part-time agents engaged in mail-order trading, by the amendment of Article 3. That is particularly gratifying in the United Kingdom, where it solves a specific problem. Second, the

Walker-Smith

removal from Article 22 of the provision relating to the preferential position in bankruptcy, to which I have just referred. Thirdly, the group's desire to make the proposed directive more flexible by extending the possibilities for derogation where they are appropriate. This led to the deletion of Article 35 with a view to the Commission's submitting a revised and improved version in accordance with paragraph 16 of the motion for a resolution.

I am of course pleased, and I hope the house will be pleased with the progress achieved in committee, but I feel that there are still some essential improvements to be made. We as a group have sought to confine further changes to a reasonable minimum, and that reasonable minimum is contained in our amendments. They are few, but they raise points of important principle. In substance they are three. First, Amendments Nos 4 and 2 to paragraph 8 of the motion and to Article 21 of the proposal. These call for the deletion of the *del credere* provisions because they unduly restrict the freedom of action of commercial agents, they create legal uncertainties and generally make it difficult to operate this type of agreement. Secondly, Amendment No 3 to Article 33 will make it possible for large commercial agencies to derogate from various provisions of the proposed directive because the social protection which is justified in the case of smaller commercial agencies has no justification in the case of larger ones. Thirdly, we have tabled Amendment No 1 to the definition clause, Article 2. It is the case at present that the definition of a commercial agent in at least three of the Member States is considerably more restrictive, more limited, than that expressed in Article 2 of the directive. Whereas Article 2 defines the field of action of a commercial agent by reference to commercial transactions, a very broad phrase, those three countries define the field of action by reference simply to contracts for the sale of manufactured goods. As the House will appreciate, this is a substantial difference which means that some of the agents who come under the definition in Article 2 of the proposal for a directive, if it is not amended, at present have their activities regulated by totally different legislation in these Member States. Clearly, this would create considerable difficulty in those countries. On the other hand, a restriction of the definition will give rise to no difficulties for the other countries applying a wider definition, because of the possibility contained in Article 4 for them to apply the provisions of the proposed directive to other categories of profession which under national law can be assimilated to commercial agents.

We consider therefore that our amendment to Article 2 would be in the interests of all, both the countries at present with a restrictive definition and those with a wider definition.

That is what we suggest, Mr President, remains to be done to further the progress of improvement which

has already been achieved in regard to this proposal for a directive. I hope that tomorrow afternoon, when the House comes to a decision on these matters, that reasoning will commend itself to members and these amendments will be adopted by the House.

President. — I call Mr Schwörer to speak on behalf of the Christian-Democratic Group (EPP).

Mr Schwörer. — (*D*) Mr President, ladies and gentlemen, the Christian Democratic Group welcomes the Directive in as much as it provides for the coordination of legal provisions which affect large numbers of persons, and I am thinking not only of the commercial agents themselves but also of producers. We agree with the objective of the Directive, which is to reduce distortions of competition and differences in legislation which prevent the proper exercise of the profession. To this extent, the Directive is a necessary supplement to the Council's Directive of 25 February 1964 on freedom of establishment and freedom to provide services for commercial agents in trade, industry and the crafts sector and to this extent, we approve it.

In its original form, the draft Directive tended to place self-employed commercial agents on the same footing as salaried workers in the matter of job protection, although a clear distinction is made in all Member States between self-employed and salaried workers and the majority of commercial agents were anxious to keep their self-employed status. It cannot be in the interest of commercial agents to have regulations which increasingly induce enterprises to forgo the services of self-employed agents and to seek other ways of selling their products, particularly by employing salesmen. This explains why, when we came to discuss this matter in Parliament, we were anxious to prevent the new regulations from placing too heavy a cost burden on industry, for — as Mr Davignon knows — industry must do everything it can to remain competitive, especially in Europe. The fact is, however, that in many sectors, industry has practically reached the limits of capacity from a sales point of view.

We believe that the Commission should look at its proposal again to see how far the interests of small and medium-sized enterprises have been taken into account. The point is that it is not only the commercial agents who need protection but rather the small and medium-sized undertakings in industry, for when their sales costs are too high, they may well not be able to sell at all. They cannot turn to their own sales organizations, or use the services of supply warehouses and trading houses. This is why we must be extremely careful in attempting to introduce harmonization that goes beyond German legislation on commercial agents, which is the most highly developed legislation

Schwörer

in the EEC. I seriously wonder how industry in the United Kingdom, Italy and Belgium will cope with the sizable additional costs which this Directive will entail.

I should like to stress, however, that there can be no question of introducing new regulations that would cause prejudice to commercial agents, but in their own interests, and above all, in the interests of employment in the undertakings concerned, we must warn against creating too heavy a burden for the economy through the harmonization of legislation on commercial agents.

A year or so ago, we approved Mr Notenboom's report on small and medium-sized undertakings, so that we are familiar with their situation as far as capital and profits are concerned. Spokesmen from all the political groups stressed on that occasion the needs of the small- and medium-sized undertakings and one of the paragraphs in the motion for a resolution contained in the Notenboom report made the point that in future, no Community regulations should be introduced that might prove detrimental to the small and medium-sized undertakings. This is a point which must be carefully reconsidered, particularly in the light of the exhaustive inquiries made by Mr Notenboom into the profit position of small and medium-sized undertakings and the question that must be asked is whether all of the provisions of this Directive are tenable, particularly the provision on compensation which originally went much further than it now does in the amended form proposed by our Committee.

I have also tabled an amendment in my own name to cover cases where a commercial agent gives notice for no reason that can be imputed to the firm he represents. A commercial agent who ceases his activities because of age or illness should, of course, have a claim to compensation, but one who changes firms, perhaps taking some of his customers with him, should not. The Commission could find useful drafting pointers here in German, Austrian and Swiss legislation which rule out compensation in such cases.

All of our discussions on the legislation applicable to commercial agents show that industry relies heavily on sales techniques and for this reason, the earnings of commercial agents should not be curtailed; but on the other hand, the commercial agent can only sell when industry offers competitive products and this today requires heavy capital investment on research, development and rationalization. All this presupposes the existence of financially sound undertakings. But there is no sense in devising regulations governing the activities of commercial agents in the Community unless a balanced solution that takes all those considerations into account and caters for the interests of both sides can be found. One of the main reasons why this is necessary is that many, if not most jobs in the Community depend on it.

I would ask the Commission once again to look at the points which I have raised here and conclude by restating that my group approves the principle of harmonization.

Mr Davignon, Member of the Commission. — (F) Mr President, the hour is late and I shall confine myself to two or three essential remarks on this subject which, as each of the previous speakers has made it clear, is a delicate one.

Was the Commission right to submit a proposal on the relationship between self-employed commercial agents and their principals? I read attentively the opinion drafted by the Legal Affairs Committee to which Sir Derek Walker-Smith referred. It is certainly better drafted than many of the documents produced by the Commission, but its arguments do not convince me since the fundamental differences between Member States' regulations on commercial agents, whose activities are so important as far as the interpenetration of markets is concerned, unquestionably create economic difficulties at Community level, interfere with the security of commercial transactions and confuse the position of commercial agents and their principals in the various Member States. I am therefore convinced, both for legal and economic reasons, of the need for the Commission to come up with a proposal of this kind. It was referred to Parliament before I myself was called upon to deal with the matter; it is not simply that I wish to keep faith with a proposal emanating from the Commission; it is also my very clear impression that harmonization is required in this area, as Mr Calewaert and Mr Schwörer have just said, and I should like to thank the Legal Affairs Committee for having acknowledged this requirement.

The next question is whether a balance has been struck between the responsibilities of commercial agents and those of their principals. To some extent, this is bound to be a matter of subjective feeling, since an entirely objective balance between the rights and duties of everyone, between the different customs that have grown up in our various countries — and Sir Derek Walker-Smith was right to mention the point — would clearly be difficult to achieve. Have we done as much as we can to achieve it? I must confess that the Legal Affairs Committee has improved substantially on the Commission's draft. The truth is that in both the Member States and at Community level, there can be no doubt that it is in the legal domain that parliaments do their most important work on the legislative side as opposed to proposals from the executive, just as it is in the legal domain that we find the greatest number of acts of parliament stemming from the initiative of parliament itself. The improvements made to the Commission's draft by the Legal Affairs Committee are proof of a joint task well done, each contributing his own knowledge of the problem, and

Davignon

also demonstrate how useful Parliament's work is. You will be voting tomorrow on the various proposals put forward in the draft and on the amendments which have been tabled: I shall not object to those amendments since they help to make the text clearer or to enhance the desired balance, in which economic considerations in 1978 play a greater part than they would have four years ago owing to the way the economic situation has developed in the Community: perhaps the economic crisis has made us more attentive to a certain number of things — a point which Mr Schwörer made and for which I shall not take him to task, on the contrary...

If you will allow me, I think that it is more important today to point to the open-mindedness with which the Commission views the reflections put forward by the Legal Affairs Committee than to comment on each of the amendments tabled, since I find none of them unacceptable. This does not mean that I shall find them all acceptable on reflection: I should not like to give promises unless on a firm basis but I do agree, on behalf of the Commission, to reconsider our proposal in the light of this debate and on the basis of your amendments, since in my view, none of them jeopardises the basic balance of the text as it now stands. I would suggest that we make any amendments to our own draft on the basis of Article 149 of the Treaty and that we advise Parliament and the Council accordingly, explaining why we have maintained certain formulae, but with a slightly different wording.

I should like to say how happy I was to see that most speakers acknowledged the need for a directive of this kind; I see it as the normal outcome of a debate of this kind that the balance we are attempting to strike between the rights and duties of everyone should be improved in comparison with the initial proposal and that improvements can also be made to the wording we used in a number of cases. I promise you that the Commission will very soon take another look at the proposals made by Parliament and that, within six weeks — we shall say what action we intend taking. We shall, of course, remain in touch with the Legal Affairs Committee whose cooperation the Commission finds most welcome.

President. — I call Mr Noè.

Mr Noè. — (I) I simply wish to explain the amendment which I have tabled for tomorrow's vote.

In Article 3, I have added to the categories of persons to whom the Directive does not apply — agents who pursue their activity in the aeronautical sector; as we have said repeatedly in the House when discussing other problems relating to the aeronautical industry, it would be desirable to have all of the regulations pertaining to airlines dealt with at world level, in other words in a wider territorial context than that of the Community, with uniform rules applicable to the countries of Europe, Africa and America. And once such rules are introduced and approved by the individual governments, there will be no need to cover this category of agents in other regulations.

Furthermore, special criteria apply in this case, in that operators in this sector are paid by performance, in other words in proportion to the tickets they sell.

It is with those considerations in mind that, appealing to the general principles which we have discussed many times in this House, I have tabled the amendment which I recommend to the House.

President. — I note that no one else wishes to speak. The motion for a resolution will be put to the vote, together with the amendments that have been moved, at voting time tomorrow.

The debate is closed.

20. Agenda for the next sitting

President. — The next sitting will be held tomorrow, Tuesday 12 September 1978, at 9.30 a.m. and 3.00 p.m., with the following agenda:

9.30 a.m. and afternoon:

- Vote on urgency of three motions for resolutions
- Introduction and discussion of the draft general budget for 1979
- Statement by the Commission on GATT, followed by debate
- Müller-Hermann report on the EEC-China trade agreement
- Oral question with debate to the Commission on the creation of a European Export Bank

3.00 p.m.:

- Question Time (questions to the Commission)

3.45 p.m.:

- Voting Time.

The sitting is closed.

(The sitting was closed at 8.00 p.m.)

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IN THE CHAIR : MR COLOMBO

President

(The sitting was opened at 9.35 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. *Budgetary procedure for 1979*

President. — In agreement which Mr Lange, Chairman of the Committee on Budgets, I propose that Parliament retain for the 1979 financial year the internal Rules of Procedure for considering the draft general budget of the European Communities approved on 17 September 1976 and adjusted in the light of the Treaty of 22 July 1975.

Are there any objections ?

That is agreed. This text will be distributed in the six official languages.

I remind the House that, at the end of the July part-session, Parliament fixed the main deadlines in the budgetary timetable for this year. Those for the first reading of the 1979 budget are as follows :

- 27 September 1978 ;
deadline for submission of the amendments, modifications and opinions of the committees concerned ;
- 6 October 1978 :
deadline for the submission of amendments and modifications by the political groups ;
- 23-25 October 1978 :
debate in plenary sitting on first reading of the draft budget ;
- 23 October 1978 at 8.00 p. m. :
final deadline for tabling amendments and modifications ;
- 25 October 1978 :
vote on the budget in plenary sitting.

3. *Decision on urgent procedure*

President. — I consult the House on the adoption of urgent procedure for the motion for a resolution on aid to the Sahel regions (Doc. 297/78).

Are there any objections ?

The adoption of urgent procedure is agreed.

I propose that this motion for a resolution be included on the agenda for the sitting of Friday, 15 September 1978.

Are there any objections ?

That is agreed.

I consult the House on the adoption of urgent procedure for the motion for a resolution on the delay in

the conclusion of a fishing agreement between Spain and the European Community (Doc. 299/78/rev.)

Are there any objections ?

The adoption of urgent procedure is agreed.

I propose that this motion for a resolution be included on the agenda for the sitting of Friday, 15 September 1978.

Are there any objections ?

That is agreed.

I consult the House on the adoption of urgent procedure for the motion for a resolution on the implications of the meeting of the European Council in Bremen and the Bonn Economic Summit for the preparation of the general budget of the Communities for the 1979 financial year (Doc. 300/78).

Are there any objections ?

The adoption of urgent procedure is agreed.

I propose that this motion for a resolution be included on the agenda for today's sitting for discussion in joint debate with the draft general budget for 1979.

Are there any objections ?

That is agreed.

4. *Introduction and discussion of the draft general budget of the Communities for 1979 — Implications for this budget of the European Council meeting in Bremen*

President. — The next item is a joint debate on

- the draft general budget of the European Communities for the 1979 financial year (Doc. 296/78) (introduction and discussion) ; and
- the motion for a resolution tabled by Mr Bangemann, on behalf of the Committee on Budgets, on the implications of the meeting of the European Council in Bremen and the Bonn Economic Summit for the preparation of the general budget of the Communities for 1979 financial year (Doc. 300/78).

I call Mr Lahnstein.

Mr Lahnstein, President-in-Office of the Council. — (D) Mr President, ladies and gentlemen, it is an honour for me, as President of the Council responsible for budgetary matters, to submit to the House the draft general budget of the Communities for 1979 as adopted by the Council on 18 July following intensive discussions with a parliamentary delegation. The Council was happy to note on that occasion that with each year that passes, the meetings with delegations from this House that take place before the draft

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budget is drawn up have resulted in an increasingly frank and productive dialogue. This dialogue offers an opportunity to air and discuss various points of view, even when the gap between them is not inconsiderable. I welcome this opportunity to thank the parliamentary delegation, led by Mr Spénale, which met with us on 18 July, contributing much that was interesting and important to our own deliberations.

Mr President, ladies and gentlemen, in the last few years and also in the past few months, the Community has undergone a trial of strength. Its capacity to cooperate has been put to the test by the dangers that have stemmed from world economic developments since 1973.

The economic and social situation in the Community has not recovered to anything like a satisfactory level. It is still in a phase where — to put it conservatively — economic growth is restrained, the employment situation is largely unsatisfactory and cost and price trends in the Member States show a certain disparity.

What we need in the Community is a joint effort to achieve a satisfactory rate of growth and to reduce unemployment, but without neglecting the ongoing struggle to cut back inflation. This was again stressed by the European Council in Bremen on 6 and 7 July of this year. The Bonn economic summit placed, the decisions at Bremen in a wider world perspective, and it was a source of satisfaction to us that the Community succeeded on that occasion in coming more strongly to the fore as a Community than it had on past occasions.

From the Council's point of view, this common strategy must consist of coordinated measures taken by the Member States themselves, each according to its economic and trading strength. But this must be backed by a direct Community effort based on the development of our financial instruments and by better use of the funds at our disposal. At this point, Mr President, I should like to recall briefly what the European Council has already decided or initiated along those lines. For the new three-year period from 1978 to 1980, the Regional Fund is to be boosted to 1850 million EUA — and I would add for the statisticians that this represents an increase of 79 % over the previous period.

Investment borrowing to the tune of 1000 million EUA is to be introduced on a trial basis, and I should like to stress the term 'trial basis' since it has some relevance to our discussion. The funds thus obtained are to be used to finance priority investment projects of Community interest. A conciliation procedure has been initiated to consider this new borrowing instrument, and we shall have the opportunity in a few days' time to discuss the subject once again with Members of this House.

In the farm structure policy sector, the Council has decided on new measures worth 910 million EUA over a five-year period, including as much as 717 million EUA just for the Mediterranean region.

It has been agreed that measures to combat youth unemployment under the Social Fund are to be decided far enough ahead to be introduced on 1 January 1979. Following this decision of principle, we should be able at a reasonably early date to switch to the language of the Budget and come up with figures.

Finally, the capital of the European Investment Bank has been raised to 7 000 million EUA, giving it an additional lending margin of 8 800 million EUA.

On top of those financial measures, we have the decision of the European Council meeting in Bremen to set up a lasting and effective system for closer cooperation in the monetary field. This so-called European Monetary System is the subject of intensive discussion at the present time in several Community institutions. The Monetary Committee and the Committee of Central Bank Governors have practically completed their investigations, so that an interesting exchange of views should take place at the next meeting of the Finance Ministers on Monday next. Our next task will be to inform the annual meeting of the International Monetary Fund in Washington of the progress we have made in our discussions and then to seek compromises and acceptable solutions for next October. A further reason which makes this an interesting subject for our debate is that it was decided in Bremen to launch what were termed concurrent studies along with the work on monetary matters; the purpose of these studies is to see how certain Community Member States which are faced with particularly serious economic and social problems can be helped to join this monetary system. I must say quite frankly that the studies are not yet as far advanced as the work on monetary matters proper.

The draft budget for 1979 should be seen against this background. If the planned rates of increase, when compared with the 1978 budget — 8.62% in the case of commitment appropriations and 5.32% in the case of payment appropriations — appear fairly low at first sight, I would point out that the measures I mentioned are not reflected in the budget until some appreciable time later and some of them, like the increase in the capital of the European Investment Bank, are not reflected at all.

I would make one further preliminary remark before I get down to details. The proposals put forward by the Commission in the preliminary draft budget for 1979 did not all meet with the Council's undivided approval. The situation with regard to national budgets is, as you know, strained in the extreme. Most of the Member States of the Community are faced with substantial net deficits on financing, which in some cases are straining the capital markets to their limits. I need only refer in this connection to present discussions on this matter in the Federal Republic of Germany and France. All this increases the pressure to allocate extremely scarce resources as efficiently as possible.

Lahnstein

There were two main reasons which led the Council to reduce the figures proposed by the Commission: first, in the matter of payment appropriations, the Council was anxious to make the figures as realistic as possible. It went on the fact that in previous financial years, the rate of utilization of payment appropriations was not always fully satisfactory and that the same trend is already apparent for 1978 in the case of quite a few budgetary items, which means that the Commission plans to carry over a substantial amount of funds to the next financial year.

I believe you will agree with me when I say that there is a little point in entering appropriations with the certain knowledge that they will not be spent. We owe it to the European taxpayer to apply scarce resources where they can be immediately effective. In the Council's view, it should be possible to avoid shadow boxing between the various Community institutions.

Secondly, in the preliminary draft, the Commission entered appropriations against budgetary lines in cases where it has not even submitted proposals to the Council — a point which enjoyed a certain relevance in your own debates before the summer recess. In other cases, technical discussions within the Council have not progressed to the point that funds could be entered in the EEC budget. In a number of such cases we have made token entries, so that in the case of a positive decision from the Council, the necessary funds could promptly be entered against the items in question. In general, however, we have refrained from entering a precise amount in such cases, since the Council does not consider it advisable to use the budget as a sort of surveyor's rod for technical decisions. Should such decisions be taken by the end of the year — and here of course, a special responsibility falls to the presidency — the Council will not be slow to take what action is necessary on the budget side.

Mr President, ladies and gentlemen, under the decisions taken by the Council, the draft general budget for 1979 should include almost exactly 14 000 million EUA in commitment appropriations and almost exactly 13 000 million in payment appropriations.

I should like to turn now to one or two sectors and areas of expenditure which form part of the totals I have just mentioned.

I shall begin with expenditure in the social sector, which will be an important one in your own discussions and also in those which we shall have together. Given the difficult economic and social problems with which the Community is faced at the present time, the Council has tried to give especial weight to the social sector. You will have observed that commitment appropriations in this sector are up by 24% over 1978. This is important, because, with our two kinds of appropriations, it is the commitments figure alone which says something significant about the funding of policies. Payment appropriations then represent no

more than a more or less automatic consequence of previous commitments.

In the expectation — or rather should I say, the confident expectation — that a decision will be taken on the Commission's proposal to introduce new aid to promote youth employment, the Council has, for instance, made a provisional entry in Chapter 100. And, as I have already said, I have made the assumption that the guidelines agreed in Bremen can be reflected in the budget in due and proper time.

If the payment appropriations entered by the Council in this sector are lower than in 1978, I would ask you to believe us when we say that our only reason for doing so was that, despite the new system introduced in the course of the year, the rate of payments still remains extremely slow. In practical terms, the payment appropriations for 1978 and 1979 should be seen as a single entity as far as the Social Fund is concerned. We have, however, declared our willingness to increase payment appropriations in accordance with the procedure provided for in the EEC Financial Regulation, i.e. the procedure governing the carrying forward of appropriations or that of the supplementary budget, if the amounts entered unexpectedly prove insufficient.

The reductions in the payment appropriations for the Regional Fund are more apparent than real. The payment appropriations entered in the 1977 and 1978 budgets were considerably in excess of requirements. This will be particularly obvious this year if you take the trouble to look at the outflow of funds for the first six months. The Commission, too, has recognized this and the Council has therefore entered against payment appropriations for 1979 a slightly lower, but in its view still a fully adequate figure. Here again, an undertaking has been given to provide additional funds if it should emerge that the payments to be made exceed the appropriations available.

In the matter of commitment appropriations, the Council has accepted the 620 million EUA proposed by the Commission. This is completely in line with the figure provided for in 1979 by the meeting of the European Council on 5 and 6 December 1977. In addition, for specific Community projects, i.e. the so-called non-quota section, the Council has made provision for a new Article 551 in the budget. Furthermore, the conciliation procedure with Parliament on the regulation to amend the Regional Fund has been initiated but is not yet completed.

In the matter of development cooperation — the next important point — the Council has maintained — the volume of aid in respect of commitment appropriations, despite the budget difficulties to which I referred earlier. Here the increase in payment appropriations is greater than 26%, for in this sector there are variations in the rate at which appropriations are utilized.

Lahnstein

As regards food aid — a further point which has been already brought up in your debates — I would remind you that as far as aid in the form of cereals is concerned, the Council has issued a statement explaining that when the time comes, the Council will not hesitate to draw the necessary budgetary consequences arising from the participation of the European Communities in international food aid agreements for 1979.

A word on expenditure in the research, energy, business and transport sectors. In the energy, business and transport sectors, the Council has made substantial cuts in some places, the main reason being that in many cases the decisions on the appropriations requested by the Commission have not yet been taken and, in a few others, there had not been — at least at the time the Council discussed the matters — even a Commission proposal, a state of affairs to which clear allusion was made in your debate prior to the summer recess. Only when these decisions have been taken can the proper budgetary consequences be drawn.

As against this, the Council has entered in Chapter 100 the full amount of the appropriations proposed by the Commission for the promotion of energy savings and the development of alternative energy sources, for on those matters decisions have already been taken, at least in principle.

In the research sector, too, the Council has accepted the bulk of the Commission's proposals.

Coming to direct actions, the 115 million EUA in commitment appropriations and the 114 million EUA in payment appropriations match the requirements for the third year of the Joint Research Centre's four-year research programme as decided by the Council on 18 July last year.

The Council has further accepted all of the appropriations proposed for the indirect action projects already decided, including those for JET — subject, however, to possible correction at a later date. In addition, the Council has again included funds for future actions in Chapter 100. In this connection, I should like to draw your attention to the new break-down of appropriations in Chapter 33. In this we adopted a proposal made by Parliament during the conciliation procedure last year and we very much hope that this change will help to make the Research Budget more transparent and perhaps even understandable one day to the layman.

The largest share of expenditure in the draft Community budget for 1979 goes as before — one might say almost by tradition — to expenditure on agriculture ...

(Cries of 'unfortunately')

... however, the increase is not as large as in previous years. Commitment appropriations are up by 9% and payment appropriations by 8% compared with 1978. In the Council's view, this is partly due to a more careful price policy and to the changes made in a number of market organizations in the Guarantee

Section of the EAGGF. No appropriations have been entered as yet for a number of measures under the Guidance Section, since no decision on their implementation has yet been taken by the Council.

Furthermore, the Council has noted that the Commission's proposals for the Guarantee Section may be reviewed according to the method adopted in the last few financial years and that a letter of amendment may be submitted before the end of this month reflecting the development on agricultural markets and the possible financial implications of the proposals to modify the Common Market organizations in accordance with the Council's decisions of 12 May 1978. The Commission has already announced that for the Guidance Section, too, it will be submitting supplementary proposals.

A word on administrative expenditure. The increase here is in line with that for the rest of the budget as a whole. We have proceeded extremely cautiously here, particularly as regards the establishment plan of the Commission, the Council Secretariat itself and the European Court of Auditors.

I should like to add one remark on this subject. For lack of sufficient justification and also in view of the fact that the number of posts requested amounted to over 50% of the 1978 establishment plan, the Council could not see its way to approve some of the posts proposed by the Court of Auditors for 1979. I should like to emphasize here, as we have already done in discussions with representatives of the Court of Auditors, that there is no intention here of questioning the powers of the Court of Auditors or its work potential. What we are concerned to see here is precisely the full utilization of this work potential, and in the Council's view, this presupposes a well-ordered organizational build-up.

I come now to the appropriations in the Commission's section for information campaigns for direct elections to the European Parliament. This is an item on which a conciliation procedure must be initiated with Parliament. In 1978, appropriations of 5 million EUA were entered in the Commission's section of the budget. The bulk of those appropriations can be carried over to 1979. In the draft budget for 1979, the Council therefore did no more than enter an amount that adjusts the 1978 figure to the cost increases which have occurred in the meantime.

I shall conclude, Mr President, with a few words on the revenue side of the draft budget.

In drawing up the draft budget, the Council went on the Commission's assumption that, beginning on 1 January 1979, all of the Member States will apply the uniform basis of assessment for VAT. In so doing, the Council was aware of the resolution which Parliament had adopted on this subject. The rate adopted in the draft budget for the basis of assessment is 0.6568%. This means that the figures for the Community's own resources will have to be verified and, if necessary, adjusted by means of a letter of amendment.

Lahnstein

Mention was made earlier of the resolution on the inter-institutional dialogue on certain budgetary questions, and I should now like to say a few words on this subject. On a number of points to which you refer in this resolution, agreement certainly exists between Parliament and the Council. On certain others we agree on the objective, but time and again we both find that matters take a different course in reality. Both the Council and the European Parliament agreed that supplementary budgets should be avoided wherever possible. What actually happens is different; this year again, we have had to cope with three supplementary budgets. Many of the points made in your resolution had already been discussed last year, and they will come up again in our deliberations on the budget and also in talks between Parliament and the Council. I shall therefore confine myself to a brief comment on lending and borrowing, for it is a subject that has been discussed in depth by the Council and raises an important problem of principle.

The question of budgetizing lending and borrowing is being considered by the Council under the Commission's proposal for a new financial regulation. This proposal is before the Council. It has also been referred to Parliament and you will be delivering an opinion on it. In the light of your opinion, we in the Council will continue our discussions in accordance with the usual procedures.

The Council's view is that lending and borrowing is not only a budgetary problem; it raises fundamental questions that have to do with the financial constitution of our Community, and these require careful consideration. We therefore had no choice, as far as the 1979 draft budget was concerned, but to keep closely to the currently valid Financial Regulation of 21 December 1977, which provides that lending and borrowing should not be included in the budget itself but in an annex to the budget. As matters stand today, I must frankly say that this leaves little room for manoeuvre.

Mr President, ladies and gentlemen, the Council is perfectly well aware that the draft budget that is now before you cannot and will not raise much enthusiasm in this House. The gap between the desire for integration and what is financially possible is too wide for that. I would nevertheless seek to reassure you that this draft budget, which is the outcome of lengthy and at times laborious and difficult discussions in the Council, does not only reflect what was politically possible in the circumstances but also represents — of this we are calmly confident — what may be termed as financially satisfactory, particularly when it is seen as part of, and in conjunction with, the other financial policy measures set out in the introduction. The budget may leave something to be desired, but it must also adjust itself to the necessities and circumstances of the economic situation and to financial possibilities. We shall now be taking issue in debate on one or the other item. There will be ample opportunity for

ths, today and in the further course of the procedure, but I am certain that I shall find here in this House appreciation for the basic position adopted by the Council.

(Applause)

President. — I call Mr Tugendhat.

Mr Tugendhat, Member of the Commission — Mr President, as Commissioner responsible for the budget, I find myself the ham in the middle of the sandwich in more ways than one. Not only am I speaking after the Council and before your rapporteur, but the President-in-Office of the Council has been explaining most ably and clearly why it is that the Council has felt it right to cut our proposals. It has therefore cast us in the role of the one who wants to spend too much, whereas I know, from my experience in the last debate which we had here on the Community budget, that the House is likely to cast me in the role of the one who has not gone far enough, whose proposals are insufficiently ambitious and who ought to have spent more. If I had any doubts about my role as the ham in the middle of the sandwich, they would have been set at rest by looking at the motion for a resolution tabled by Mr Bangemann this morning, which very concisely and clearly sets out the areas in which Parliament believes that the Commission, and, indeed, the Council, should have gone further.

It is therefore a difficult position that I find myself in, trying to argue against two separate arguments at once, being attacked, as it were, on both flanks. I would, however, like to try to explain why we put forward the proposals that we did and to outline the thinking that lies behind them. I shall try to convince both the House and the Council of the need to move further in the direction that we would wish to take.

Undoubtedly one factor in the Council's thinking — and this came over very clearly indeed in what Mr Lahnstein said — is the climate of budgetary and financial restraint existing in varying degrees in all the Member States. I absolutely understand this: indeed, when the Commission presented its proposals, it had already taken very much into account the fact that these are not propitious times for putting forward projects and proposals as ambitious as those we would like to put forward. I argued in the Commission, and I argued when I last addressed this House, that we would have liked to have done more, that the Commission has to take account of the budgetary and financial conditions existing in the Member States, and that we therefore felt that we could not go further. And, of course, it was in this House that we were very strongly criticized for not having gone further.

When one looks at the budget we have produced, one may find that in certain areas we have recommended substantial increases, but, as I said before, this is the smallest increase to have been recommended for a very long time. Indeed, since the budget has actually

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taken on a form anything like the present, these are the smallest increases that have been recommended, and had the Council of Ministers itself not had quite the same people as Mr Lahnstein sits with in the Council, had not the Council of Ministers itself substantially increased the amount to be spent on agriculture above what we had suggested, then the figures would have been much more modest than they are now.

I also said before, and I say it again now, that despite this stringency, despite our respect for the budgetary and financial restraints under which the Member States operate, there are some areas where we feel we have to be daring, where Community action can really make a contribution towards tackling the underlying problems. In those areas, notably energy and social affairs, we have put forward proposals which are very ambitious indeed.

Another reason why the Council, I am sure, has adopted the approach it has — though this did not feature so prominently in Mr Lahnstein's speeches as the other points — is that we shall at last be moving on to full 'own resources' on 1 January. God willing — and a number of parliaments as well — we shall actually have VAT in place on 1 January. As a result, Member States must make available all the payment appropriations entered in the budget, and not simply the amounts actually needed, as was the case with financial contributions. Naturally, the Member States are anxious that there should not be overestimates, that unspent balances should not accumulate at the Community level. Again, I understand this. But in my view, the right way to tackle this problem, the right way to prevent wrong estimates, the right way to prevent unspent balances accumulating at the Community level is not to cut back on the funds themselves, but is for all the Member States to ensure that they submit their claims to the relevant funds sufficiently quickly to prevent this happening.

This is not the time or the place, perhaps, for me to cast stones at individual Member States, but the main reason why we have unspent balances in the budget is that some Member States simply do not get their claims in early enough and get less than they should out of the Community budget. It is often forgotten that unspent balances at the Community level and wrong estimates are often the result of the failure of Member States to get their claims and their receipts in. Our rate of spending is very highly dependent on the rate of spending in the Member States and the extent to which they actually get their claims into us. So in my view, it is for the Member States themselves to make sure that they get what they should out of the budget, and not to say that that itself is so difficult that the funds should be cut back.

Nor can I really accept that supplementary budgets are an appropriate way of picking up any mistakes that may occur. There are occasions when supplemen-

tary budgets have to be introduced, but our view — and I know the House agrees with me in this — is that supplementary budgets should only be used in exceptional, unforeseen and unavoidable circumstances, and that we certainly should not rely on them in any sense as an instrument of policy.

Whether in payment or in commitment appropriations, the effect of the Council's stringency has been felt very largely, as so often, in the sectors of energy, industry, the Social and Regional Funds and, of course, aid to developing countries. I will in my speech go through each of these in turn — quite briefly, you will be pleased to hear — but before doing so, I must again point out — I mentioned this before — that there is a fundamental and underlying inconsistency in the Council's position. In all these areas, there are cutbacks; in all these areas, the arguments about financial and budgetary stringency are called into play; in all these areas, what we suggest is always too much. But in one area, an area in which the Council itself, of course, has the last word, these arguments always seem to carry slightly less weight. And though it is true that the rate of increase in agriculture is less than in some recent years, I cannot help but notice that while our proposals in the social, regional, industrial and energy areas, and so on, always get cut back, our proposals on agriculture always get jacked up. It really is one law for the rich and one law for the poor; one law for the big fund, another law for the small fund. And it does, in my view, slightly weaken the force of the arguments the Council puts forward in relation to the other funds when it behaves in that way — though this is not true of the ministers with whom I normally come into contact — on this fund, on which the Council itself has the last word.

I turn now to the other funds, in which the cuts have taken place. In the energy sector, the reduction of the Community's dependence on oil imports was once more described as a primary objective for all countries by the European Council in Bremen last July — and quite right too. But while the Commission's proposals on energy saving and on the promotion of new sources of new energy have been accepted, the appropriations earmarked for uranium prospection within the Community have been reduced by two-thirds, and those to promote the use of coal in power-stations and intra-Community trade in coal have been reduced to a mere token entry. Here we have one existing resource — coal — and another potentially very important resource — uranium which either are available in the Community or can we believe, be found in the Community and which, in our view, ought to be an object of Community policy and where the credibility of the ringing declaration of Bremen is falsified by the action, or the lack of action, subsequently taken.

On the industrial side, only a very small amount (2m EUA in commitment appropriations and 1m EUA in payment appropriations) blocked in Chapter 100 has been allocated to Community projects for the develop-

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ment of data processing. Now the Community budget is by no means the only way of measuring the seriousness of a particular problem. There are other ways of tackling these matters than through the Community budget. However, where Community actions are concerned the Community budget is not a bad indicator of how seriously a problem is regarded. The point which I have just made suggests that it is not regarded very seriously.

In the social sector, the Bremen European Council agreed in principle that measures to combat youth unemployment should come into force on 1 January 1979. Now I know that the Commission's proposals have not yet been finally agreed. But if the European Council decision is to be respected, in other words if the measures are to come into force on 1 January 1979 and not at some subsequent period in 1979, then it really is essential that an amount should be entered on the line before the end of the budgetary procedure, rather than the cautious token entry which has in fact been agreed.

Both the Social and Regional Funds have had their payment appropriations substantially reduced on the grounds that in previous years the rate of spending in these two areas has been lower than expected. It is true that it has been lower than expected and there have been shortfalls, but, as I pointed out in my earlier remarks, the fault here does not really lie with the Commission. The Commission is dependent on the inflow of applications from the Member States, and it is vitally important that those Member States that stand to gain from these funds should pull their socks up in this regard. It really is absurd that Member States that could get tangible help from these funds should not do so and that, as a result, the funds should be cut back.

Aid to developing countries has also been a victim of the Council approach. Indeed, in food aid none of the increases proposed in the amounts to be delivered by the Community has been accepted and aid to non-ACP countries has been held at a figure which appears to be the same as for the current year, but which in reality amounts to a small reduction. I take this very seriously myself, as does the Commission. We do make big efforts in the case of the associated States — and I am delighted that we do so — but the associated States are by no means always the ones which have the greatest problems. They are by no means always the countries with the largest population, so it does seem to be a matter for great regret that we have not been able to do a little better by some of the non-associated States.

There is a final point which I would like to raise in connection with the Commission's budgetary proposals. It is something on which the House and the Council know that I feel very strongly in another capacity as well, i. e. my capacity as the Commissioner

responsible for personnel and administration. For years we have received only a very limited proportion of the requests which we have submitted. As a result our staff has grown at a rate very much slower than that of either Parliament or the Council. Again, the point I made earlier in regard to agriculture has some relevance.

I could face with greater equanimity the slashing cuts which both arms of the budgetary authority make in our staff requests if the same discipline and the same stringency were applied in their own institutions as well. The imbalance between the rate of growth of the Commission's staff and that of Parliament and the Council is a matter which, with great respect, I would like to draw to the attention of the two arms of our budgetary authority. By all means treat us harshly, but sometimes introspection also has a part to play.

These are the main points I wish to make, Mr President, on our proposals. I hope very much that the two arms of the budgetary authority will look again, and look closely, not just at the point I made regarding staff but at all the other points which I made earlier.

Now, if I may, I would like to talk about some other aspects of the budget before sitting down. First of all there are budgetary innovations. The first one is the introduction of a 'global operational reserve' in Chapter 100. In addition to the normal provisional appropriations which are entered in Chapter 100 with a reference to the specific budget line for which they are intended, the Commission thought it advisable to adopt the principle of a global reserve from which transfers to certain chapters of the budget could be made at the appropriate time of year, thus reducing the need for supplementary budgets. The object of our proposal is to reduce the need for supplementary budgets, and we believe we have found a device which may produce that effect.

This reserve could, of course, only be used — this goes without saying — with the full consent of the budgetary authority. It is proposed that a lump sum of 50 m EUA in commitment appropriations and 15 in payment should be set aside for four chapters: energy, industry, agreement on fishing rights in non-Community waters and expenditure in connection with enlargement. Despite the Council's wish to cut specific provisions for energy and industry, it would seem reasonable, in view of the very strong, very clear political commitments in relation to these areas, to provide some margin for manoeuvre in Chapter 100. On the one hand, the Council wishes to cut out specific proposals; on the other hand, we all know from the Bremen declaration and from all the others that there is a political commitment. It seems to us, therefore, right and sensible that there should be a reserve that enabled those commitments to be carried into effect during the course of the year without cause for a supplementary budget.

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The same applies, only more so, to fishing rights. Although we do not know yet the amount that is going to be required, we do know as an absolute certainty that something will be required; and if we know as an absolute certainty that something will be required, then we know also as an absolute certainty that there is going to be at least one supplementary budget and one supplementary budget that could be avoided.

The second innovation which we have introduced concerns Part 2 of the budget, which is designed to bring a greater degree of transparency into the budget for borrowing and lending operations and to provide a framework for a yearly authorization of such operations by the two arms of the budgetary authority. So far the Council has refused to consider Part 2, on the grounds that the examination of the Commission's related proposal for necessary modification to the Financial Regulation is far from being completed and that the draft budget should be based on the existing regulation. I must say, Mr President, that I find this attitude a little difficult to understand, since we have, as all of us know, two clear precedents where the Council agreed to presentational changes in the draft budget before the legal basis was actually adopted. Last year was a very good example: when the budget was drawn up in European units of account, although the new Financial Regulation making that possible was, as we all know, only adopted very much at the last minute, we all worked in European units of account right through from beginning to end. Even this year the new layout of the research budget has been accepted without the slightest difficulty, I am happy to say, before the necessary modification of the Financial Regulation. So it really seems to me that the idea of not considering Part 2 of the Budget because the Financial Regulation has not been changed does not stand up in the light of the precedents that exist. There may well be reasons why the Council does not want to do it, and I hope the Council will either tell us why it does not like the idea or allow us to proceed in the way we did with the European unit of account and with the research budget.

I am sorry to speak at slightly greater length than I originally intended, but since I planned this speech the Parliament has tabled this motion for a resolution, and it seems to me that although Mr Bangemann is to speak after me and I have not heard what he is going to say, my speech would be incomplete if I did not refer in the main part of my speech to some of the points raised in this motion, since it is not only a matter for urgent debate but is clearly important: it is tied to Bremen, which is also very important, so forgive me, Mr President, for going on longer. I do so in order to try and get on the record at the first opportunity our response to this motion.

To return to where I began, the Council has told us that the draft budget matches the needs of the Community as they can now be assessed while taking into account the need for financial stringency. I

pointed out earlier that we felt we had taken into account the need for financial stringency and that in any case, as the Community budget is small in relation to the national economies — only 0.8 % in 1978 of GDP, and only about 2.7 % so far as the national budgets are concerned — we have to look at Community budgets in some respects in a different light from national budgets. I say that because, of course, all of us want the Community, as such, to develop: we are not concerned with keeping the Community as it is: what we are concerned with is trying to develop the Community notwithstanding the difficult times in which we find ourselves. A slightly different judgment, therefore is applicable to the Community budget than to some national budgets.

In view of the need to develop specific Community remedies to Community problems, I am very pleased indeed to see the stress in the motion placed on the need to tackle unemployment through Community action: here the motion before the House provides a strong lead which I very much hope the Council will feel able to follow. I have heard before the views of Members of this House about the need for the Commission — and the Council, of course — to pay heed to what was decided at Bremen. I remember very vividly the strong arguments, put forward when the delegation from the Parliament came to the Council, to the effect that we were already out of date. This is reflected in the motion, and though I believe that the proposals we have put forward lack neither imagination nor courage and, indeed, go further than the Council is itself willing to go, I must press upon the Council and the Parliament the need not just to take account of Bremen, as the Parliament's motion for a resolution does, but also to consider the budget itself in the light of Bremen and that means that the proposals which we had put forward and that have been cut should be looked at again. However, our first aim must be to get existing proposals through rather than to dream up new ones, and while our existing proposals are in such trouble the best way of responding to Parliament's motion would, it seems to me, be for the Council to take a fresh look at these proposals.

Now there have been a small number of entries where the Commission's proposals have been delayed, and this was a point that Mr Lahnstein took up in his speech. Now, I have had some words to say about the Council and about the Parliament, and certainly the Commission must accept criticism in the spirit in which it is meant. I would not for one moment suggest that we should be immune where we are at fault, where we have delayed proposals or where proposals of ours have been delayed. I quite understand that we should be criticized for that. However, you know, Mr President, there have only been delays in the case of six proposals in all, six, only one of which is on a major subject. Now, great emphasis is placed in the Council's speech on this delay, but I think that six proposals and only one on a major item do not really provide sufficiently strong justification for the point that was made against us.

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Now the real question for the Commission — and, might I humbly suggest, for Parliament as well — is why it is so difficult for the Council at present to take decisions, even when the need is recognized at the highest political level. Though there are, of course, many specific factors, I believe there is one general reason, and this is my concluding point. It is that the Community is at an interim stage in its development: the objective of EMU is recognized, but the decisions on how and when have not yet been taken; enlargement is in the air, but the pace of enlargement is not yet settled; not least, of course, we all know that this House itself will shortly be transformed. These uncertainties understandably mean that it is very difficult to find a common approach to the future of the Community or to its rôle in specific spheres. The Commission itself is doing its best to resolve these uncertainties. In all the ways open to us we are seeking further progress towards EMU, an objective to which the Commission attaches the greatest possible importance and of which I personally am an extremely strong supporter, and we are also devoting great effort to the enlargement negotiations. In the many proposals we have made, we have suggested new lines of development. We must therefore hope that the existing uncertainties will be removed quickly. Progress towards EMU is perhaps most relevant to the policy choices which must shape the budget. It is here that we come back to the theme of the draft resolution. I fully agree that the budget will have a major role to play as progress is made towards the goal of EMU, and this will certainly involve some increase in the size of the budget as the actions necessary to underpin EMU develop; but it is not realistic to think that while the monetary framework remains undecided, the Communities can put in place a series of major economic actions. We are living at the moment in a twilight world between the introduction of great proposals, EMU, enlargement, direct elections to this House, and their actual implementation, and that does make it very difficult indeed for the Council to establish the very substantial programmes which will be necessary to give reality to those proposals. We ourselves profoundly hope that a major step towards EMU will be taken by the end of this year, and we confidently hope that this will provide a much more favourable framework for the achievement of Council decisions in the future than it has done in the past.

This year, therefore, as I have said before, the budget is more modest than I would have liked; it is more modest than many Members in the European Parliament would like. I hope very much that this time next year, when the European Parliament will have been directly elected and when progress will have been made in the other great projects of EMU and enlargement, it will be possible for us to produce more ambitious proposals, for the Parliament to welcome those proposals as fitting the needs of the time, and for the Council itself to come before this House and to say that instead of cutting the Parlia-

ment's estimates it has been able to support and, dare I hope it, sometimes to do what the agricultural ministers are so good at, and actually increase them.

(Applause)

President. — I call Mr Bangemann.

Mr Bangemann, General rapporteur. — (D) Mr President, ladies and gentlemen, what everyone might have expected and what we all feared has now happened. The so-called austerity budget which the Commission presented in its preliminary draft has now been whittled down in the Council's draft.

I said that everyone might expect this, particularly in view of our experience last year. But it was also something to be afraid of, because, in fact, the budget as it stands in this draft is completely insufficient for everything that the Community has to do, and when the President of the Council of Ministers of Finance says that he does not expect much applause for this draft he makes a vast understatement. I do not think it will earn any applause at all in this House. You can take it that Parliament will not be happy in any way with this draft and that we shall have to force you and the Commission to pay due account to the requirements of the present economic situation.

Looked at in terms of the overall figures, this draft is a disturbing picture of the inability or unwillingness of the Commission and the Council to respond to the Community's critical economic and social situation. The preliminary draft proposed increases of 15 and 12% in the commitment and payment appropriations respectively. The Council's draft reduces the increase in commitment appropriations to 8% and that in payment appropriations to 5%. But these are just the general figures. If you look at the most important items of expenditure, the ones that count if we are going to tackle the economic and social difficulties, the picture is catastrophic. Take, for example, the non-compulsory expenditures, which really relate to the structural projects we want to finance: the Council's draft shows a reduction in the payment appropriations of 9.6%. Ladies and gentlemen, this is unacceptable, and what we forecast already during the first debate on the preliminary draft has happened. As the Commission said the risk is that, if we want to make a tailor-made suit, the Council will turn it into a strait-jacket. These cuts do indeed put the Community into a straitjacket in which it cannot move. This was already true before the Bremen Council and the Bonn economic summit, and it has simply become more critical after these two conferences. I propose to refer to this situation, because, apart from anything else, it is also the subject of our motion for a resolution. It is not without interest to recall what the European Council in Bremen said about the economic and social situation. I propose to quote verbatim, in order to recall them to our minds, the findings that this

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Council rightly came to so that we can really see, on the one hand, what is said at such conferences and, on the other, what the result is when it is a question of translating these promises and findings into action.

The European Council in Bremen said:

At all events, the situation in the Community is not yet satisfactory. For this reason, the European Council meeting in Copenhagen in April 1978 instructed that a common strategy be worked out to overcome the unsatisfactory trend in the Community's economic and social development. The European Council decided on a common approach to achieve an appreciably higher rate of economic growth and thus to reduce unemployment by combating inflation, bringing about greater monetary stability, expanding international trade, achieving more progress in the energy sector, removing regional imbalances and stimulating demand in Europe. A common approach through complementary measures will help to relieve the internal and external economic-policy constraints on individual Member States and increase the effectiveness of such measures.

This is followed by a number of concrete proposals in the field of energy policy, structural policy and in all other individual areas that have already been referred to here and on which I do not propose to dwell any further. All this was then confirmed by declarations by the national Member States at the Bonn economic summit, and the question, ladies and gentlemen, now is: what are such summit conferences and declarations really worth if they are not translated into practical policy? It is, after all, completely impossible to convey to the political public an image of leading Community policy-makers with a full understanding of the economic and social situation if action is delayed and finally a draft is submitted by the Council of Ministers proposing a reduction of 10% in the payment appropriations.

Ladies and gentlemen, this does not make sense. Either we stop taking summits seriously in future and agree that the statements and declarations made at them simply are not binding directives for the ministers in the field concerned, or else we in Parliament have to do what we can to ensure that what was said in Bremen and Bonn can be converted into budgetary reality for next year.

The two documents before us, the preliminary draft and the draft, raise a number of fundamental questions which I would first like to discuss.

We have been told — and we must concede to Mr Lahnstein that there is some truth in it — that the Council did not consider that it was in a position to take a favourable decision on budget items in many cases because there were no concrete proposals from the Commission. An unfortunate case in point, in the energy sector, is coal. What is the Commission's answer to this criticism? Mr Tugendhat has said that the Commission has put such concrete proposals forward in the past but has got no further with them because the Council failed to pass the proposals.

We all know that, because of this situation, the Commission decided to proceed more pragmatically — if I may call it that — in the future — in other words, to put out feelers, through general proposals and through contacts with the Member States and their delegations, to see whether the Council would really be in a position, when it came to the point and if the need became obvious, to take a particular decision. That means that the Commission chose a political method incompatible with its institutional functions, a method which, as has now become clear, did not rightly reflect its political rôle because, put simply, it has fallen into the Council's mousetrap, where it is securely caught and is now complaining at the Council's inhuman treatment.

Mr Tugendhat, please take note that the Commission must stop these political tactics. It must simply return to a procedure that forces the Council to take decisions or else invite political criticism for its inertia, criticism which, in the long run, will at some time or other become intolerable even for the unshakeable nervous systems of the members of the Council. In other words, it is only through such policy initiatives that another unwilling or incapable institution can be brought into a position of having to do something. The Commission and Parliament are now in a somewhat helpless situation, because the Council, of course, has a very strong argument when it says that it does not want to commit any funds which are not certain to be effectively spent next year. It is not prepared to propose appropriations in certain areas, because there is no proposal from the Commission.

From this, the following conclusions can be drawn. Firstly, the Commission still has time to make changes. Between now and December we have a number of months. We even have one month between now and October. In cases where the Council has made cuts because there are no concrete proposals, the Commission can make changes. The work it does will have to be very rapid and practical in order to refute the Council's argument.

Secondly, the Council is also in the wrong. If, in fact, it takes the view that the budget should merely reflect what we have already decided in our policy resolutions and what we have already proposed on legal grounds for the execution of the budget, and if the budget were to be purely a reflection of already decided regulations and directives and similar measures, then the political function of the budget would certainly not be maintained. This budget must take initiatives in certain areas and endeavour to propose new projects and new actions and furnish them with funds even where the legal basis does not yet specifically exist.

For this reason I would like to repeat in this connection that Parliament will take the following general line in its resolutions. We shall quite definitely not

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provide for expenditure whenever we know for sure that the outlay will not take place in the coming year. To my mind, it would not only be dangerous in terms of budgetary truth and budgetary clarity to approve sham figures of this kind, but it would also be politically dangerous to the highest degree. Why? Because we should only be tranquilizing ourselves and political public opinion by proposing budgetary appropriations when we know that these cannot possibly lead to action in the following year, and because, in this way, we should be divorcing ourselves from the necessary actions that we have to carry out. It means, therefore, that we should really make a serious effort, like the Council, to scrutinize those items about which we know that expenditures are not really possible.

But, of course, there is another conclusion. We must look into the reasons why amounts have not been paid out in the past, and why it was not possible for money to be issued. Mr Tugendhat has mentioned one of them and it needs to be repeated in defense of the Commission. The outflow of resources from the Social Fund and also the Regional Fund has not been satisfactory in the past because some Member States simply did not make sufficient effort and because the Commission, for its part, could not take action with the system as it then was. If that is the case, we must alter it. We must develop other systems in the Social and Regional Fund sectors to overcome inertia on the part of Member States.

But yet another conclusion arises out of this. If the outflow of funds, i.e., an item under payment appropriations, stands in a specific ratio to the commitment appropriations — and from our past experience (using the Regional Fund as an example) we know that the Commission reckons outlay in the first year after the voting of the commitment appropriations at one third — if that is so, although it is not a reality that I or Parliament can accept but a challenge to change the situation so that we arrive at a better ratio between payment appropriations that can be spent and commitment appropriations, and if that is the basis for our decisions for the coming year, then we must do more in the field of commitment appropriations in order to make it possible for the Commission to spend a higher percentage in payment appropriations. This will concern us particularly in the case of the Regional Fund.

But there is still another general problem in this connection, namely, the question whether we have already developed a method enabling the Council and the Commission to act without everlastingly examining every possible legal aspect. In other words, are we not too rigidly attached to the idea that every imaginable decision has to be formulated and taken before an activity can be launched? Can we not develop a method, by joint decisions with the Council in the framework of the budget discussions, which

would enable us to give the Commission a start, in order to get certain measures under way beforehand? In other words, should we not allow for the protracted procedure, which will undoubtedly continue to exist in the future, involved in formulating a regulation or any other legal basis for policy action and should we not introduce a run-up period during which the Commission not only can and must be active but also can and must pay out money?

I think this is a problem that we ought to consider during the course of the discussions on the budget. In my view, it primarily relates to the comments on the individual items of expenditure, the way in which we deal with these comments and the possibilities that these comments already open up for the Commission before the legal basis is complete in every detail.

Allow me to revert, once again, to Bremen and Bonn and analyse what Mr Lahnstein said about Bremen and Bonn in his address. He was absolutely right in saying that we have to supplement the contributions of the Member States by a direct contribution from the Community through the development of its financial instruments and by the better utilization of available funds. This is also in line with the orientations proposed by the Commission, for these orientations or guidelines — after all, we accepted them and the Council was in favour of them — propose that certain policy areas should be more strongly unified and handled more from the Community angle because their effects are greater if the Community acts. There is, for example, the whole broad area of industrial policy in both the crisis sectors and the growth sectors. Precisely in the crisis sectors of steel, coal, shipbuilding and textiles we shall not achieve any rational results without Community action. The same applies to the growth sectors. I would merely refer to computers and the aviation industry. Here, action by the Community will not, in fact, be merely a supplement to national policies: it will have to take the place of national policies if we want it to have some effect. But if that is what we want, then we must also be ready to fashion the corresponding financial instruments.

This brings me to borrowing policy. Mention in the applicable Financial Regulation — as Mr Tugendhat has so rightly said — is naturally not enough to create political will for or against. Certainly the Financial Regulation provides a certain framework, but what the Commission has proposed and what Parliament will approve does not, in my view, go beyond this framework. There is one thing we are clear about. If we have already used up some 0.7% of the assessment base, if it is unlikely that this assessment base, in absolute terms, will go up very steeply, and if, in addition, we remember that various expenditures are going to be budgetized (I am thinking of Lomé II), then we may be sure that within a few years this maximum of

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1% of value-added tax will have been exceeded. That in itself should induce us to consider new sources of finance. So it is quite incomprehensible why, in this question of financing, the Council shows its present reluctance with regard to borrowing.

It is true that the concertation we had with the Council was more satisfactory with regard to procedure than the previous rounds of concertation. I would like to say that quite clearly. It is also in our motion for a resolution. The way in which the Ortoli loan was discussed on 18 July was a considerable step forward in the inter-institutional dialogue, because, for the first time, we did not just state our position and the Council did not, for its part, just listen and make a few comments through the mouth, admittedly, of its President, but for the first time there was an open dialogue with the parliamentary delegation in the Council. This progress in method, however, will remain just an improvement in the climate until we achieve results — and results in this concertation are still missing, just as they are missing in the concertation on the Regional Fund, although there the atmosphere is clearly not as satisfactory as at the meeting on 18 July. In other words, we have to ask the Council why it readily concedes that financing by borrowing is feasible and in fact a regular practice for all national budgets but rules it out for the budget of the European Community. There are kinds of expenditure that can be better financed by borrowing, if only for reasons of financial economy and policy, and there are others that we shall not be able to finance in the future in any other way; and for this reason we should clearly indicate to the Council in the forthcoming rounds of concertation that, so far from being ready to deprive ourselves of this financial instrument, which we need and which is logical, we have to bring this financial instrument into being through concertation with the Council.

With your permission, I shall now make a few comments on the individual reports referred to by both the institutions — the Council and the Commission. Although I cannot at this moment submit any individual resolutions of Parliament, naturally we must already give our views on the individual sectors.

The Social Fund and social expenditure are in fact increased, I agree. A certain increase has been proposed. What we do not like is the fact that the translation of the Bremen decision into budgetary policy should take such a complicated form in the draft budget. We understand the wish not to prejudice a decision by the Council of Ministers for Social Affairs; but this does not make it necessary to use the complicated budgetary method the Council has adopted. Perhaps, however, this will be of no consequence by the time we get to the proposed amendments and modifications, because by then the Council of Ministers for Social Affairs will have probably taken a decision.

In any case, we must once again stress very clearly that both the Commission and Parliament have to give high priority to expenditure in the social field. Particularly as a Community, we must come to terms with the problem of unemployment, particularly among the young and among women, if we want to show proof that we are on the road to economic and monetary union. The advantages of this economic and monetary union must not be confined to producers and traders. Economic and monetary union will be acceptable to the peoples of the Community only if it brings advantages to the workers, and the Community must therefore make efforts to show justification for its existence in the field of unemployment.

You say, Mr President-in-Office, that the cuts to the Regional Fund are only apparent. That is not so. The level of commitment appropriations with the system now applying to the Regional Fund *is* important, because we know — and no-one disputes the fact — that only a specific percentage of the payment appropriations is significant, and therefore there can only be one conclusion. If the figures of the European Council have any practical significance, then we must set the commitment appropriations higher in order to arrive at an effectively higher outlay in the case of the payment appropriations. On this point we agree fully with the Committee on Regional Policy and its chairman. This will be one of the main points that we must concentrate on, because regional imbalance in the Community is also an argument against the Community if we do not tackle it vigorously. A Community that tends to make the rich regions richer and the poor ones relatively poorer is also unacceptable to the majority of the population. For everyone in it, the Community must recognize and carry out this social task of correcting the imbalance.

In the research and energy sector, I readily admit that the Council has indeed taken into account what the Commission regards as necessary for direct and indirect action on research, but the picture with regard to the important sector of coal is different. Here again we have a whole series of decisions from Bremen and Bonn making the point, as in the Commission's guidelines, that the Community's dependence on imported primary energy must be reduced. Right, that is an objective: but how do we carry it out, how do we achieve it? The Commission takes the view that available sources of energy, and therefore coal, should be better utilized. So far, in principle, there is no objection. But — and this again is meant for the Commission — for this we need concrete proposals so that the Council is forced to do something and Parliament can frame its resolutions. So far we have no concrete proposals. If they are not forthcoming, then Parliament is indeed in a difficult situation. On the one hand, we recognize the urgency of developing indigenous energy resources, but on the other, of course, we need concrete proposals for our resolutions so that we can say that specific action may be taken.

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This brings me to agriculture. For one thing, I think it is perfectly correct for the Commission to complain that in no other field is there such readiness on the part of the Council of Ministers to propose increases. On the other hand, we must clearly recognize that this does not depend on the Council but is decided in advance: as long as the regulations are what they are, the budgetary decisions by the Council consequent on decisions about prices are purely the implementation of what has already been decided on a legal basis.

For this reason, the problem of agricultural expenditure is not a question of efforts to restrict it by budgetary appropriations — and Parliament has certainly put forward considerations of this kind in the past; it is a question of finding a solution, jointly with the agricultural policy-makers in Parliament, the Council and the Commission, enabling us to process this expenditure more efficiently than previously in the budget and to reach decisions for which we can assume political responsibility. For this reason the Committee on Budgets made the suggestion, which has in the meantime been taken up, that a working-party be set up between the Committees on Budgets and Agriculture to work out an answer jointly with the Commission so that the first steps forward may be made in this important field. I feel that we could make a start in the field of information, and probably improve a number of things, because the situation as regards supplementary budgets and that regarding letters of amendment, which will be coming up again, not only makes Parliament's discussion of the budget more difficult, of course, but is unsatisfactory from the general political standpoint.

Lastly, before I come to administrative and therefore staff expenditure, a word on the enlargement of the Community. Mr Tugendhat has said that many of the problems bound up with enlargement are not yet clear enough to envisage budgetary decisions. This is certainly correct in many fields, but there are some in which it is wrong. I feel, for example, that we may be perfectly certain that it will present us with transport infrastructure problems. Economic and social links between the Community and Greece, Spain and Portugal will logically and foreseeably mean improving transport infrastructures to and from these countries, and that means that this expenditure can perfectly well be tackled now if this extension of the Community is not to suffer from these difficulties subsequently.

The same applies to a number of preparatory measures for which the Commission has commendably made practical proposals and which the Council has already considered, so that we do not have much to improve in this respect. I am thinking, for example, about structural agricultural measures, not only in these countries but also in our own area. But one thing still remains to be done which, in view of the

enlargement of the Community, does not need — in my view — the use of large-scale resources. We must bring about a flow of private capital in those parts of the Community that will be particularly affected by the enlargement and in the three new candidates for accession, so that we may count not only on our own budgetary resources but also on a large volume of private capital — as a kind of initial priming — if accession is to be facilitated. I feel that this task is perfectly soluble in the framework of the budgetary discussions, and we should endeavour to contribute to this solution by appropriate amendments.

Mr President, this is a provisional review which does not cover all the individual fields we shall have to deal with in our further discussions. It is, at the same time, an explanatory statement for our motion for a resolution, and I would like to refer once again to an important item in this motion in order to clarify what our objective must be and also what we can only achieve jointly with the Commission and the Council.

As paragraph 5 says, I feel that the Community budget must, on the one hand, reflect political progress in the Community and, on the other, provide the necessary means to achieve political goals. We are not interested in *l'art pour l'art*; instead — particularly in the year in which Parliament will be directly elected for the first time — the Community must be politically effective. It must become a Community that does not confine itself to contributing supplements to national policies, it must become a political unit in its own right. Turning the Community into a political unit is a task of budgetary policy and a supremely important task for the promotion of Community integration, because it is only if the Community can be politically active in this sense that it will be looked upon by citizens in the way that is necessary.

I would like to refer to paragraph 6. In the horizontal problems of the budget and in many sectoral questions we shall be faced with a number of up to now highly divergent positions as between the Council and Parliament, and I would like at this point to express the hope that we shall be able to find joint solutions with the Council so that a path towards unity may be found out of this present situation, in which we are so far removed from one another. This desire is present in that part of the budgetary authority on whose behalf I have the honour to speak.

I would also, however, like to stress equally strongly that, paragraph 6 declares the readiness of Parliament to take advantage of every opportunity we have through the budget — in other words, in the framework of the budgetary powers we have won — to formulate clearly and unmistakably the main political objectives of this budget and to put them into effect.

Mr President, there is nothing we can do with an austerity budget in 1979. There is nothing we can do

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with a budget that offers less than an austerity budget and provides less money for important sectors of the Community than we had in previous years. This Community is in fact facing an acid test, which it has to pass not only in the interests of this Parliament but in the interests of the people that live in this Community.

(Loud applause)

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

Mr Dankert. — (NL) Mr President, last year when the Council made cuts in the Commission's preliminary draft, Mr Tugendhat roared like a lion. This year, after the first pruning party in July, I have the impression that the lion was really only a mouse. I am glad that, in his presentation, Mr Bangemann also made this comparison with a mouse.

With this draft budget it looks as though we were right in the grave concern we felt about the Commission's preliminary draft and its consequences. The figures have been given. The Council may very well say, as Mr Lahnstein has done, that we do not have to look at the payment appropriations but at the payment commitments. The fact remains, of course, that an increase in payments of no more than 5 %, and then only in certain sectors, for 1979 threatens to give an image of the Community that is completely incompatible with the situation it is in at this moment. And this precisely then days after the Bremen summit, at which such noble visions about the development of Europe were conjured up.

As Mr Bangemann has just shown, the extra 5.3 % payment appropriations are not earmarked for the sectors on which such stress was laid in Bremen. It is precisely in the energy, social and industrial fields that the budgetary development is negative. I do not see how this can be put over. Of course, I also know very well that there is still a big lack of consistency and co-ordination in the Europe of the Nine. I can well understand that the Finance Ministers must consider carefully whether the Commission's proposals are right and responsible and whether the money can be spent. My Group shares the opinion that a budget must be realistic. I also understand that it is necessary to consider whether the expenditure is useful — and here I mean whether it may contribute to removing major differences in well-being in the Community and between the Community and other countries, an aspect that we must not forget, particularly with reference to the developing countries — and whether the Community will be able to help overcome the present economic and social crisis and combat its effects.

The Commission's proposals failed to meet most of these requirements. The Council's proposals fall shorter still. If I look at the budget on the basis of the criteria I have just named, then my comments can be

summed up in a couple of words: it is simply not up to the mark. The worst of it is that these criteria are not my invention but those of the heads of state and government meeting in Bremen.

Of course we can ask the question, as Mr Bangemann has just done, whether we have to regard the declaration by the heads of state and government as just talk, so much electoral hot air. I feel that in view of the decision in principle on closer monetary co-operation, even that possibility is no longer open.

The Netherlands Minister for Financial Affairs, who is, as such, partly responsible for the draft budget, is never tired of saying that monetary co-operation will not succeed if it is not associated with economic co-operation and if things in Europe do not get off the ground in the field of economic co-ordination, convergence, co-operation or whatever you want to call it. I thought that the other Finance Ministers held exactly the same views. It may now be supposed that the national governments may themselves take similar measures, but at all events I now have evidence that the famous convergence of economic policy has certainly produced a lot of paper but not much convergence.

It is my group's opinion that convergence, and therefore lasting monetary co-operation, to say nothing of monetary union, will not come about unless decisions are taken on integration and on common policy on certain points at the European level. These points, which have been mentioned here many times, are regional policy, social policy and more particularly industrial policy. These are necessary if monetary co-operation is to succeed at the European level. If these policies do not come about, then neither will monetary co-operation. On the contrary, it may well miscarry.

My Group criticized the Commission's preliminary draft budget because the efforts called for after Bremen — although we regarded them as necessary before Bremen — were missing, or at least little was to be seen of them, apart from one item in social policy. The Council of Ministers of Financial Affairs, in its session after Bremen itself, did not even leave this modest initiative by the Commission upright.

In spite of the Council's explanations this morning, I am not completely clear why this has happened. There is scarcely any question of basic reasons for the cuts that have been made to the preliminary draft. The reasons are vague, not clear. If any argument has been put forward, it is more a matter of accounting than policy.

I would like to make one other point on this subject. It is not my opinion that the Council ought to have approved the Commission's proposals as incorporated in the budget items automatically. My Group agrees with the rather drastic cuts in the energy sector, parti-

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cularly as regards the large-scale coal proposals. This applies in particular to the substantial figure for aid for intra-Community coal trade. The scrapping of this aid considerably changes the picture in the energy sector, because such a large amount was involved. The Bremen summit, however, urged that more should be done about energy policy. Hence the strange impression when one discovers that many of the proposals in fact are to be found again in Chapter 100

We ought to be prepared to accept the Council's arguments for the scrapping of some items. The increase in appropriations proposed by the Commission (228 % for commitments and 353 % for payments) goes far beyond realistic limits allowing for the continuance of actions already in progress and those on which decisions may be expected in the near future.

But I would like to say at the same time that it would have been more honest on the part of the Council if it had simply said that it was absolutely not in a position to decide in the case of the major proposals for the energy sector. Where this indecision leads — I am thinking of the proposals in the field of refinery capacity — we can see this week with the Belgian strikes.

I shall not blame the Council for everything. I readily admit that imagination is not a strong point in the Commission either. I do not contend that everything that Commissioner Davignon proposes should immediately be accepted, however self-evident this may appear to the Commissioner himself. However, I feel that both his colleagues in the Commission and his bosses in the Council give him too little scope to tackle the crisis in a number of industrial sectors in Europe where it needs to be tackled. And that is at European level. I do not say this from any warm feeling for everything that is European, that is not the way I feel at all. I say it because I believe that the serious difficulties in which a number of our industries now find themselves can be tackled with some chance of success only if we are ready to take European decisions. I wonder what sense there can be in a national aid policy with expenditure often running into billions if it leads to unemployment being artificially and therefore temporarily transferred from one Member State to another, until the victim possibly forks out even greater subsidies.

On the Council's behalf it has just been said that we are in difficult times and that there is no money, but when I see the enormous amounts in the form of subsidies spent to keep industrial capacity in existence at the national level and often squandered because of the reaction by other national governments, then I wonder whether no ways can be found in Europe of doing at European level what can be far more effectually done at that level than at the national level.

I know very well that this is a difficult task. When I see in the draft budget what the Council wants to do, then I feel perhaps too much understanding for the Commission's lack of courage. But weighing it all up,

I still think that the Commission was too modest with its 50 million units of account for the industry and transport sector and that the members of the Council, who are used to such big amounts, drew the appropriate conclusions.

I would like to illustrate what I mean with an example relating to industrial policy. At the moment, the United Kingdom is building a Hawker Siddeley 147 and the Netherlands and Germany are building a Fokker F28, and this in spite of the fact that there is a market not for both types but just for one. It is just in that sort of area that a greater Community effort must be made. There is so appallingly little of this to be found in the budget. The overlapping, simply caused by national employment problems, must be taken in hand and as far as possible avoided. But perhaps the 1 million units of account finally left under the heading of information will help to bring about better communications on this point between the Member States.

Lord Bruce will I am sure, be speaking in detail about the essential elements of European policy, namely the Regional Fund and social policy. I shall have nothing but applause for him. In this area, too, there is a direct connection with Bremen. Hence my question whether this budget is just a mistake or whether we have to abandon European unification just in the year that Helmut Schmidt seems to be all for monetary co-operation.

In the light of this budget, my Group is seriously concerned about future development for three reasons. Firstly, because this draft budget does not contribute in any way towards reducing the ever-increasing differences in income within the Community and in development between the various countries of the Community. Secondly, because it in no way attempts to fit in with the proposed monetary co-operation and is therefore itself a threat to co-operation. Thirdly, because it is a gross misjudgement — Mr Bangemann has already said something about this — of this Parliament's position as part of the budgetary authority.

I will give you a further illustration of this last point. The Commission and the Council knew the views of the Parliament about the 1979 budget. I here note that it is in precisely those policy areas which Parliament declared to be priorities that the Council has made the biggest cuts. I also note that the number of token entries in this budget is again disproportionately large. Mr Tugendhat has spoken about this. I can only assume that the Council, with its mind full of the great event of direct elections, has taken a real pleasure in wielding its legislative power *via* the token entries and thus undermining the Parliament's budgetary powers.

I assume that Parliament, with its eyes less on direct elections than on the people for whom direct elections ought, in the first place, to be held, will want to use its budgetary powers to the very last millimeter in order to halt this trend. As far as that goes this will be a warm autumn; Mr Bangemann has also given the same warning.

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Now a comment of two on a few other problems. I was struck by the fact that the European Council is beginning to be concerned about the growth of agricultural expenditure. In its pluriannual programmes, the Commission has expressed similar concerns. It is my impression that, if nothing happens between now and the enlargement of the Community, these problems may well become bigger than Europe's ability to control them. I wonder whether this capacity is still there when I see in the draft budget that 74 % of the expenditure goes to the agricultural sector. I do not say that those 74 % are too much but that 74 % is too much.

There are no proportions in the budget. Total appropriations for development aid, to take another subject, do not even amount to the support we make available for oils and fats, and oils and fats are only one of the medium size items in the Guarantee sector. The costs of storing and dumping surplus agricultural produce on the world market under the Guarantee sector represent a larger part of the budget than all the non-compulsory sectors put together, those sectors — in other words — where Parliament can exert some influence. For my Group, the storage costs are a particular thorn in the flesh. I would just like to know from the Council how the enormous are marked for this can be justified to this Parliament and to the electors of the next Parliament. I know that the Commission is looking into ways and means and trying to find new solutions. I hope that the Commission does so quickly, and comes forward with practical and, as far as I am concerned, radical proposals to suppress unjustified agricultural expenditure and so contribute to better budgetary equilibrium.

I hope that the Commission will come forward with such proposals in order to prevent the need for fresh surgery after the enlargement of the Community. I at least am convinced that the new balance of powers that there will be in the Community after its enlargement will lead to even larger agricultural expenditure in the budget than is now the case if timely action is not taken about the present policy. I also think that it will be difficult to avoid this if the stepchild "structural policy" — in other words, the Guidance Section — is not better treated than it is at present in spite of the small increase that is visible at this moment. Fortunately, something has happened with regard to the South of Italy and Languedoc-Roussillon. In view of the mounting political agitation in those areas and also the enormous structural unemployment problem there, it must be doubted whether the measures go far enough to win support in those areas too for the political objective of enlargement that we have endorsed. And if that objective is adopted, then the throng around the agricultural cash-desk will simply be all the greater.

Incidentally, when are some real forecasts about the cost of enlargement going to be available? Is it still true that the Commission is keeping to its low estimates when we hear figures that are four times as high in every national finance ministry? When shall we have some kind of Community estimates for the costs of enlargement?

I do not ask this out of misplaced curiosity. I ask it because I want to know where the Council thinks it is going — in spite of itself, I would hasten to add — with the budget as it now is. And if it knows that, how does it mean to get there? It seems reasonable to my Group to advance slowly but surely towards enlargement, in budgetary policy as well. In Portugal's case this might be more or less so, and the Commission has stated this clearly; But it seems to me that, all in all, there could be nothing wrong, for example, in working out restructuring policy plans in certain industrial sectors jointly with the countries who want to become members so that the problems of the industries in those countries do not soon have to be solved again in the Community. From the political and financial standpoints, this seems to me essential for smooth progress in the accession process.

I admit that the resources likely to be available to Commissioner Davignon do not offer much hope. I simply ask whether it is reasonable not to give that hope.

One last point. I noted with great enthusiasm the address by Mr Genscher, President of the Council, at the opening of the negotiations for a new Lomé convention, but on a second perusal and reading between the lines it dawned on me that the volume of aid to the ACS countries is not a fixed amount. Mr Tugendhat has also referred to this. With regard to food aid, there is a slight reduction. If that is so, I can see the day coming when the whole of the EEC's policy towards the developing countries, hedged about as it is by all kinds of restrictive rules that we are about to take in the present economic situation, whether the reasons are right or wrong, may well be completely undermined, including its financial aspects. If things have to go this way, then I believe that we must take the situation in Europe seriously, for we are not marking time but taking a step backwards and that is the step which, to my mind, is clearly announced in this budget. My Group knows very well the difficulties that we have to combat in Europe, but we feel that the budget, however insufficient its small volume and with the excessive share going to the EAGGF, can and must be an instrument for reducing these difficulties. In Bremen, the Italian Prime Minister said that one of the difficulties lay in strengthening our relations with the developing countries. Even that opportunity the Council failed to take. For this, our thanks to the Council ...

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It will be difficult for Parliament to do what it must. I feel that Mr Bangemann's motion for a resolution shows clearly which way we should take. I hope that in the coming months we shall be in a position, through the committees and the groups, to meet these requirements. We may complain about the Commission's lack of creativity and that of the Council. A lot has been said about it, but we might, to some extent, also complain about Parliament's lack of creativity. I hope that in dealing with this budget we shall be able to refute at least this latter complaint.

(Applause)

IN THE CHAIR : MR ADAMS

Vice-President

President. — I call Mr Aigner to speak on behalf of the Christian-Democratic Group (EPP).

Mr Aigner. — *(D)* Mr President, ladies and gentlemen. Mr President-in-Office of the Council, you closed your address with the words that you hoped that Parliament would show understanding for your report. In my view, Mr Bangemann has already found the right word for it: understanding is the last thing you can expect from this Parliament for this report. In fact, I admire the casualness and presumption — because, of course, I am also aware of the difficulty of your position — with which you presented this empty plate to us today. The fact is, however, that your excuses, whether formal or to do with the subject in hand, will inevitably be judged and viewed by anyone who knows the internal workings as excuses and not sound reasons.

I was sorry that the Council put the main blame on the Commission, and I would like to say quite clearly that I wholeheartedly agree with what Mr Tugendhat has said here. I would like to congratulate him and only express just one wish: that is that in the future the Commission should take a somewhat stronger line with the Council. What we need is that public opinion should be fully informed about the behaviour of the Council and about the fact that this Community institution has no political will for the progress of the Community and therefore no decision-making capacity. This should be dragged out into the open, and for this the Commission is best placed, because it is the Council's opposite number in all internal discussions. I know that this is not all that easy, because the political existence of the Commission unfortunately also depends on the national cabinets. This may perhaps be different tomorrow, Mr Bangemann, if we are successful in our demand that the investiture of the Commission after the first direct elections ceases to be the responsibility of the cabinets of the Member States and is a matter of majority vote in this Parliament. Only then will the existence of the Commis-

sion be secure if it acts contrary to the egotism of the national cabinets.

My request, Mr Tugendhat, is therefore that you should do more to mobilize public opinion than you have, commendably, begun to do today. This is one of the Commission's duties. Because of the pressure of time I can describe the problem only in rough outline, but it simply is not true, Mr Lahnstein, that the difference between what is and what should be, between the entered amounts and the actual outlay, is due solely to the Commission. The main reason is that the Council is increasingly interfering in the work of the Commission and would like to become an executive institution. This is also one of the main reasons for the delays in the performance of the Community's political activities. It is also true — Mr Tugendhat was right in saying so — that the blame also lies with the Member States.

Ladies and gentlemen, how far away from Brussels must London, Paris and Bonn be, for the cabinets are never in a position to start their measures on time or to call in early enough the resources they need to solve problems at the national level. How sadly deficient must the information services and communications between national cabinets and the Community be! This is a fact that we find wherever we are, and I am referring not only to the national cabinets but also to parliaments because when I think of the information situation in our national parliaments on European questions the situation is no better there than in the cabinets.

For this reason, and recognizing the inability of such an institution to act, we ought to think again about the old suggestion that it might be a good idea for the national cabinets to appoint a minister for Europe so that at least one permanent informant would be sitting on national cabinets. This might perhaps lead to better communications.

Mr Lahnstein, my group and I are particularly disappointed with this draft for two reasons. With this 1979 budget, we are in the first financial year in which there are to be direct European elections. A Community that is not in a position to implement an expansionist policy in life-and-death questions is not, of course, a suitable background for the first direct European elections. It means mobilizing 250 million people for a Community in which the main institution, the decision-making institution —, namely the Council is practically incapable of action.

The second reason is, as Mr Bangemann rightly pointed out, that a big enlargement of the Community is imminent. We know what such events mean. I am not talking about the institutional questions that simply have to be solved: just imagine a Community of 13 having to solve tomorrow's problems with the present decision-making machinery! It would be the death of the Community. One has only to consider

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that political action is necessary in the whole of the Mediterranean area, and not in the year 2 000 but next year and the following year. The Greek question, the question of Turkey, require political action.

Of all this there is nothing, only a budget that certainly does not signify any progress. No, I would even be more negative and say that this budget, if it is accepted as it is, would be a retrograde budget for the Community. Mr Lahnstein, you are an old hand in European problems, if I may in all friendship say so; you know full well — and I would remind you of the very relevant words of Mr Hallstein, the first President of the Community, who once said: 'If the Community stands still, then it must go backwards', because the Community is in the position of somebody riding a bicycle. If the cyclist stops moving — unless he is an artiste, and the Council and the members of the Council have not yet developed that kind of skill — then he falls off. The same principle applies to the Community. If it stops developing, that means, in the present situation, that it will go backwards and fall to pieces.

I was somewhat surprised about one of your phrases, Mr Lahnstein. Early on in your address you made it sound as though it was a great success for the Community not to have collapsed during the crises we are experiencing today. Here I must honestly say that if it is treated as a success for the Community not to collapse when there is a crisis and for a Treaty that nine Member States have signed to be upheld then there is really nothing else the Council can do to surprise me. We need progress in decisive areas.

Mr President of the Council, we are full of understanding. We too have our roots in the national parliaments, we know the financial troubles of governments and we know that no country has sufficient funds to perform the tasks before us and that austerity budgets are now routine, but, Mr Lahnstein, we have defined priorities and we have spelt them out once again in the motion for a resolution that our rapporteur has namely to this House. We want action from the Community in those areas where projects at the Community level are not more costly but cheaper and where they can be carried out more efficiently and with fewer resources than if nine Member States are all working in parallel. Mr Dankert rightly referred to the example of the types of aircraft being developed by two countries in the Community. It is simply not true that the transfer of finance to the Community means an increase in the total expenditure of the individual countries plus the Community: in certain circumstances we can operate more efficiently with less money. This argument that the financial situation forces us to back-pedal and do nothing in the Community simply does not hold water. Let me just give you one example showing that this argument is by no means the crucial one. Just look at all the items

for which the Commission had entered no funds but merely put on record its political intention of tackling a problem by making a token entry, items where it is not a question of finance but of the intention to have a particular problem dealt with not in nine, eight or six Member States working in parallel but by the Community. Take Item 3 703: 'Further development of the technology of integrated circuits and electronic components'. Here the Council even deleted the token entry, which was tantamount to saying, No, we do not want the Community to be active in this area because one or other of the governments says that it might perhaps lose something if the others benefit from it as well. What is lacking here is simply the political will to develop the Community.

The foremost task of this discussion, Mr Bangemann, is to let the public know why this Parliament does not agree with the Council's draft, and for this a few figures have to be given. If you follow the debates on the budget during recent years, particularly since this Parliament acquired the same rights as the Council with regard to the budget, since, that is, the budgetary authority has no longer been just the Council but Parliament and Council together, and Parliament has had the last word, then this is the first time — I do not think I need to tell you this, Mr Lahnstein, you must already have felt it in the general atmosphere — that a real risk has arisen that there will be no budget for the Community in December, because this Parliament has the last word and has to put its political will on record for the information of public opinion.

Let me now quote a few figures. In all our budget discussions we have always set priorities, not so as to spend more money but to spend it where we believed it was necessary for the development of the Community: energy, research, industrial policy, social policy, regional policy and co-operation with the Third World. I would like to refer to the cuts that have taken place between the Commission's preliminary draft and the Council's draft, not forgetting that we had already criticized the Commission for leaning too much towards austerity in certain items in the budget — and important items at that — as a result of which too little was allocated to certain necessary new activities.

In the field of energy, Chapter 32, the Council — in round figures — has deleted 105 million in commitment appropriations and 163 million in payment appropriations. In Chapter 33, 'Research', it has deleted 44 million in commitment appropriations and 23 million in payment appropriations. Under industrial policy, it has struck out 60 million in commitment appropriations and 41 million in payment appropriations. For the Social Fund it has deleted 143 million in commitment appropriations and 236 million in payment appropriations. For the Regional Fund, it has cut out 17 million in payment appropria-

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tions. In the Development Aid Fund (Title 9), it has dropped 110 million in commitment appropriations and 82 million in payment appropriations. In my view, these figures simply must be put before the public so that the reason for the conflict between the two Community institutions is clear.

Ladies and gentlemen, you know that I am an old fighter for the powers of Parliament and particularly for its budgetary powers.

What bothers me most about the draft is this. You, Mr Bangemann, have referred to the percentages — that the cuts represent. But if you just look at the non-compulsory expenditure alone, where Parliament — I am not now speaking about the margin but just in terms of the currently valid Financial Regulation — has the last word, then you can see that the Council has cut this particular title by 28% for commitment appropriations and 25% for payment appropriations. This means — and the suspicion is not to be dismissed just like that, I say this quite deliberately — that the Council, although it may perhaps have agreed here and there with the Commission's ideas that this and that needs to be done in research and energy policy, now says, because Parliament states that it intends to use its margin of increase to the full and since we know where Parliament puts its political priorities, namely on research and energy policy, regional policy and so on, we shall cut these items to such an extent that, if Parliament increases them, then we shall be back where we really wanted to be. If you have three or five per cent cuts in normal expenditure, increases in the finance for agriculture and cuts of 28% precisely in those resources where Parliament has the last word, then it is clear, ladies and gentleman, what the game or the intended game is. I feel that Parliament should not allow itself to be taken in by such tricks, at least in its legal position. We should therefore try to defend our political priorities in the second reading of the budget with complete firmness, confront the Council from a clearly concerted position and state the policy objectives that we, together with the Commission, want for 1979.

Mr President, allow me to close with the comment that we must now, of course, embark on internal discussions in our committees. This time the groups will have the deciding word, because, when all is said and done, leaving a Community without a budget is a political decision in which heavy responsibility will lie on one or the other side. It is a political decision that the groups will have to take, and I would ask them to allow themselves enough time and thoroughly discuss the subject so that a firm opinion is formed, because we certainly need an increased forum to confront the Council and also to put through our political ideas.

Mr Bangemann, there is one other point I would like to refer to before I finish. Yesterday, in the Committee on Budgets, we set up an internal working-party between the Committees on Agriculture and Budgets. We are both members of this working-party.

There is one thing we ought to be clear about. We cannot change existing agricultural regulations, but there is one thing we can change — and I hope we are agreed on this — and this should be our objective. The agricultural policy is not as black as it is painted; there have been wrong developments, but if we were to expose ourselves to the speculations on the world market then the consumer would have to pay a terribly high price for it. But this is no excuse for the mistakes that have been made. I have only to think about the question of the equilibrium between production and market. And this is what is so shameful: the fact that there, where the Council's real responsibility lies, namely to make suggestions for correcting regulations so as to promote equilibrium between production and market, it is simply and completely incapable of action. Unfortunately, until this is changed, we can naturally do nothing through the budget. But if the Council is incapable of action, then at least we should attempt, through additional financial incentives, to encourage production capacities where there is overproduction to close down and to mobilize production reserves if the market can absorb them. In this direction we must endeavour to get our views accepted.

We are always hearing the complaint — and Mr Klinker has told me that he will be going into this point in greater detail — that expenditure for the agricultural sector covers — 70 to 75% of the budget. Yes, ladies and gentlemen, but it should not be forgotten that agricultural policy — unfortunately, I must say — is so far the only sector in which we have Community action. Just imagine that tomorrow we were operating a common energy policy or a common transport policy with all the investment involved. If we had to implement integrated policies in these fields, then the agricultural sector would no longer account for 75% but for 25% and the transport sector or the energy sector perhaps 50%. This merely shows how distorted our integration policy is, for in certain decisive areas we simply have not kept pace with our agricultural policy. This makes the Council's budgetary policy all the more disappointing, because in those fields where we simply must make progress in order to correct this imbalance there is a complete blockage and the functional incapacity of the Council to take a clear political decision becomes even more apparent.

Mr President, we have reached the point where Parliament, in the light of the direct elections that are imminent, must be capable in the eyes of public opinion of being taken seriously. This means that, in budgetary policy, we have to draw the necessary conclusions, this way or that, next December. My group, at all events, is ready.

(Applause)

President. — I call Miss Flesch to speak on behalf of the Liberal and Democratic Group.

Flesch

Miss Flesch. — (*F*) Mr President, ladies and gentlemen, Mr Bangemann, the general rapporteur, recalled briefly, in his introductory address, the most important figures before us. In its preliminary draft budget, the Commission had proposed an increase of 15.5% in commitment appropriations and 12.1% in payment appropriations over the 1978 budget. These are the lowest increases we have had in the Community for a long time.

In the draft budget officially submitted to us today, the Council has again chopped a number of the appropriations requested. Commitment appropriations are now increased by only 8% and payment appropriations by only 5%. We shall, of course, have opportunities subsequently to go into the figures for the various appropriations in detail, in committee, during the special part-session in October, and lastly at our December part-session. Nevertheless, certain general observations are called for here and now. They may be summed up in a twofold policy line, already given by the general rapporteur, which at first sight may seem contradictory although, in fact, it is not.

Firstly, it seems to me that we could go along with the Council — at least to some extent — when it tells us that it does not want to enter unrealistic figures in the budget and expenditure which we know in advance will not be incurred during the coming year. This is a sound principle of budgetary procedure which is applied at all levels, both in the Community and in the Member States. In parenthesis, I would briefly, but firmly, add that this should not prevent us, in another context, from seeking out the reasons for these gaps and trying to find out why we cannot enter appropriations opposite a given action that we want to see carried out. And here I would turn to the Commission and urge it to resume its rôle of mainspring of the Community.

Secondly, Mr President, the budget ought at least to show the Community's political priorities and therefore play its part as initiator of Community action. Instead, what do we find? The reductions and the main cuts made by the Member States apply to energy, the social sector and staff requirements.

The main changes are as follows: for energy, the Commission asked for 262 million under commitment and 210 million under payment appropriations, against which the Council has entered 57 and 47 million respectively. For industry, the Commission asked for commitment appropriations of 65 million and payment appropriations of 46 million, whereas the Council's figures are 3.5 and 3.2 million. For social policy, the Commission had asked for 850 million in commitment and 718 in payment appropriations, whereas the Council has allowed 712 and 488. For the Regional Fund, the Commission asked for 620 and 390 million, the Council gives 620 and 320. For co-operation with the non-associated developing countries, the Commission asked for 134 and 156

million respectively, and the Council has entered 84 and 45 million respectively. I would remind you that even before the Council decided on these, in some cases heavy cuts, Parliament in the debate last July and in particular Mr Bangemann, the general rapporteur, had come to the conclusion that we were considering a budget of economic stagnation. Not only does it show the lowest increase for many years; it also does not perform its economic function. The point is that, in a difficult period, the public sector should take the place of the private sector: this is what is happening in all our countries at the moment.

In July last, Mr Bangemann stressed that, with this budget, the Commission was no longer acting as the mainspring of the Community, and I would refer to the comment that I have just made. At this moment, when the Council is submitting its draft to us, not only have Parliament's predictions last July come true but, as Mr Bangemann quite rightly said a moment ago, even worse has happened — and in two ways, since, firstly, reductions have again been made and, secondly, the general political context has changed. When the Commission was drawing up its preliminary draft, its assumptions were stagnation and shrinking prospects of economic growth. If my memory serves me right, the figure mentioned at the time of the Copenhagen European Council was 4% at best. But since the last European Council at Bremen and particularly since the Bonn economic summit, objectives are no longer the same, because it has been decided to stimulate economic growth, one reason being to combat unemployment. As a result, the basis on which the preliminary draft and the draft budgets were prepared is now outdated, because other objectives have been adopted.

Tomorrow, during the debate on the two summits held last July, we shall — I hope — find that for the first time the participants, the Member States, have succeeded in defining their intention of real coordination in economic policy and their determination to stimulate economic growth. These are fine statements of principle and declarations and yet... whilst the Member States seem to want to begin equipping themselves with the instruments for such a policy, these priorities are not reflected in the budget proposed to us. The European Community as such, and within the limits of its responsibilities, must translate these political orientations and these priorities into action, and firstly in its budget, because otherwise we shall no longer be able to give any credence to the declarations made at European summits.

The motion for a resolution put before us by the Committee on Budgets stresses this specific point: it urges that, in these conditions, Parliament should use every possibility available to it under the Treaties and the Financial Regulation to enable the policy objectives which the Community has set itself to be achieved.

Flesch

A study of the draft budget prompts another essential and complementary comment. Though we want a big increase in the total budget figure, we are not just concerned with the quantitative aspect. There should be a study of those items for which appropriations have been made to no point in previous years, and we need to consider which are the fields where we may expect concrete measures for 1979. Specifically, we find no increase in Community expenditure that would affect structural policy. The present Community budget can have no more than a limited effect on the economic situation and therefore short-term effects should not be our only aim. But what do we find? Appropriations, often already slight, have been reduced by the Council or even replaced by token entries in fields regarded as priorities such as the industrial sector, whereas it is clearly more than ever necessary to remedy structural deficiencies (textiles, iron and steel, shipbuilding, etc.). For example, for action on behalf of a certain crisis sector, the Council has replaced 30 million in commitment appropriations and 22 in payment appropriations by a token entry. I would also refer to the action on behalf of growth industries.

In the social field, which had been given a central position in the preliminary draft budget, what do we find? For the Social Fund, the Council has reduced the payment appropriations from 673 to 470 million. The concentration of appropriations on specific action designed in particular to combat unemployment among young people and women is very inadequate. For young people, for instance, the Council has allowed 40 million in commitment appropriations and 18 million in payment appropriations, compared with the 110 and 30 million requested. For the social effects of industrial redeployment, the Council has substituted a token entry for the 50 million commitment appropriations requested. For the energy sector, the Commission had asked for 262 million in commitment and 210 million in payment appropriations, whereas the Council has written in 57 and 47, in spite of the fact that research into alternative energy sources and the promotion of energy conservation is clearly vital. With regard to the Regional Fund, the Council's margin for manoeuvre is obviously narrow, because the overall envelope had been laid down by the heads of government, at least as far as the commitment appropriations are concerned. The Council simply reduced these appropriations from 390 to 320 million. I would recall that, in the debate last July, several speakers already pointed out that the Commission had bowed the knee to the appropriation awarded to the Regional Fund by the European Council, although the latter is not a budgetary authority. At a time when the gaps between rich and poor regions are widening, we find that the Community appropriation is cut.

In conclusion, allow me to speak up once again, in this context, in support of the developing countries.

The Commission proposed to reinstate the quantities of food aid it had already proposed for 1978, which had been reduced in part by the Council. Again the Council has wielded the axe. For grain, for example, its figure is 720 000 tonnes instead of the 1 135 000 requested by the Commission. This seems to me particularly regrettable when we know that the Community has a duty to show its firm fellowship with the most deprived countries in the world and when all here present attach — or say they want to attach — so much importance specifically to food aid.

For co-operation with the non-associated developing countries, an item which was increased by over 50% in the preliminary draft (the figures being 54 and 56 million respectively), the Council has entered 34 and 45 million.

This, Mr President, leaves the agricultural sector.

The moderate increase in agricultural expenditure, although higher than that initially forecast, is due to recent decisions taken by the Ministers of Agriculture when fixing prices for the next season. The EAGGF accounts for 72 % of the appropriations. The share going to the Guarantee Section, 65% of the total, is now slightly less than in previous years, whereas the increase in the Guidance section is greater than before.

For agriculture, therefore, it can be seen that the budget is rather better balanced than previously between expenditure for aiding the agricultural markets and that for structural aid. The gap, nevertheless, is still wide when it is thought that, with a modern agricultural sector, the Common Agricultural Policy would be able to achieve the objectives set out in Article 39 of the Rome Treaty.

We need to re-affirm our support for the fundamental objectives of the Common Agricultural Policy. Community solidarity needs to be upheld and the national market organization systems should be thrown out; but we must prevent the formation of structural surpluses and tackle the real problems in this sector. To those who think that agricultural expenditure has assumed far too great a relative importance, we would nevertheless recall — and here I agree with what Mr Aigner said a moment ago — that this is the only integrated sector, the only sector in which the Community has taken on its shoulders the costs of the Member States, which is clearly not the case for the other sectors. I would also like to say that the Common Agricultural Policy is not as bad as some would sometimes like to make it out.

At all events, for our part, Mr President, we also await with interest the findings of the sub-group that has just been set up — made up of members of the Committees on Agriculture and Budgets — and which is to look into a number of what I would call 'agro-budgetary' problems.

Flesch

In conclusion, Mr President, I would like, at this stage, to sum up our position by stating that we share the ideas set out by the rapporteur and which are reflected in the Committee on Budgets' motion for a resolution.

(Applause)

President. — I call Mr Shaw to speak on behalf of the European Conservative Group.

Mr Shaw. — Mr President, I rise to speak very briefly, on behalf of my group, because this is a preliminary discussion and reflects only our first thoughts on the draft budget that has been put forward by the Council. We felt as a group that a few short speeches emphasizing certain points of concern that we had noted would be the best way in which to treat this matter, so that I will not on this occasion go into a great deal of detail, but would comment in general terms, if I may.

Firstly, may I say that the pattern this year is, regretably, ominously similar to the pattern of earlier years. I think the President-in-Office recognized that in his own opening remarks: he sought today no thanks from Parliament, and I suspect he already realizes that he is getting none. Nonetheless, I would just recognize that there are difficulties that face all of us in the budgetary procedure: the length of the timetable involved and the very difficult discussions that have to go on — most of all perhaps, within the Council itself — do raise difficulties.

I want to emphasize that although this pattern was similar to earlier years, last year we did in fact, as the joint budgetary authority, manage after a great deal of hard bargaining to move a long way to meet each other, and in the end we were able to achieve what had seemed almost impossible at the outset. I say that to introduce a note of hope, but equally I would add that just because we did that last year, I hope nobody is under the illusion that we are automatically determined to end up that way this year. We certainly want to end up in agreement, but there are limits to which we are prepared to go and certain basic assumptions and objectives that we wish to achieve. So the pattern is the same, and clearly there are going to be many difficulties ahead; but we are as determined as we have ever been to achieve what we believe to be a proper outcome of these deliberations. I say at the outset, I recognize the difficulties facing the Council, but equally I hope they recognize our own determination and are prepared to show the goodwill which, if I may say so, was so clearly evident last year.

It is particularly sad, in my view, that we should be back where we were in earlier years, particularly in view of the fact that the Commission, when it put forward its preliminary draft, states, in the Commissioner's words, that the proposals were modest. I, in another place, described them as disciplined and I think both words are apt. But the point about both those words is that there was not a lot of fat on the

animal that was coming up for slaughter: it was all necessary stuff, if I may go into the agricultural field; there was nothing to be thrown away, and therefore I think we are much concerned at the fact that in certain sectors the draft budget has been cut back very heavily. An added cause of concern is the fact that although a considerable amount of discussion has taken place on agriculture, in fact the real debate on agriculture cannot yet start, because we have not yet had the letter of amendment: we do not know what is going to come out of that when it comes, and when we see that then we can really look at the subject. I have an ominous fear that in fact the percentages are going to be rather similar to what they have been before, and I shall be very sorry if that turns out to be the case.

I should like to deal with two points raised by the Council on pages 6 and 7 of its Volume VII. We are in some difficulty because, having got the documents very late, some of us have lost valuable sleeping-time in reading through them as far as we could before this debate. The Council mentions on page 7 the fact that payment appropriations have not been fully spent. The Commissioner alluded to this, and it is in my view a matter of continuing concern that we make proposals, we put them in the budget and we sometimes get them agreed, but then either proposals for regulations have not passed through all the channels, in which case therefore the money cannot be spent, or the nations themselves have not submitted their claims and therefore the money has not been spent that way. In other words, there are many opportunities for the decision of Parliament — and agreed decisions in the end — to be thwarted by inaction on the part of others. This is something we have got to watch very carefully as a parliament, because we had an instance of it last night in the Committee on Budgets where money could not be spent on a cause that every institution agreed was a good one and should be implemented in due course, because in fact the expected approval of the Council had not yet been given, so that expenditure has not been put on the line coming from Chapter 101. This is a very important point and I think we must look at it very closely indeed. Just to say, Well now, we have put on too much money in the past, is not enough: the fact is that although it has been agreed to spend the money, the will on the part of one party or another to spend it has not been fulfilled in demanding the money, setting up the programmes and passing the proposals. That is the first point.

The second point, on page 6, deals with the undoubted problem of the timing of all the budgetary procedure. I notice that the Council claims that its task would be much easier if it could receive the preliminary draft at the beginning of June instead of in the middle of June. I am not sure if that is in fact possible on the part of the Commission. I understand the desire of the Council, but a comment on that might be helpful from the Commission in due course.

Shaw

Finally, may I say this, that our objective must clearly be, Mr President, as a parliament, to hold firmly in our minds that the future success of the Community is very largely bound up in our identifying more and more areas and projects in which we can all work jointly as a Community. It is only in this way, in the long term, that we can hope to develop our full economic strength and so develop our full political influence in the world. That, I believe, is the theme behind all that we in Parliament are seeking to achieve, and it is with that theme in mind that we shall approach our discussions with the Council as members of the joint authority during the coming months to see if we cannot reach budgetary agreement this year as we did last year based on proposals that have a meaning for the present and for our future hopes.

(Applause)

President. — I call Mr Spinelli to speak on behalf of the Communist and Allies Group.

Mr Spinelli. — *(I)* Mr President, first of all I must say I regret the delay in our receiving these documents. The Council draft, the document on which hinges the most important parliamentary debate, reached us in fact only yesterday, forcing us to devote part of the night to its perusal and in any case to improvise our proposals. I do not know whether the Council, which is a slow mover, or the offices of Parliament are responsible for this delay, but I would like care to be taken in future to see that at least those who have to examine the document in detail, the members of the Committee on Budgets, may have it at least a little time in advance.

I must say immediately that the present situation is not the same as it was last year. Last year, in spite of all the criticisms we made, we were able to take the Commission's draft as a starting point for comparison with the Council's decisions. In essence, Parliament ranged itself in defence of the Commission's proposal and tried to reestablish, wherever possible, everything that the Council had deleted. This year, however, our opinion is not in favour of either document, particularly the Commission's draft, to which the changes made by the Council may be regarded as marginal damage. And it is precisely for this reason — an unusual procedure in this Parliament — that we begin our discussion on the budget with Mr Bangemann's motion for a resolution. This resolution has our approval — although we would have liked the terminology to be more clearcut — and it expresses negative views on both the proposals.

Mr Tugendhat — who is not listening just now — has told us that the draft was prepared before Bremen, that the Commission is therefore now in an embarrassing situation and that all that it has been able to propose, since the Council made its cuts, is reversion to the Commission's proposals. I do not agree. If the Commission admits to having prepared a draft in a

different political situation from that which took shape there after, it should be in a position, as it is when it recognizes that sun and rain may produce different crops from what was expected, to prepare corrective papers over the coming weeks taking into account the tasks that the Community will have to take upon itself in 1979. Only in this way will it be able to provide Parliament with all those instruments, requested by Mr Bangemann, enabling us to have a budget effectively matching the tasks we shall have to shoulder. I say that in this situation the Commission has a responsibility not to defend a draft which it recognizes itself as arising out of different political circumstances than those prevailing at the moment.

Mr Lahnstein, President of the Council, began his address by talking about the increasingly productive meetings with Parliament. Well, having taken part in all these meetings, I wonder how it is possible to describe them as productive. Certainly they were most proper, we smiled at each other, lunched together and so on, but the Council never gave the slightest sign of moving one step closer to Parliament's standpoint, whether about the Ortolí facility, or about regional or any other problems. Its main concession was to say: This year, accept our point of view and for the rest, perhaps we can have another talk next year. To me, therefore, it does not seem quite right to talk about productive relations.

Turning now more specifically to the budget, I would like to reply to President Lahnstein's statement when he said that the reasons for the cuts were, for one thing, the fact that the Council wished purely to enter decisions that has already been taken or were about to be taken and, for another, that he wanted precise figures. As regards the thorny problem of the token entries, I would like to point out that the Commission submitted projects in certain sectors some years ago — some of them a full four years back like, for instance, those regarding aid in the aviation sector — and that therefore the fact that the Council makes a token entry purely means that it does not want to take any decision on the matter. What is more, the token entry for the Ortolí facility is eloquent testimony to the Council's real intentions. On this point, as a Parliament, we ought perhaps to speak more clearly and not simply confine ourselves to expressing opinions. We ought to demand a budget in which the things that are entered are those that need to be done during the course of the year. This means that, after their approval, the Commission must present the appropriate proposals with maximum speed and that the Council must take decisions — otherwise, there is no real point in discussing the budget.

This brings me to a second comment. The Council has deleted the whole of the explanatory annex, to be found in the preliminary draft, regarding loans, because — as President Lahnstein has explained to us — these are rather difficult institutional, political and economic problems which cannot yet be presented in the budget. On this point — and it seems to me that

Spinelli

Mr Bangemann fell to some extent into the trap — I would like there to be no misunderstanding. In the Commission's draft, the entry in the budget is there and unquestionable. That means, gentlemen of the Council, that you have to bear in mind that, on this subject, the decisions are decisions by the budgetary authority and not Council decisions. As regards the loans for industrial development, in view of the fact that the Commission's proposal has already been made and that concertation with Parliament is at an advanced stage — with means that it will have to be discussed within two months' time — we are forced to note the fact that you are not yet in a position to enter the necessary billion and that you confine yourselves to a token entry. And if we think about all the other token entries, we cannot fail to get worried.

The Community budget should reflect the main objectives of the Community and, as President Lahnstein has said, a larger increase is necessary; but it needs to be an increase without inflation and without monetary chaos — which means that we need a package of monetary measures and action aimed, certainly, at greater austerity in consumption but also at greater activity in the investment and development sector. I well know that, in part, this task has to be done by the Member States and I recognize that, today, the individual States are in the front rank of responsibility for halting inflation and containing public expenditure. Nevertheless, there is also a Community responsibility that relates to two fundamental objectives. The first is that attempts at recovery should relate to convergent, not divergent, economies. The second is that the really large-scale development policies, today, cannot be decided at national level; they have to be taken in a broader context, and the Community context is certainly better suited to their implementation. We believe that policies to remove or reduce obstacles to trade are not national but Community policies, and we go further: the serious plans of an economy seeking recovery must not be confined to recovery among the advanced countries but must include all developing countries. We cannot go on believing in the remedy of more consumption to give more work to our industries. This idea, which is just beginning to gain ground, implies a far more decisive and coherent policy than that which has been followed up to now in favour of the undeveloped regions, whether inside the Community or elsewhere. Regional policy and aid policy for the developing countries must no longer be conceived as alms handed out by the rich to the poor, but as a plan to save poor and rich alike. Otherwise the rich are heading for ruin. Well, of all this there is not the slightest trace in this budget. I wonder how it is possible to imagine monetary union, knowing that there are countries which will be unable to make that step and knowing that the necessary policies for aid, regional development, social development, convergence, restructuring, etc., are lacking. For this reason — the fact that the budget does not reflect all these aspects — I consider it to be unacceptable.

In conclusion, I would just like to stress that it is best for the Commission and the Council to have no misunderstanding about Parliament's attitude. Let us not forget that, as things are at the moment, the budget could well be thrown out by Parliament. Substantial changes therefore need to be made, not just to make it less austere but to make it austere in the right sense. We have a great opportunity, all the greater in that this is the budget we shall be handing down to the elected Parliament, and I am convinced that it is better to tell the elected Parliament that the last non-elected Parliament said 'No' to this bad budget and refused to do what the Germans describe as *einen faulen Kompromiss eingehen*. We are convinced that the Council and the Commission will realize the gravity of the situation and use this internal budget crisis as an opportunity to achieve further qualitative progress for the Community.

(Applause)

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

Mr Cointat. — (F) Mr President, I have the doubtful honour, in fact the misfortune, to be the last speaker for the political groups and to be speaking after my colleagues have said all there is to say. I shall therefore do what I can to avoid repeating what they said, as my group is in complete agreement with the sometimes bitter criticisms levelled against this 1979 budget.

Last July, when I spoke on behalf of the European Progressive Democrats, I told you what I thought of the preliminary draft budget. I said:

Is the budget before us a political instrument? Far from it! There is no guideline, no overall programme, no comprehensive view of the general situation or of the future, merely a list of disjointed measures in one sector or another.

At the time, in July, Mr Tugendhat said that, although my comments had been polite, they had been strong. That is true. And this morning he told us that he was in a difficult and delicate position like 'the ham in the middle of the sandwich'. It is partly his own fault and the fault of the Commission. If he had showed more daring, more courage, he would no longer be the target of Parliament's strictures. He would be more like 'the butter or jam on a nice slice of bread'.

We are now considering the draft budget and, as the Council's President-in-Office, Mr Lahnstein defended its attitude with style, energy and candour. I hope he will not mind my saying that there is only one sentence on which I can agree with him, and that was when he said that the budget would not arouse any enthusiasm on the part of Parliament. He is right and he himself is an excellent advocate of a rotten case.

Cointat

On this occasion, the Council seems to me to have been a guillotine Council. Gentlemen, you are the experts on budgetary matters : and if, instead, you had increased certain entries in the Commission's proposals, which were cautious to a degree, in order to indicate what the Council's policy objectives are, you would have displayed great originality — for the first time, by the way — and it would have shown the Council's determination to get on with the building of Europe.

But what did we find ? We found that the preliminary draft budget itself contained little that was new, and now there is virtually nothing new in it at all. The appropriations, which I'll come back to again later, have, as Mr Aigner has pointed out, been cut back even when compared with last year, and when we look at the common agricultural policy, there is nothing there any longer, absolutely nothing. And as I am not Marcel Proust or Jean-Paul Sartre, I cannot go on very long about nothing. What is even more serious is that there is, in fact, something original about this draft budget, compared with previous ones, which is that it contains so many token entries that it must be the first 'token entry' budget ever.

(Laughter)

I say this with considerable sorrow and disgust, because all this is not at all in keeping with the decisions taken at Bremen and at Bonn and I assumed that the Heads of Government and State had some control over their Ministers of Finance. The impression I get is that the Summit and the European Council are now just a memory and that the economic revival, which was to be ushered in so as to resolve ticklish employment problems and bring down the disturbing level of unemployment while steps were taken to prevent a fresh wave of inflation, is, if I am not mistaken, the subject of no reference whatsoever in this draft budget. This amply confirms what the critics of the common agricultural policy have been saying, and here I unhesitatingly concur with Heinrich Aigner's comments. We are told that the common agricultural policy is costing too much because it represents 70 % or 75 % of the budget, but this is not true. It represents 70 or 75 % only because the common agricultural policy is the only thing there : apart from it, nothing else has been done and, although a penny is a large amount compared with nothing, it is still only a penny.

As Mr Aigner pointed out, if anything worthwhile had been done in regard to the other Community policies, whether in the field of energy, transport or regional policy, the common agricultural policy would only take up 20 % or 25 % of the budget as a whole. In my view, this is, perhaps, the biggest problem which faces us. And I want to tell our general rapporteur, Mr Bangemann, how grateful we are to him for putting forward his motion for a resolution setting out Parliament's comments on the draft budget. My group will

vote for his motion tomorrow. As you know, we attach great importance to the common agricultural policy, the Regional Fund and a genuine policy on regional planning, not to mention slow but steady, controlled but constant, progress in the building of Europe and the policies which go with it, such as those on transport and energy. And when we see that the payment appropriations for non-compulsory expenditure are 9.6 % lower than last year and that the European Parliament has a margin of only 5.7 % in which to manoeuvre, we are entitled to ask whether this is a mere accident ; my colleagues and I have every justification and, indeed the right and the duty, to ask whether this is not a deliberate ploy by the Council to make it impossible, even with the help of the 5.7 % margin for manoeuvre, for even the payment appropriations for last year's non-compulsory expenditure to be recovered a serious enough matter in itself since it is, in my view, a misuse of the budgetary authority's powers.

Again, it was clear in the Committee on Budgets that, on the basis of Council decisions, it was proposed to transfer appropriations from Chapter 100, although it is not the business of the Council to take decisions on such questions. It is for Parliament to take decisions on appropriations transfers. I received the impression, though I was not there last night, that the Committee on Budgets may have forgotten that a decision on this matter is one for Parliament ; I do not think that there is any need to wait for a Council decision on the subject of appropriation transfers.

Faced with such a situation, what are we to do in view of the fact that, even with the means at our disposal and armed with our legal rights, we cannot even recover the appropriations for 1978 ? Must we accept lower appropriations than last year while there is so much to be done for Europe and while the social and economic situation is so disturbing ? The answer is 'No', and that is why, Mr President, my group is most unlikely to vote in favour of this budget unless the draft is drastically improved. As the saying goes, once you've overshot the limits, anything goes and, in my view, we have shot them.

(Applause)

President. — I call Lord Bruce.

Lord Bruce of Donington. — Mr President, when I was listening this morning to the speech that was made by Mr Lahnstein on behalf of the Council, I could not help noting the tribute he paid to 'the fruitful dialogue with Parliament' that had taken place in Brussels on 18 July, when a delegation representing Parliament went to the Council to express its views. Only the utmost stretch of the imagination could give rise to the words 'fruitful dialogue', because, of course, there was no such thing. A short time before the meeting with Parliament, Coreper, the ambassadors of the Nine concerned, met together. It

Lord Bruce of Donington

was they who decided what was going to go into the draft budget. Parliament was invited as a matter of courtesy to give its views; it did so, and not anything they said made the slightest difference to what went into the draft budget, which followed exactly, almost to the odd hundred thousand units of account, what had already been determined by Coreper.

But be that as it may, I listened this morning to the Commissioner, Mr Tugendhat, who is sitting there in magnificent isolation, with the remainder of his eleven Commissioners absent, in order to pass judgment on the budget. I did note one phrase he used.

He said, by way of a sort of dismal and grey epitaph, that he was between two worlds. He reminded me immediately of the words of the great English poet, Matthew Arnold: 'Between two worlds, one dead, the other powerless to be born.'

That reflects precisely the position. Because the budget as presented by Council is dull, unimaginative and lifeless. So far as Parliament is concerned, the main consideration is whether we should endeavour to exhume the corpse that the Council has presented us today. Only the utmost sense of public duty impels me to endeavour to reinject some life into what is otherwise a completely uninteresting and boring affair. My colleague, Mr Shaw, put it very well today. He said we have had today a budget which is almost exactly on all fours with what we have had these last four years. He could not be more correct. Because he remembers, as I remember, that all the Members of the European Parliament, however selected or elected, are supposed to represent the wider European population comprised of the peoples of the countries from which they come. We do not talk here as a closed society. We do not talk here, or ought not to, as a closed club. We talk here, or we should do, as representing the people of Europe as a whole in their electoral totality. And this will be even more emphasized when direct elections come next June.

What is there in this budget for the people of Europe? What is there in this budget to enable them to embrace the European ideal of some kind of imaginative effort being made upon a European scale? What is there in this budget to enable them to emerge from the state of boredom and yawning which European Community activities have induced amongst them over these past four years? This is the question that the Community, this is the question that the Council should be asking themselves. This is the question that the Commission should be asking themselves also. Because it is dull and because it is lifeless. The budget presented by the Commission was criticized initially by our group as lacking any particular political plan. We have been told that the Council have approached this budget in a mood of austerity and maximum regard to the budgets of the Member States. Well, well.

I have had an opportunity of going into some of these questions in the small hours of this morning and earlier on today. I have noted the regard for austerity

that the Council has shown in connection with a whole series of matters with which they have favoured us in Volume VII of their budget. But as a matter of casual interest, I thought I would go into the agricultural budget. I noted in particular Titles 6 and 7, especially the items on the storage of agricultural produce that is produced not for use but for intervention. At a time when these have been drastic cuts in the Social Fund and the Regional Fund, so that total payments in 1979 will amount to 808 m u. a., the Council have approved — because they have examined it, as I shall show — expenditure on the storage of surplus food products amounting to 1 451 700 000 u. a. This is where their austerity has gone. Did they check through the individual titles in the budget? Did they check through items 6216, 6220, 6221 and say, well, we ought to cut this by a little bit, something less will be adequate here? Not on your nelly! When it came to Article 621, where the Commission had put in a figure for storage of 351 700 000, the Council's regard for austerity deserted it; it increased the figure by 2 300 000 to 354 000 000. So let not the Council come with the humbug of austerity! As Mr Tugendhat and as my colleague, Mr Dankert, have already pointed out, austerity applies, so far as the Council is concerned, when they come to those items which, broadly speaking, carry the hope that the European ideal will be realized. This is where they cut — because they do not believe in the development of Europe. And I will tell them this. When we come to the consideration of the Bremen proposals, if this budget remains intact, Bremen is a dead duck. Alternatively, if the development of the Bremen proposals proceeds in the manner everybody hopes it may, then this budget is dead. But in any case it is entirely irrelevant.

One of the favourable aspects of the Commission's preliminary draft budget for 1979 was that, although it had no discernible political purpose, we did note in my group that there was a flicker of life within it. For example, it proposed that some 8 000 000 should be spent on the development of data-processing. It did propose that some 7 000 000 u. a. should be spent on technical research into aerospace. It did propose — but where is Count Davignon? — that some 22 000 000 should be spent in support of those sectoral policies that Count Davignon has so courteously and so consistently been informing parliamentary committees about these last six months. These were the flickers of initiative within the Commission. These are the things on which Parliament looks with favour. My colleagues of all parties said: Well, there is life here; the Commission really do believe that there should be some communal development in industry in Europe. They looked upon them with favour. What do the Council do? The Council scrubs the lot. It scrubs the 8 000 000 on data-processing. It scrubs the 7 000 000 on aerospace research. It scrubs the 22 000 000 for programmes that Count Davignon had proposed.

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This, then, is the budget that has been inflicted upon Parliament. There has been a conventional procedure these last four years which I well remember. The normal procedure is for the Commission to present the budget, for the Council to make cuts and then for Parliament to step in and support what the Commission has done in an endeavour to restore the balance.

As the resolution put forward by my colleague, Mr Bangemann, makes quite clear, Parliament is not going to take this stance this time. So far as Parliament is concerned, it is a plague on both houses: both Commission and Council. We shall deliberate in our committees the proposals that have been put forward and we shall produce our own proposals. I observe in parenthesis, Mr President, that the Council has thought fit to make certain reductions in the staff of the Commission. Certain proposals have resulted in the Commission's request for 482 additional staff being reduced to 147. I hope the Council has read *The Times* of 22 May 1978, which reports that a 400-page report by a team of international consultants on the lamentably inadequate auditing and accounting of the EEC's agricultural expenditure has been presented to the European Commission. Parliament has not seen this report, but evidently *The Times* has. And according to *The Times* the report finds that most of the estimates are grossly inflated, sometimes exceeding actual requirements by three or four times. So I hope, Mr President, that when the Council examined the Commission's requests for staff it did not axe those requests by Commissioner Tugendhat relating specifically to the whole question of financial control. Because if they did, the whole of Europe will pass judgment upon them. If there is one area where control is necessary, it is the area of agricultural expenditure, which the independent firm of accountants investigated a year ago before it made strong recommendations for doubling the staff.

I listened towards the conclusion of Mr Lahnstein's speech to his comments on the Court of Auditors. They have again made cuts in expenditure for Court of Auditors staff. This is a most misguided thing to do. I do not know whether the Council has any professional accounting or auditing staff which they are able to consult, but I can tell the Council, on the basis of my own professional experience of some thirty years in this particular field, that the requirements of the Court of Auditors are the minimum needed for the prevention and detection of fraud in Europe and for the proper monitoring of Community accounts. This is a most unwise cut to make, and I sincerely hope that the Council will have further thoughts about it.

Mr President, I have come to the end. I have said what I intended to say in 15 of the 20 minutes allotted to me. I have said it quickly. I hope I have brought out some of the leading points. This, I predict, will be one of the last budgets of its kind by a Council who can

only be referred to euphemistically as a dead-end set of kids. If the European Community has another budget of this kind, it will be on the way to disintegration, and this is something which some of us, at any rate in this Parliament, hope will not happen.

(Applause)

President. — The proceedings will now be suspended until 3 p.m.

The House will rise.

(The sitting was suspended at 1.10 p.m. and resumed at 3.05 p.m.)

IN THE CHAIR : MR COLOMBO

President

President. — The sitting is resumed.

5. Question Time

President. — The next item is *Question Time* (Doc. 294/78).

We begin with questions to the Commission.

Question No 1, by Sir Geoffrey de Freitas :

Subject : Low-cost footwear

What are the results of the Commission's talks with low-cost footwear suppliers to prevent the markets of the Community being flooded with cheap imported footwear from developing countries such as South Korea ?

Mr Davignon. *Member of the Commission.* — (F) As the honourable Member knows, the Commission held detailed discussions with the Council on 2 May 1978 on the problems caused by the importation of cheap footwear and the Council asked the Commission to take up the matter with the various countries concerned.

We have taken as the basis for the discussion of these problems with the various countries involved the fact that the Community's industry has been facing difficulties of a particularly serious nature, and that it is important that the flow of trade — if it is to remain free, as we all hope — should not be jeopardized if we are to continue to absorb increased imports.

South Korea has shown understanding of our position and has committed itself to reducing the flow of its exports; moreover, we have had discussions with Poland on arrangements which, particularly in the case of Ireland, one of the countries most affected, has led to agreement.

To keep the situation under surveillance and to ensure that the arrangements are respected, as well as to be able to assess the difficulties of this increased penetration, I would remind the honourable Member that shoe imports overall are subject to a licencing system which is to be replaced by other control procedures not subject to the constraints represented by the

Davignon

granting of advance licences whilst at the same time offering identical guarantees at the practical level.

Sir Geoffrey de Freitas. — Is the Commissioner aware that many of us will welcome this reduction from South Korea? When dealing with developing countries, will the Commission in future distinguish between the very poor developing countries, such as India and many Black African countries, and so-called developing countries like South Korea which have an industrial base hardly inferior to that of some of the poorer members of our own Community?

Mr Davignon. — (F) As the honourable Member will have noticed, I indicated in my reply the countries with which I felt it was necessary to negotiate: Spain, where discussions are still in progress, Poland and South Korea. The reason for this is precisely that we do not want to interfere with imports from those developing countries which do not possess the same opportunities for industrial diversification as the Countries I have just mentioned. That has always been the Commission's policy in this field and you may thus be reassured.

Mr Brown. — Can I ask the Commissioner whether, during the time he was having these talks on the reduction in footwear, he also discussed a reduction in clothing-buttons coming from Korea, a matter which I raised in this House some months ago and to which I have had no reply? At the same time, he will note that I have another question down about South Korean pianos that are being dumped in Europe and I wonder whether he had a chance of talking about those whilst he was there, because this is a very important issue from the piano industry's point of view; the piano industry in Europe will come to a halt if these pianos continue to be dumped in Europe.

Mr Davignon. — (F) As regards the question of difficulties caused by excessive imports of buttons, I said some time ago that we were in contact with the clothing industry which has on occasion had to import low price buttons to help relieve its own difficulties. We do not yet believe, however, that this situation, while of concern, is as serious as that for footwear.

I can thus assure the honourable Member that we remain ready to give help to the industry along the lines we have suggested.

As to the second question, the Commissioner responsible will reply to it in due course.

Mr L'Estrange. — Is the Commissioner aware that numerous footwear factories have closed in Ireland in the last few years, that over 4 000 people have become redundant and are now on the dole, and that unless something is done in the near future, many more factories will also close in Ireland, both north and south?

Mr Davignon. — (F) The footwear industry in Ireland is one of the sectors which is of particular concern to the Commission. But we believe — this is something we have said and we have made suggestions in this respect — that this problem, in its fundamentals, will not be solved by limiting imports into the Community. The problem as it affects Ireland is not exclusively the result of imports from outside. It is also the result of distortions of competition within the Community and I am sure the honourable Member is aware of this problem. It is this that has led us, for example in our discussions with other Member States on the system of harmonizing aids, to take steps to prevent conditions of competition arising in some Member States which are unfair to others.

At the same time we are trying to pursue a dynamic policy with regard to the utilization of research, the application of new techniques, the search for improved competitive conditions and the establishment of better trading methods. This is why we have opened talks with the Irish Employers' Federation, because we are anxious to give our help and to prevent the trend about which the honourable Member expresses concern from worsening, and in the light of the fact that the Irish footwear industry has already been seriously affected.

Mr Lagorce. — (F) I should like to stress that the crisis in the footwear industry does not only affect Ireland, but also countries like France, for example, which faces competition especially from its neighbour Spain. I would therefore like to ask whether, in a more positive sense and quite apart from limiting imports into the Community, consideration could not be given to helping Community undertakings in the footwear sector to overcome the crisis affecting them.

Mr Davignon. — (F) That was the point I was making in the last part of my answer to the last question when I said that we were aware that the solution to these problems does not lie exclusively in temporary measures which would have merely a cosmetic effect and would not tackle the actual roots of the problem. That is why we have had a whole series of contacts with the industry, to try to agree on various policies of adaptation and adjustment, because we do not believe that the Community footwear industry need necessarily undergo a lengthy crisis. This is also the reason that we are taking dynamic action intended to enable us to regain a number of foreign markets which we have lost, often because of the protective measures in the various countries concerned, as was recently the case in Canada or the United States. We thus have a whole series of measures which we hope to be able to submit to the Council towards the end of this year or the beginning of next.

Mrs Kellett-Bowman. — The Commissioner mentioned the question of the harmonization of aid. Is he aware that the British Chancellor of the Exchequer unfortunately introduced an additional payroll tax of 2% in the spring budget, which fortunately we managed to reduce to 1%, but which does represent a very substantial burden on industries such as the footwear industry, which is still relatively labour-intensive, and are such measures not to be deplored?

Mr Davignon — (F) There are two different questions there. What I was referring to concerns the measures the Commission is taking or intends to take on the basis of the powers it has under the Treaty to ensure that aids granted by states to an industry do not result in distortions of competition, and that is one of the reasons why, when we had to discuss the problem of temporary employment subsidies with the British Government, we had to satisfy ourselves that the scheme did not create conditions of distortion, particularly in the footwear sector.

The honourable Member's question concerns the manner in which a state obtains the revenue it requires, in other words the level of its direct or indirect taxation. In this field too there has been significant progress at Community level on fiscal harmonization, although there remain a great many differences where, in spite of the efforts of the Commission, little progress has been made. It is therefore not up to us to pass judgement on this particular measure, particularly since since it does not create any distortion.

President. — Question No 2, by Lord Bessborough, will not be dealt with, since it relates to the subject of the Müller-Hermann report (Doc. 198/78), included in today's agenda. The author of this question will be entitled to priority in the order of speakers during the debate on this report.

Question No 3, by Mr Mitchell :

Subject: Permanent representations of the Commission

With reference to the Commission's written answer to oral question No 18 of the June part-session, ¹ will the Commission state by what criteria it has decided to establish an office in Bangkok, covering the ASEAN countries and Southern Asia?

Haferkamp, Vice-President of the Commission. — (D) The question refers to our representation in South-East Asia. The Commission put forward Bangkok as the location for this regional office because the city has the advantage of a central geographical position and good transport and communications. We also took into consideration the fact that Bangkok is the seat of the United Nations Economic and Social Committee for Asia and the Pacific area. We have observer status in this important UN regional organization.

¹ Debates of 15 June 1978, p. 264.

Mr Mitchell. — I still find it rather difficult to understand why Bangkok particularly was chosen. Surely there would be a strong case for putting this Commission office in New Delhi, which is a centre of a much larger population? The trade between India and the Community is much larger than that between Thailand and the Community, and if it was felt that geographical reasons were overwhelming, why not Malaysia rather than Bangkok, which again — Malaysia — has a much larger trade with the Community than does Thailand?

Mr Haferkamp. — (D) I think I made it clear to you that we are not dealing with a delegation to a particular country but with a presence in a region. For this purpose — and the honourable Member cannot deny it — good transport and communications facilities, as well as the presence of regional organizations of the UN, are important. As we already pointed out in our written answer some time ago, we are not in a position to set up separate missions in every individual state; nor is that our purpose. That is why we decided in favour of a regional presence, the location of which we selected on the basis of the best-actual criteria. We shall of course make every effort to use this delegation, based in Bangkok, to service other areas — not only the ASEAN States, but also the Indian subcontinent. It is certainly our intention — as we have made quite clear in our contacts with the Indian Government — to use the links we have with this delegation from Brussels to intensify contacts with New Delhi.

Mr Edwards. — I am absolutely appalled at this decision of the Commissioner. The natural place was surely the subcontinent of India, which has performed a miracle in industrial democracy, and we go to Bangkok, where in recent months they have made illegal a very moderate trade-union movement and have abolished the democratic constitution! I do not think we should accept this for one moment, and I support my colleague, Mr Mitchell, when he suggests that our centre should be in New Delhi.

Mr Haferkamp. — (D) I take note of that. This is a perfectly legitimate view, but one which I do not share. We have said that we intend to use Bangkok to service an entire area. That means that we will service the Indian subcontinent from there, as well as the ASEAN countries all the way to the Philippines. Do you want to do that from New Delhi?

Mr Scott-Hopkins. — Would not the Commissioner accept that if he is dealing with the ASEAN countries, which I believe he should do as a separate entity from the Indian subcontinent, he will need two offices, one in India to deal with that subcontinent? I do not believe we can mix the two, but his argument on the ASEAN countries seems a little strange, that this is the best centre for communications, because it is not.

Scott-Hopkins

He knows as well as I do that Singapore is much better placed than Bangkok. We have all been there, we have all been round the Asian countries. It is hell to get from Bangkok to Manila. It is easy from Singapore to Manila. So will he think again? Singapore, being the commercial centre, is much better.

(Applause from certain quarters)

Mr Haferkamp. — *(D)* I quite agree that it is possible to put forward specific reasons in favour of every country in the area for which the delegation is to be responsible.

A combination of the best reasons, in our view, favours Bangkok.

Lord Bruce of Donington. — Is the Commissioner aware that, in its orgy of austerity, the Council has endorsed this ridiculous decision made by the Commissioner on page 15 of Volume VII of its budget for 1979?

Mr Haferkamp. — *(D)* I am glad of any support, whether from this House or from the Council of Ministers.

(Laughter)

Mr Dalyell. — The Commissioner need not be petulant about it : he is not getting much support, because it is a pretty crazy idea.

(Hear, hear!)

Is the Commissioner aware that there is already one Temple of the White Elephant in Bangkok? Why do we have to pay for another?

(Loud laughter)

Mr Haferkamp. — *(D)* No comment.

Mr Normanton. — Having spent ten days during the month of August touring the Far East in general and Thailand in particular, may I record for the benefit of the Commission the warm welcome which the Thailand Government gave to the Community proposals?

(Protests from the Socialist benches — Interjection by Mrs Dunwoody)

May I ask the Commissioner whether he does not feel the ASEAN is at last beginning to become a reality instead of a pious hope as an economic entity?

Mr Haferkamp. — *(D)* I just said that I was grateful for any support and I see this question as an indication of interest in the development of this region. I am very pleased that the point has been made that cooperation amongst the ASEAN countries is making progress, a fact that is certainly of significance for the economic and political stability of this part of the world and, indeed, for us too. We are also well aware,

in this connection, of the importance of the ministerial conference to be held on 20 November in Brussels between the Foreign Ministers of the Community Member States and the Member States of the ASEAN countries.

Something is in the process of developing here to which we hope our presence in the region will contribute. I would add that we would of course like to be doing more, that we should of course one day, when the possibility arises and the economic situation permits, like to establish a stronger presence in this part of the world, and I am certain that the Indian subcontinent will then have first priority.

President. — I call Mr Normanton on a point of order.

Mr Normanton. — Mr President, it has been brought to my attention that a certain remark came from this quarter of the House which could be interpreted as implying that my visit to the Far East had been paid by other persons than this Parliament. May I for the record place firmly before this House that my visit to the Far East was at my own personal expense, I was not a guest of anyone and therefore I went entirely as a free agent. As long as that fact is recorded, I will be satisfied and not ask for an apology for a remark which I think came from this quarter of the House. Not for the first time do we have that kind of snide behaviour.

(Applause from the centre and the right)

President. — Mr Normanton, I do not believe it was anyone's intention to impugn your honesty in this way.

I call Mrs Dunwoody.

Mrs Dunwoody. — Mr President, may I say briefly that if there was any suggestion that Mr Normanton's honour was in any way impugned, I apologize for any suggestion of the kind. May I say that if he, in future, made his views much plainer, then he would not be so frequently accused of things which he is obviously not guilty of.

(Laughter)

President. — Question No 4, by Mr Bettiza, for whom Mr Caillavet is deputizing:

Subject: Cooperation agreement between the EEC and Yugoslavia

Further to the discussions of the Council of the European Community of 8 June 1978 which culminated in a call for a positive development of relations with Yugoslavia, could the Commission state whether it has drawn up supplementary negotiating directives and proposed satisfactory arrangements as regards the free movement of workers, the balance-of-payments deficit and technical and financial cooperation, provision being made for close collaboration with the EIB?

Mr Haferkamp, Vice-President of the Commission. — (D) The Commission intends to submit to the Council additional proposals on the conclusion of a new agreement between the Community and Yugoslavia. These proposals are intended to gradually reduce the existing imbalance in trade between the Community and Yugoslavia. In the field of social policy we want to return to the proposal made for the negotiation guidelines. This proposal can be compared with the corresponding agreement which we have with the Maghreb countries and Portugal. As for the financial aspects of the agreement, we shall be putting forward proposals which correspond roughly with those for the other Mediterranean agreements.

Mr Dewulf. — (NL) Is the Commissioner aware that the Yugoslavian border police deal extremely strictly with young European train travellers in transit through Yugoslavia to Greece?

Mr Haferkamp. — (D) That is the first I have heard of it. It is certainly of interest to us and we shall look into it.

President. — Question No 5, by Mr Porcu, will not be dealt with, since it relates to the subject of the discussion on the Commission statement on GATT, included in today's agenda. The author of the question will be entitled to priority in the order of speakers during this discussion.

Question No 6, by Mr Cunningham :

Subject : EEC-Malta Financial Protocol

What progress has there been on the identification and approval of projects to be funded under the EEC-Malta Financial Protocol?

Mr Haferkamp, Vice-President of the Commission. — (D) This financial protocol has not yet entered into force because the ratification procedures have not yet been completed in all Community Member States. The Commission and the European Investment Bank have, however, as in similar cases in the past, started on preparatory work so that certain projects can be financed immediately after the protocol enters into force. In April of this year, for example, we sent a delegation of Commission and EIB representatives to Malta, where a series of projects was discussed with the Maltese Government on the spot. Studies on the possibility of implementing these projects are at present under way, and we shall be informing the Maltese Government about our reaction to these proposals in the near future. This cannot, however, constitute a final approval of the projects, but merely their preparation to the stage that, as soon as the last ratification takes place and the protocol enters into force, an immediate start can be made on them.

Mr Cunningham. — Is the Commissioner aware that, at the meeting between Community and Maltese

parliamentarians which took place in Malta in June, concern was expressed by both the government party and the opposition party in Malta at the delays in this matter? Will he do all he can to remove the remaining difficulties in the way of the implementation of the financial protocol, and can he tell us whether at this stage there appear to be any problems of substance between the Government of Malta and the Community as to the kind of projects which can be financed under these provisions? I am thinking particularly of whether it would be possible for the Community to finance infrastructure projects and projects on which the first expenditure may already have occurred.

Mr Haferkamp. — (D) May I say first of all that the Commission hopes that the ratification procedures in the Member States can be concluded as soon as possible so that we are able to implement the financial provisions.

As I see it, there is no reason to believe from the preparatory work that has taken place so far that the main projects put forward in Malta in April present any serious grounds for concern or difficulties, so that it will be possible, as soon as the last ratification has taken place and the funds released, for the main projects Submitted by Malta to be started. We shall do everything possible on our part to make sure that that happens as soon as possible.

Mr Mitchell. — We have heard today that there is a delay in ratifying the EEC-Malta financial protocol. We have heard recently that there are similar delays in the ratification of the EEC-Portugal financial protocol, with the result that important projects are being held up. Would the Commission consider having urgent consultations with the Council to see if a different procedure can be found to replace the ratification procedure, which in some countries seems to take almost a year?

Mr Haferkamp. — (D) This is a field which lies largely outside the influence not only of the Commission but, indeed, of the Community's institutions altogether. It is a procedure which lies within the sovereignty of the parliaments and other constitutional bodies of the Member States. The constitutions of the Member States lay down procedures and time limits which lie solely within the responsibility of those competent for those constitutions. We have tried on several occasions to respect this state of affairs whilst at the same time making practical progress. As I just tried to explain, we have attempted to use the interval pending ratification to do preliminary work on a number of projects so that action can be taken without delay as soon as the ratifications have taken place. In other cases we have proposed making payments on account against future lines of credit. In

Haferkamp

one or two exceptional cases this has succeeded, although I do not think that it will ever become the rule. This is a field in which we should make use of the practical facilities which the Community institutions have. At the same time honourable Members could perhaps exert their influence in their own national bodies to speed up the procedures.

President. — Mr Mitchell, this problem will be resolved when these agreements are approved by the Council of Ministers of the Communities and not by the governments of the Member States and, likewise, when their ratification becomes part of the work of the European Parliament and not of the national parliaments. When that day comes, we shall truly have made a great step forward.

Question No 7, by Mr Glinne:

Subject: Policy in the iron-and-steel sector

What is the Commission's reaction to press-reports alleging that a number of companies producing iron and steel are resorting to more or less irregular practices in order to get round the rules relating to reference prices?

Mr Davignon, Member of the Commission. — (F) The reports to which the honourable Member refers are unfortunately neither new nor recent. Ever since the creation of the Iron and Steel Community and the obligation for steel concerns to publish and observe price lists, except in the case of a price list of an undertaking competing for the same destination, which guarantees the transparency of prices and equality on the market, there have been violations of the rules by Community steel producers. It is the Commission's job to verify, pursuant to Article 60 or Article 64 of the Treaty, that the undertakings do properly carry out their commitments, and it may penalize them in the event of infringement. Of course, since the steel crisis assumed its present dimensions, we have increased our surveillance for the sake of solidarity and to ensure that everyone finds himself in a similar position. That is why the Commission has recently imposed many fines after infringements have come to light, and information at our disposal indicates that we shall have to continue acting in this way.

Moreover, to ensure that those who observe the rules are not penalized (which is the very basis of the rule of law), we have entered into discussions with the various Member States to ensure that the administrative cooperation which exists with regard to the verification of price-lists is strengthened and is not limited to transactions involving goods circulating within the Community. I am happy to say that these discussions have made it possible to set up a system assuring surveillance which is neither meddlesome nor bureaucratic, but which guarantees transparency of the market and proper application of the Treaty, which is, after all, our aim.

Mr Glinne. — (F) The press reports to which I referred were confirmed by the publication on 18 August in the Official Journal of the European

Communities of sanctions which, if I understand correctly, concern basically the Bresciani works which apparently violated the rules in respect of concrete reinforcement bars.

Mrs Ewing. — While the Scottish steel industry, responsible for about 15 % of the UK steel output, is worried about so-called rationalization, would the Commission care to comment on an admission in an oral exchange between myself and a front-bench spokesman of Her Majesty's Government following the Bonn Summit that the question of imports of cheap steel into the EEC *via* the back door from East Germany to West Germany was discussed at the Summit and on the assurance given by the government spokesman that the West German government had said that this would cease? Would the Commission care to say whether that is one of the irregular practices it hopes to see an end of?

Mr Davignon. — (F) The irregular practices to which I just referred do not concern imports into the Community but the manner in which steel producers conform to the Treaty provisions and Commission rules. By contrast, the question now being put concerns observation by third countries of the rules which we have instituted within the Community to ensure that imports into the Community are not dumped. We have laid down that, as regards goods from third countries, there may be presumption of dumping when the imports are priced below a reference price. We have had discussions on the application of this provision and on assurances as to the origin of products circulating within the Community. We are taking care to ensure that imports from East Germany conform to the reference price — if they do not they will be liable to an anti-dumping action — and that they are not able to circulate under any other guise by verifying their origin, which we have done by means of a series of technical discussions which, so far, have proved satisfactory.

Mr Hoffmann. — (D) May I put a question which looks at the matter from the other side? It is apparent that there are in the Community not only suppliers who undercut the prices, but also customers who profit from these prices. Have you recently considered ways and means of controlling the purchasers of cheap steel, thus putting a stop to such practices from that end?

Mr Davignon. — (F) It is the characteristic of a market economy that there should be a divergency of interests and that market forces should try to establish some kind of balance. We have tried to get the majority of steel transactions handled by dealers. The measures we have taken with regard to the latter enable us to be certain that these transactions conform to the various rules. Obviously, a buyer cannot be penalized for purchasing from a seller who fails to respect the rules by selling at a lower price than the one agreed. We can take action only against producers, exporters and dealers, and not against buyers.

Mr Osborn. — Is the Commission aware that special steels and special steel products from third countries and EEC countries are now being warehoused in Sheffield and sold below local price? Has he received representations from the Sheffield steelmakers, which have been adequately highlighted in the local press, and does his original answer cover this situation as well?

Mr Davignon — (F) I am very well aware of the special problems which have arisen in the Sheffield area, particularly as regards with special steel. The honourable Member will know that the special steels do not, for a whole range of good reasons put forward by the producers themselves, form part of the anti-crisis programme we had implemented, but that does not mean that we have not been discussing the question, particularly that of a factory in Sheffield with a special problem where we expect to be able to find a solution during the course of the discussions we are holding and with the help of those in the industry.

President — Two questions relate substantially to the same subject and can be dealt with together. Question No 8, by Mr Blumenfeld:

Subject: Effects of the strike by French air-traffic controllers and its compatibility with the Community's transport policy

Does the Commission consider it acceptable that a strike or similar action by air-traffic controllers and other ground staff in support of objectively justified or unjustified wage demands should endanger air safety in the EEC as a whole (witness the near-collision over Lyons on 28 August 1978), and that disinterested third parties, viz. tens of thousands of airline passengers, should be held to ransom, and if not, what steps will it take under Article 84 or 100 of the EEC Treaty to put an early end to this grave disruption of civil aviation in the EEC?

Question No 10, by Mr Osborn:

Subject: Frequency and density of charter and scheduled airline traffic on certain routes in high season

Is the Commission intending to have discussions with airlines through the International Air Transport Association, the European Civil Aviation Council and national aviation organizations about the frequency and density of charter and scheduled airline traffic on certain routes in high season, particularly the Mediterranean, to ensure that in the short term existing facilities are not over-used, and in the long term adequate equipment and personnel are made available for necessary air safety and air traffic?

Mr Burke, Member of the Commission. — The Commission deplores the fact that the vacations of tens of thousands of passengers were disrupted by the French air traffic controllers' strike. These events are regrettable. Nevertheless, it must be pointed out that the Commission cannot take a position on a dispute the solution to which lies, as the honourable Member will surely agree, strictly within the competence of the national authorities.

The Commission is concerned with the question of safety in the air. Last June, however, the Council adopted a work programme in the field of civil aviation which includes a list of priority topics which must be studied at Community level. In spite of the Commission's suggestions, safety is not included among these subjects. Nevertheless, we cannot exclude the possibility that safety might later be added to this list.

Mr Blumenfeld. — (D) Mr Burke is undoubtedly aware that the answer he has just given us is not satisfactory. May I ask the Commission if it realizes that it has been dealing with this question of ours for around 18 years, and that in April of this year it received from the European Parliament a report by Mr Noè which dealt with precisely this subject? It therefore appears to me that this issue has now assumed a political dimension to which the Commissioner's answer does no justice at all. The safety of thousands of people in the Community is at stake, questions involving all aspects of transportation within the Community need to be examined and it is high time that the Commission and the Council of Ministers turned their attention to this whole complex of issues.

(Applause from various quarters)

Mr Osborn. — This may have been an industrial dispute in France; an excuse may have been too many flights to the Mediterranean over France with too few air traffic controllers and lack of equipment; but this Parliament and the Council of Europe are the only two fora where Europeans can look at this problem of air traffic control and air safety together. The Commission may not be concerned with the Eurocontrol convention in too deep a sense, but air traffic control is a European problem and I address this point to you, Mr President. The Committee on Regional Policy, Regional Planning and Transport is due to hold an inquiry on this very subject. I hope you will back the Commissioner in accelerating that inquiry.

Mr Burke — I have stated the position as it is and having said that, of course, I understand the feeling of the House that it is insufferable that so many people should have been discommoded this summer by this dispute and made to suffer in this way. I would point out also that that feeling is, naturally, aggravated by the fact that the great majority of victims were holiday-makers who perhaps were making their one air journey of the year and whose enjoyment of their holidays was severely curtailed. But I have to say again, I can offer sympathy, but I cannot act, beyond reminding the House that the Commission in 1975 put forward proposals on the whole aeronautical sphere, some of which have yet to be processed by the Council. I would very much appreciate the support of the Committee on Transport in getting these very

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important matters processed further. Members can be assured of my full cooperation if that happens.

Mr Alber. — *(D)* Does the Commission share my view that the air traffic control provisions cannot be satisfactory if, in the event of a work-to-rule, as the controllers' strikes are called, if in other words the rules are being properly observed, air traffic is completely paralysed? Does this not prove that, in the normal course of events, the rules simply are not observed, and is the Commission prepared to take steps to see that air traffic control provisions are revised to take account of the situation as it really is so that a work-to-rule can no longer lead to delays?

Mr Burke. — I have already said a few moments ago that this is an area which does not fall within the Commission's terms of reference at present; it is in fact another body, Eurocontrol, which deals with these matters. That being said, I would point out to the House that there are a number of aspects which would need to be looked at in dealing with this problem and I shall just list a few of them here. We could study questions of air security standards and revenue. There are then the related questions of increased congestion around airports, increased congestion in air-lanes and efficiency standards and equipment of air controllers. These are some of the issues which would go into a study of the matter and could be pursued, given the political will of the various institutions of the Community.

Mr Lagorce. — *(F)* Mr Burke has replied in part to the question I wanted to put to him. What I wanted to ask him was whether he thought it normal, like Mr Blumenfeld, and compatible with the Treaties, or for that matter expedient in the present stage of European construction, that provisions taken by the Community should be able to run counter to the exercise of a basic right such as the right to strike which is legally and explicitly enshrined in the constitution of the French Republic. In other words, can the Community force a country like France to amend the constitution which governs it and which the French people approved in a referendum?

Mr Burke. — I have already answered the question by pointing out that the Commission cannot interfere in a matter which is within the competence of a Member State, and that remains the position.

Mr Noé. — *(I)* Mr President, in light of the fact that you were asked, in a resolution which I myself submitted to this house in May of this year, to call a conference at European level to consider the various aspects of this complex problem, I should like to ask the Commission if it can support Parliament in the preparation and work of this conference so that this institution can make its own contribution to the solution of this supranational problem?

Mr Burke. — I would like to go on record again as complimenting the honourable Member for his interest in this whole question and for the work he has put into the various reports which have come before us, and to say that on a personal basis I would be very pleased to work closely with him and with the committee concerned to see how this matter can be further developed. I cannot at this stage go any further than that.

Mr Spicer. — Mr Noé has quite rightly said that this is a supranational problem. We all recognize and respect the fact that the Commissioner's hands are tied in this matter, but it does seem that on all sides people deplore the problem but no-one is able to solve it. It is not just a matter of this year or last year; almost every single year we face the same problem: how we can help and what proposals Parliament can, make to help take it out of the hands of the national governments and make it a matter for the Community.

Mr Burke. — It might be helpful if the proposals tabled by the Commission in 1975 were to be looked at again, and if we could all persuade the Council to move this dossier forward. I would point out for the information of the House that air traffic control, which is the nub of this whole question, involves not only the Member States of the Community, but also Spain, Yugoslavia, Switzerland, Austria and Greece, and that all these countries are in ICAO and ECAC, the European Civil Aviation Conference, though of course they are not in the Community. The technical expertise and knowledge required to deal with this question are not yet available to the Commission, so, while sympathizing with the House, I must point to the realities of the situation and again confirm that I am prepared to work with Parliament's Committee on Regional Policy, Regional Planning and Transport to see what further measures can be taken in this regard.

Mr Fuchs. — *(D)* Mr Commissioner, how would you assess an air traffic controllers' strike in the light of the universally valid principle of the means being proportionate to the end, bearing in mind the fact that the actions of a small number of technical specialists can endanger a large number of people, and that various other serious difficulties may arise?

Mr Burke. — It puts me in a difficult position to be asked to comment on a matter which is within the competence of the Member State in question. Nevertheless, I want to inform the House that I am aware of the various facets of the dispute, and to say that the strike in question was aggravated by the work-to-rule and by the refusal of the authorities of other Member States to permit certain routes to be taken to countries like Spain, Germany and so on, and that in addition to this particular strike the situation was aggravated by

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other circumstances. I wish to reiterate my sympathy for those who were inconvenienced and to point out to the House that I am prepared to help to work towards a solution, to the extent that the Community can be involved in solving this particular problem, and having regard to the fact that I have already pointed out to the House that the matter has been referred to other international bodies which have greater responsibility than the Community for dealing with these matters.

Mr van Aerssen. — (D) Mr Lagorce has already raised the constitutional question, and I should like to ask Mr Burke whether the Commission is prepared to commission a legal study to find a constitutional solution to the more general conflict which is apparently emerging here between free bargaining on the one hand and the public interest on the other?

Mr Burke. — I am afraid that, with all due respect to the House, I must decline the invitation to do so. I do not think that it is a matter for the Community, and I hope I will be forgiven for saying that it is not in fact something I would ask the Commission to do at this stage.

Mr Cifarelli. — (I) Does the Commissioner not believe that the best way of dealing with this entire issue would be to have recourse to Article 235 of the EEC Treaty and to draw the appropriate consequences from it?

Mr Burke. — I have no difficulty, in areas where it is appropriate, in agreeing with my colleagues on action to be taken under Article 235. But I should like to point out to the House that, as I have already said twice, in 1975 the Commission took measures which go some way to solving many of these problems. Now I find it difficult to consider taking further steps under any article as long as the proposals we have already put forward have not been adopted. All I can say is that I will examine how we can get on with what has already been proposed before suggesting further action.

Mrs Dunwoody. — Is the Commissioner aware that one of the strong planks of the French air controllers was that their equipment was not adequate to deal with the numbers of planes they were handling at the speed required, and would he please, when he is looking at the whole role of safety, remember that if air traffic controllers make a mistake they do not just kill people from inside the Community, they kill them from outside, as happened five years ago in a crash over Nantes during a previous air controllers' strike, for which British and Spanish people on that plane have still not been compensated?

Mr Burke. — I would agree with the expression of concern and, indeed, of alarm of the honourable

Member, and hope that this Question Time and this debate will draw the attention of those who are in a position to deal with these matters to the problems we have aired. But I reiterate the position as I see it of the Commission of the Communities at this point.

Mr Albers. — (NL) Does the Commission consider it relevant to draw a link between the wage demands, justified or otherwise, of those working in the transport sector and the regrettable lack of a Community transport policy?

Mr Burke. — The answer is no.

(Laughter)

President. — The first part of *Question Time* is closed.

I call Mr Klepsch on a point of order.

Mr Klepsch. — (D) Mr President, I should like, on behalf of my Group, which believes that the issue with which we concluded Question Time has not been fully enough dealt with, to request a topical debate. Now, to save time, let me say at once that I have just discussed this with your officials and have learned that there is a problem here. We used to have only two Question Times, each of 90 minutes' duration. Since we have changed things, there are now two 45-minute Question Times and, on Wednesday, one of 90 minutes. It is a matter of interpretation whether the Question Time that has just ended is now finished or will only be finished following the second 45-minute period of questions to the Commission on Thursday. Since we have never faced this problem before, I would like to ask that we clarify the matter here in the House today once and for all. We would of course prefer it if the topical debate on this issue could take place at once. If, however, it is the unanimous view of the House that this is not possible today, but only on Thursday, we would accept that also. We do believe, however, that this matter should be settled today and that the House should agree on an acceptable ruling for today and the future. I therefore beg to move a topical debate on air safety.

President. — Mr Klepsch has raised two points. First, he is asking for a 'debate on a matter of topical interest'. This request is granted on the basis of Rule 47B/(3) of the Rules of Procedure.

Secondly, Mr Klepsch has raised a problem of interpretation, namely, how we should understand the expression 'at the close of Question Time'.

Since Question Time is divided into several parts, I consider that the 'debate on a matter of topical interest' should be held at the end of Question Time, that is, during the sitting of Thursday, 14 September 1978.

6. Votes

President. — The next item on the agenda comprises the votes on motions for resolutions contained in those reports on which the debate is closed.

I put to the vote the motion for a resolution contained in the *Jozeau-Marigné report (Doc. 567/77): European Communities' position in public international law*.

The resolution is adopted¹.

We now come to the *De Keersmaeker report (Doc. 222/78): Directive on commercial agents*.

Before considering the motion for a resolution, we must first consider a series of amendments to the proposal for a directive.

On Article 2, Sir Derek Walker-Smith has tabled, on behalf of the European Conservative Group, Amendment No 1, seeking to replace the words 'commercial transactions' by 'contracts for the sale of manufactured goods'.

What is the rapporteur's view?

Mr Calewaert, Deputy rapporteur. — (NL) Mr President, as you know, I was asked yesterday to deputize for Mr De Keersmaeker without any advance warning. So it is, of course, very difficult for me to pass judgment since I do not know precisely what the views of the rapporteur were. I can only give my own point of view, based on the knowledge gained of a subject which has been discussed repeatedly and at length by the Legal Affairs Committee.

Sir Derek Walker-Smith's amendment seeks to replace the words 'commercial transactions' by 'contracts for the sale of manufactured goods'. The justification given for this is that a stricter interpretation would exist in three countries of the Community than in the six other Member States. And the six other states would be perfectly able, on the basis of Article 4, if I have understood it correctly, to apply a liberal interpretation.

My personal view is that the clear aim of the directive is to define the sphere of application. In the course of discussions in the Legal Affairs Committee, Article 2 was in fact amended in order to give a more exact definition. For this reason I can only say that I cannot myself support this amendment.

President. — I put Amendment No 1 to the vote. Amendment No 1 is rejected.

On Article 3, I have Amendment No 6, tabled by Mr Noè and seeking to add the following sixth indent:

— to intermediaries who carry on their activities in the aviation sector;

What is the rapporteur's view?

Mr Calewaert, deputy rapporteur. — (NL) Mr President, it is my personal opinion, which again I give with the reservations I stated at the beginning, that Amendment No 6, by Mr Noè, ought to be adopted.

President. — I put Amendment No 6 to the vote. Amendment No 6 is adopted.

On Article 21, I have Amendment No 2, tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and seeking to delete this article.

What is the rapporteur's view?

Mr Calewaert, deputy rapporteur. — (NL) Mr President, Article 21 was considerably amended in the course of discussion in the Legal Affairs Committee. The purpose was to strengthen the social position of the commercial agent. In view of the changes which have already been made, I think that this amendment must be rejected. But I should like to ask Sir Derek Walker-Smith whether he feels that this amendment is closely related to his Amendment No 4, which also refers to *del credere* agreements. I think that Amendment No 2 and Amendment No 4 are tied together. The question is therefore whether a vote on the one amendment does not determine the vote on the other.

President. — I call Sir Derek.

Sir Derek Walker-Smith. — Mr President, I did explain this in my observations to the House yesterday. These two amendments go together. They are interrelated and both deserve the approbation and assent of this House.

(Laughter)

President. — I put Amendment No 2 to the vote. Amendment No 2 is adopted.

On Article 30 (4), I have Amendment No 5, tabled by Mr Schwörer and seeking to reword this paragraph as follows:

The agent shall not be entitled to an indemnity where he terminates the contract by notice, unless termination is justified having regard to the principal's conduct, or the agent cannot be required to continue his activities on grounds of age or illness. Nor shall he be entitled to an indemnity where the principal terminates the contract by notice and such notice has been shown to be substantially justified on grounds of the agent's culpable conduct.

What is the rapporteur's view?

Mr Calewaert, deputy rapporteur. — (NL) Mr President, with the reservation I made just now, I feel that the text of paragraph 30 as drawn up by the Legal Affairs Committee should be maintained and I suggest that Mr Schwörer's amendment be rejected.

President. — I put Amendment No 5 to the vote. Amendment No 5 is adopted.

¹ OJ C 239 of 9. 10. 1978.

President

On Article 33 (1), I have Amendment No 3, tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and seeking to reword this paragraph as follows :

Where the commercial agency either is undertaken by company or legal person whose most recent annual accounts show that it has a paid-up capital exceeding the equivalent of 100 000 European Units of Account, or has a turnover which exceeds 500 000 European Units of Account, the parties may derogate from the provisions of Articles 15 (4), 19, 21, 26 (2) and 30.

What is the rapporteurs' view ?

Mr Calewaert, deputy rapporteur. — (NL) Mr President in view of the explanation given yesterday by Sir Derek Walker-Smith, I think that we must accept this amendment.

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

We shall now consider the motion for a resolution. I have no amendments on paragraphs 1 to 7. I put these texts to the vote.

Paragraphs 1 to 7 are adopted.

On paragraph 8, I have Amendment No 4, tabled by Sir Derek Walker-Smith on behalf of the European Conservative Group and seeking to delete this paragraph.

I call Mr Klepsch.

Mr Klepsch. — (D) Mr President, we do not share the view of the deputy rapporteur that adoption of this amendment is automatic. It was not at all the intention of my group that the deletion effected by Amendment No 2 should deprive commercial agents of protection under a *del credere* agreement. We merely considered that the wording of the article which has been deleted was utterly inadequate and we expect the Commission to make a better proposal. We are thus fully able to support paragraph 8 but without the word 'the' since 'the' provisions refers to the provisions that we have deleted. We would therefore — I don't know how this can be accommodated by the Rules of Procedure — we would vote in favour of paragraph 8 without the word 'the'. Mr President, you will recognize that this question has only arisen since the adoption of Amendment No 2. Thus my group would like to retain paragraph 8 without the word 'the', which has become meaningless.

President. — Let us see whether the rapporteur can clear up the mystery.

Mr Calewaert, deputy rapporteur. — (NL) Mr President, it is very difficult to delete a word which is not there in my text.

(Laughter)

The Dutch text of paragraph 8 of the motion for a resolution reads: *'betuigt zijn instemming met de*

bepalingen ter bescherming van een handelsagent bij een delcredere-beding'. Nowhere do I find the word 'die' and so I do not know how the German text reads. For this reason I am unable to judge the import of the remark. Nevertheless, I must give some consideration to translation difficulties, because I should not like the use of different languages to lead to divergencies in the texts.

President. — I call Mr Klepsch.

Mr Klepsch. — (D) I think I can make my point clear for the rapporteur. I propose that the word 'die' be deleted in the German text. If this is done, my group will vote for the adoption of paragraph 8. In German, 'die Bestimmungen' must refer to the provisions contained in the text itself. However, these provisions have just been removed. We want provisions on the *del credere* issue to be enacted nevertheless. For this reason, 'die' must be deleted. If there are translation difficulties, I would propose that we delete the 'die' in the German text and then my group will vote in favour of paragraph 8.

President. — I call Mr Calewaert.

Mr Calewaert, deputy rapporteur. — (NL) Mr President, the explanation given by Mr Klepsch has made everything clear to me now. I agree with him that the word 'die' must indeed be deleted from the German text and this means deleting the word 'de' in Dutch and in French probably 'les' that is to say, the word which limits the word which follows it, 'provisions'. There cannot be a reference to provisions which have already been removed by the amendment from the chairman of the Legal Affairs Committee.

President. — I call Sir Derek.

Sir Derek Walker-Smith. — I hope, Mr President, I shall never be considered backward in seeking to assist this House within the limits of my humble capacities, but they certainly do not extend to arbitrating on any dispute about the interpretation of differences in the Dutch and German languages. But I may say that if one looks at this not as a matter of comparative semantics, Mr President, but as a plain matter of common sense, there are now no provisions for a *del credere* clause. Clearly paragraph 8 of the motion for a resolution, as a matter of ineluctable logic, must go.

President. — I call Mr Masullo.

Mr Masullo. — (I) Mr President, we were against the removal of paragraph 8. Now that it has been deleted, it seems to me that the attempt which some colleagues are making to reintroduce the spirit of this paragraph in the body of the motion for a resolution is producing some misunderstanding both from the

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language point of view, since if we were to accept the proposal by Mr Klepsch — at least in the Italian version — the phrase would read *'si compiace le disposizioni'*, which has no grammatical meaning at all, now from the point of view of logic. How can one welcome something which is not there and which Parliament itself has removed? I think this is ridiculous. If anything, we should say that Parliament 'hopes for' new forms of protection, new provisions; a wording of this kind might perhaps avoid the absurdity of saying — I repeat — that Parliament welcomes something which is not there and which it has itself removed.

(Laughter)

President. — Mr Masullo asserts that we have already deleted paragraph 8. In point of fact we have not done so, even though, according to one interpretation, the deletion of paragraph 8 may be regarded as implicit in the adoption of Amendment No 2. This interpretation, however, is disputed by those who wish to maintain paragraph 8.

Under these circumstances, we must first of all agree on the exact wording of paragraph 8, after which I shall put to the vote the principle of its implicit deletion, or I shall put paragraph 8 to the vote, which comes to the same thing.

I call Mr Klepsch.

Mr Klepsch. — *(D)* Mr President, I agree. I realize that Mr Masullo is right in saying that there must be no ambiguity in the text in the various languages. I would therefore suggest, if the rapporteur agrees, that we should reword paragraph 8 as follows: *'hält Bestimmungen für erforderlich, durch die die Handelsvertreter bei Delcredere-Vereinbarungen geschützt werden sollen'*. This, I think, would meet the desire of Mr Masullo and others to have a precise statement in paragraph 8. Of course I cannot propose this, only the rapporteur can. This is only a suggestion to resolve the language question.

President. — What is the rapporteur's view?

Mr Calewaert, deputy rapporteur. — *(NL)* Mr President, Mr Masullo is right and Mr Klepsch is right.

(Laughter)

It is impossible to contradict either of them. There is a real problem here. To say that Parliament welcomes the provisions on the protection of the commercial agent where a *del credere* clause is stipulated is not possible as things now stand, for the simple reason that, in adopting the amendment by Sir Derek Walker-Smith, we have just deleted this very passage about protection in the case of a *del credere* agreement. We cannot refer to something which has been deleted. But the desire of Mr Klepsch and Mr Masullo, a desire which I personally share, is that the commer-

cial agent should in fact be protected where a *del credere* clause is stipulated. It would therefore be desirable to replace paragraph 8 with the following text, which I should like to read out: *'het Parlement acht bepalingen noodzakelijk ter bescherming van de handelsagent bij een delcredere-beding'*. I think Mr Klepsch and Mr Masullo will be able to agree with this.

So, I should like to propose that paragraph 8 be worded as follows: 'Considers provisions are necessary for the protection of the commercial agent where a *del credere* clause is stipulated'.

President. — I call Sir Derek.

Sir Derek Walker-Smith. — Mr President, are we not, with respect, in danger of becoming a little irregular in our procedure? As I understand it, two efforts are now being made to put two different oral amendments before the plenary sitting of this Parliament. I respectfully remind you, Mr President, though I know it is of course not necessary, because this is very much in your mind, of the provisions of Rule 29 (2):

Amendments shall relate to the text it is sought to alter.
They shall be tabled in writing and signed by one or more authors.

There is, with respect, only one amendment tabled in writing and signed by one or more authors, and that is the amendment which stands in my name. No other amendment is or could be admissible in these proceedings. You will appreciate, Mr President, that these are not merely procedural matters. It would be very difficult in this multinational and multilingual Assembly intelligently to debate oral amendments without the benefit of a written translation of them. I respectfully suggest, Mr President, that we should come to a decision on the amendment as tabled, following, if I may respectfully say so, the very clear logic of what Mr Masullo said a minute or two ago.

President. — Sir Derek Walker-Smith, Rule 29 of the Rules of Procedure, which you have quoted, states in the last sub-paragraph of paragraph 2:

Unless Parliament decides otherwise, amendments shall not be put to the vote until they have been printed and distributed in the official languages.

Since the present controversy concerns, on the one hand, a point of substance and, on the other, a linguistic point, we can clear it up by applying the clause I have just quoted from Rule 29, according to which amendments are put to the vote after they have been printed and distributed in the official languages unless Parliament decides otherwise. We therefore have to find out whether or not Parliament intends to make a decision.

I call Sir Derek.

Sir Derek Walker-Smith. — I am genuinely sorry, Mr President, to protract this discussion, interesting as

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it is from a cerebral point of view, but I must respectfully submit to you that the correct interpretation of Rule 29 (2) is not entirely as you have stated. There are two matters dealt with in Rule 29 (2), and they are distinct. The first is the necessity that the amendment be tabled in writing and signed by the authors. That is mandatory in all respects, and not subject to any exception. An exception applies only to the last paragraph of Rule 29 (2), which allows Parliament to decide to dispense with the requirement of printing and distribution in the official languages. There is, with respect, Mr President, no power to dispense with the requirement in the first paragraph of Rule 29 (2), and I must respectfully submit that unless these amendments are put into writing and signed by the authors — and I apprehend they may have some difficulty in putting them into writing, judging by the difficulty they had in expressing them orally — they are out of order, and there is, with respect, no competence for the Chair to accept them or to ask Parliament to dispense with that clear mandatory requirement.

President. — Sir Derek Walker-Smith, with all respect for your exceptional command of the subject, while it is true that amendments may not be put to the vote until they have been printed and distributed in the official languages, we cannot, for all that, ignore the fact that the sub-paragraph quoted begins: *'Unless Parliament decides otherwise'*.

We therefore have before us a precisely worded amendment, presented orally by the rapporteur, which states that Parliament considers provisions are necessary for the protection of the commercial agent where a *del credere* clause is stipulated. If Parliament considers that it can dispense with the obligation to print and distribute the amendment in the official languages, we can very well proceed to vote on it.

I think we could now decide with regard to this interpretation and then proceed to vote on the amendment on the basis of the decision reached.

I call Sir Derek on a point of order.

Sir Derek Walker-Smith. — Mr President, having regard to the *impasse* which Parliament has now reached, having regard to the difficulty which has arisen in the interpretation of Rule 29 (2), having regard to the desirability that this House does not legislate while there is any doubt on these matters, I beg leave, under Rule 32 (1), to move the adjournment of this debate until this matter has been clarified by reference to the Committee on the Rules of Procedure for consideration of the rules.

President. — Sir Derek Walker-Smith proposes that the question be referred to the Legal Affairs Committee. Having heard one speaker in favour and another against, I shall put this procedural motion to the vote.

I call Mr Cifarelli.

Mr Cifarelli. — (I) Mr President, I think that in fact, leaving the Rules of Procedure on one side for a moment, here we have to resort to common sense. By rejecting Article 21, we removed any mention of *del credere* agreements. It seems strange to me that we can now say: 'considers provisions are necessary'. Anyone reading that could say: 'You could have thought of that before!' Now it seems to me that we are in a real *impasse*, and so I think it is necessary for the Legal Affairs Committee to examine the question.

Thus I think it will be wise to go back to common sense, and for this reason I support the point of order made by Sir Derek Walker-Smith.

President. — I call Mr Klepsch.

Mr Klepsch. — (D) Mr President, it is precisely for the sake of common sense that I am not in favour of adopting this motion. The logic of the situation is this: Parliament has indeed voted in favour of deletion, but in making this decision we did not wish to remove the statement that there should be protection in the case of a *del credere* agreement. I believe we must proceed as you have suggested, namely, that in such a case the House must decide whether to postpone the whole vote because of a question of language. I am therefore of the opinion that we should reject the motion for a reference to the Committee on the Rules of Procedure and Petitions and we should ensure, through a majority decision of the House, as indeed is laid down in the rule you have quoted, that we are in a position to proceed with the vote.

President. — I call Sir Derek.

Sir Derek Walker-Smith. — In fact, Mr President, I was being very moderate and democratic. My motion was tabled under Rule 32. I had it in mind that this might go to the Committee on the Rules of Procedure, or, if it was thought more appropriate, to the Legal Affairs Committee. In fact, Mr President, as you will appreciate, if I asked for a reference to the Legal Affairs Committee at this point, the under Rule 26 (2) it must be granted without any further decision of the Parliament:

Reference to committee may be requested at any time.

Such a request shall always be granted if it is made by the chairman or rapporteur of the committee responsible...

I have the honour to be the chairman of the committee responsible. If I make that application, the item must go back to the Legal Affairs Committee. I have not made that application, because I do not want to deprive this House of its jurisdiction in the matter. I deliberately made my application under Rule 32 because I thought it was the more democratic and proper way to do it. That does require the decision of the House, and on the decision of the House I will

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rest, but since you have referred, Mr President, to reference to the Legal Affairs Committee, I think I am entitled to draw attention to what I could have done procedurally under Rule 26, and to say, in the words of Clive of old: 'I stand astounded at my own moderation'.

(Laughter)

President. — What is the rapporteur's view?

Mr Calewaert, deputy rapporteur. — *(NL)* Mr President, I believe Sir Derek Walker-Smith has made a mistake as to the number of the rule — Rule 29 and not 26 can be invoked for a reference to committee, but he is right in saying that this is automatically granted when requested by the chairman of the committee responsible. This is laid down in Rule 29 (5) on the reference of amendments to committee. However, since Sir Derek Walker-Smith has not referred to Article 29 but to Article 32, the decision can be taken by a simple vote in Parliament. I thus formally ask for a vote to be held on the proposal by Sir Derek Walker-Smith.

President. — That is exactly what I was about to say. I put Sir Derek Walker-Smith's proposal to the vote. The proposal is rejected.

We have before us the rapporteur's amendment, worded as follows:

8. Considers that provisions are necessary for the protection of the commercial agent where a *del credere* clause is stipulated.

Are there any objections to our proceeding to a vote even though the amendment has not been printed and distributed in the official languages?

I call Mr Calewaert.

Mr Calewaert, deputy rapporteur. — *(NL)* Mr President, in order to preclude any further disagreement, I should like to ask you, pursuant to Rule 29(2), third paragraph, of the Rules of Procedure, which reads:

Unless Parliament decides otherwise, amendments shall not be put to the vote until they have been printed and distributed in the official languages,

to ask Parliament first whether it wishes to take a contrary decision and then to take a vote on the amendment. Then there will be no further doubt.

President. — Thank you very much for that clarification.

I ask the House whether it is prepared to proceed otherwise than laid down in the third subparagraph of Rule 29 (2).

Are there any objections?

I put Mr Calewaert's oral amendment to the vote.

The amendment is adopted.

I call Sir Derek on a point of order.

Sir Derek Walker-Smith. — Mr President, surely my amendment should have been put first as

departing further from the text. I say that with some hesitation, because the amendment which the House has purported to adopt in the name of the rapporteur may or may not have some meaning in its original language, but it is certainly not meaningful in English. Therefore I am in some difficulty about commenting on it, but on the face of it I would submit that my amendment is further from the original text and should therefore, in accordance with the Rules of Procedure, have been put first.

President. — The question has already been decided by the vote that has just taken place, with which the House expressed its favourable opinion on the amendment proposed by the rapporteur.

I put paragraphs 9 to 12 to the vote.

Paragraphs 9 to 12 are adopted.

On paragraph 13, I have Amendment No 7, tabled by Mr Schwörer and seeking to reword this paragraph as follows:

13. Considers it desirable for the principle to be introduced into all the Member States' legislation of the right of the commercial agent or his heirs under certain conditions to be paid on termination of the contract a goodwill indemnity calculated fairly on the basis of the average remuneration earned by the agent while the contract was in force;

The adoption of Amendment No 5, tabled by Mr Schwörer to the proposal for a directive, may be considered as implying the adoption of this amendment to the motion for a resolution.

Are there any objections?

Amendment No 7 is taken as adopted by implication.

I put paragraphs 14 to 19 to the vote.

Paragraphs 14 to 19 are adopted.

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

The resolution is adopted¹.

7. Introduction and discussion of the draft general budget of the Communities for 1979 — Implications for this budget of the European Council meeting in Bremen (contd)

President. — The next item is the resumption of the discussion on the draft general budget of the European Communities for the 1979 financial year (Doc. 296/78).

I call Mr Ripamonti.

¹ OJ C 239 of 9. 10. 1978.

Mr Ripamonti. — (I) Mr President, when the President-in-Office was making his cool and well-judged introduction to this debate, I thought I detected undertones indicating his own dissatisfaction with this first version of the draft budget for 1979, as though it were a document which is required under the budgetary procedure but is open to extensive reinforcement by Parliament during the inter-institutional discussions. In other words, the President of the Council on the one hand brought out and emphasized the technical arguments for the reductions made and, on the other, tried to play down the contrast between the commitments undertaken at political level in connection with the objectives envisaged by the European Council and the provisions as they actually appear on a reading of the budget.

The President of the Council repeatedly stressed the need to review the proposals before the end of the year and to amplify them with supplementary budgets. I do not think either Members of this House or the President of the Council are unaware that it is on the shoulders of the Council of Ministers that responsibility lies for anything relating to the flow of payments during the financial year in so far as they have been fixed when the Council of Ministers was considering and adopting the Commission's proposals.

As you will know, yesterday evening the Committee on Budgets was unable to express its opinion on certain changes in the budget, because, despite Parliament's representations, the Council of Ministers have not yet approved the Commission's proposals on the composition of delegation for the management of interventions in the developing countries. Since the amount of the commitment appropriations and the resultant payment appropriations have a direct effect on each other, it is clear that, in a multiannual forecast of the interventions, that is to say, when they are staggered in stages over a period of time, the payments are also carried beyond the period laid down for the execution of programmes.

When you study the budget, it is clear that, in the face of a situation marked by failure to satisfy social needs and to make use of available or potential resources, there is an absence of the political will to take fresh action at Community level in order to produce a drastic reduction in the social and economic burden of unemployment and at the same time keep inflationary developments in check. There is no strategic plan for changing the structural pattern of the European economy, the imbalances of which have been brought out more starkly than ever by the crisis which grips Europe and the world. This structural change can be brought about only by making the Community budget play a more important rôle and harmonizing the economic policy of the Member States through co-operation in the field of monetary policy and the

adoption of a huge multiannual programme designed to remove territorial, social and human disparities.

Keeping the rate of growth stationary cannot be justified by a desire to go no further with the transfer of Member States' resources to the Community budget out of consideration for the anxiety of the national parliaments to keep their own deficit budgets within bounds. The question is not so much one of increasing the total resources available from the national budgets and the Community budget as one of transferring operations and resources to sectors where Community action can ensure that the available resources are put to better use.

I do, of course, recognize the difficulty of going beyond a statement of principle, which is also contained in the resolution adopted by the Committee on Budgets, to the stage of implementation, in other words, to the stage at which the resources of the national budgets are transferred to the Community budget. But I must also say that I can see no technical or economic consideration which, in connection with the proposal submitted by the Commission, warrants the reduction of a budget which Parliament had already judged to be inadequate. Since it is only on the basis of the commitment appropriations that operational plans can be put into effect and cause the expenditure to take place, in what way will the budgets of the nine States be affected by a reduction of 836 million EUA in the payment appropriations for the coming financial year or by a reduction of 547 million EUA in the commitment appropriations?

The issues raised by the European Council are, accordingly, still unresolved; the promises contained in the official documents are empty ones if we are unable to envisage Community expenditure which, in scale, volume and quality, is commensurate with the objectives in view. We must accept the challenge which faces an industrial area like Europe, promote overall economic growth, redress the traditional imbalances, ensure that our own growth and the economic de-colonization of the developing countries go hand in hand, and make the European economy competitive throughout the world.

The present situation is one which should make us look hard at the basic structure of the Community budget and reconsider the amount and nature of the expenditure. Above all, we should give the agricultural policy fresh and critical examination in order to restrain the growth of expenditure and, in particular, work out the profit-and-loss account for certain operations in that sector, bearing in mind the impetus which price increases arising from other than economic considerations can give to the rise in the cost of living and, as a result, to the pressure of inflation in the various countries of the Community.

Ripamonti

However, having taken note of the imbalances described by the President of the Council and those which, in my view, can be read into his admirable statement, having recognized the need for the reconversion and re-structuring of European industry to make it internationally competitive, placing the emphasis on its very high added value technologically, we find that in Chapter 37 the payment appropriations are cut back from 46 million EUA, in round figures, to 1.4 million EUA, while the commitment appropriations fall from 62 million EUA to a token entry, with a reference to Chapter 100 for an appropriation of 2 million EUA.

How can we feel that we are helping to achieve the aim of restoring the territorial and regional balance when no decisive innovations are contemplated in the sphere of regional policy, when what is happening there is what we foresaw when we begged the President-in-Office of the Council to increase the commitment appropriations, because this was the only way to increase the payment appropriations and actually succeed in investing 1 850 million EUA in the three-year period? We find our expectation confirmed of a reduction in the payment appropriation for the next financial year below the technical quota, calculated, subject to correction by the Commission, on the basis of 35 % of the current appropriation, plus 35 % of the appropriation for the previous year, plus 30 % of the appropriation for the year before that. This would bring us to 420 million EUA for 1979, whereas we are confronted with an estimate of 320 million EUA, which the Council then further reduced to 320 million, with the result that, even allowing for entries carried forward from the previous three years, barely 1 400 million EUA of the 1 850 million EUA will be invested during the three years.

Turning to energy policy, we find that the commitment appropriations are cut back from 172 million to 57 million EUA, while the payment appropriations fall from 209 million EUA to 46 million EUA. So how do we propose to implement the estimates adopted by Parliament for 1985? How do we intend to use the energy resources, develop nuclear energy and find alternative sources of energy? How can we re-convert European industry when, again, in the field of scientific and technological research, we are faced with a reduction in commitments from 225 million to 181 million EUA (a drop of 44.6 million) and a cut-back in payments from 236 to 212?

In the social sector, to the development of which Parliament committed itself on several occasions last year and during the present year, we find that, despite the Commission's proposals and in spite of the requirements of re-conversion and re-structuring in industry, the payments estimates fall from 703 to 488 million EUA (a loss of 215 million) at a time when we should all be agreed on investing in vocational training and

training for higher and middle management in order to develop the spirit of initiative and professional ability which alone can enable us to look forward to a renewal of economic growth in the European Community.

Finally, Mr President, the Christian-Democratic Group, after a thorough examination, at la Napoule, of the relations between the industrialized and the developing countries, established and accepted that the European economy has no chance of growth unless fresh impetus is given to the process of development among the countries of the Third World. But how can we possibly expect our economy to pick up again when the payment appropriations earmarked for aid to countries of the Third World are reduced by 83 million below the Commission's estimates and the commitment appropriations by 50 million? It is not so much the actual figure which disturbs us as the reduction: although the Commission, which recognizes the economic importance of the Third World for Europe as well as its importance in human, political and social terms, has referred to the possibility of activities in the Third World — the quickening pace of the dialogue between Europe and the developing countries is sure to help these countries to shake off the last vestiges of economic colonization and to set out on the road to re-birth and development — I regard it as, politically speaking, a very serious matter indeed that we should be doing an about-turn in those fields where the political, cultural and humanitarian impetus of the old and the new Europe ought to be most marked — a Europe which judges the level of its development on the basis not only of its own rate of growth but also of the contribution which, with good will, it can make to the creation of a free and just world.

IN THE CHAIR: MR BERKHOUWER

Vice-President

President. — I call Mr Osborn.

Mr Osborn. — Mr President, I am glad that Mr Lahnstein referred to aims and objectives, for I think it must be the work of our committees to ascertain whether the targets of Bremen and Bonn are being realized by this budgetary programme. I welcome the fact that Mr Tugendhat spoke about increasing total Community expenditure on Community solutions to Community problems: this raises the whole balance of national solutions to national problems as against Community solutions and this is a question this Parliament should look at. I hope Mr Bangemann will stress in his final report that we are only dealing with 2.7 % of the aggregate budgets of the Community. Conservatives are concerned about the need to limit public expenditure and I would support this view, but there are many areas where this can be achieved by greater

Osborn

Community expenditure at the expense of aggregate national government expenditure in national budgets. Therefore, I firstly reiterate my request that in specific fields — and those fields which concern me are research, industry, energy and transport — this Parliament should receive from the Commission a summary by chapter and item containing detailed comparisons with aggregate national expenditure in the same field, and I believe this after direct elections will be the role of our specialist committees. My impression is that the examination of this budget is too introspective, too little interested in national budgets and the aggregate national budgetary expenditure within the Community as a whole. But I would like to suggest that wealth creation is important as a Community aspect and I rather regret Mr Tugendhat's acceptance of the cuts in expenditure.

Now to deal with two detailed points. The objectives for 1985 outlined by the Commission are reviewed in my report Doc. 433/77, and it will be Mr Dalyell's responsibility to speak for the Committee on Energy and Research. But most of the Council's reductions have been in the coal sector, and as a member for South Yorkshire, living near South Yorkshire, Nottingham and Derbyshire, I feel I should intervene on the fact that there are token entries for the use of coal by power-stations, aids to coal-stocks and aids to intra-Community trade in power-station coal. This ground has been adequately covered, but I would say that to stock coal costs money and although the British coal industry is a state industry this will be an added expenditure and might well severely affect the continuing use of valuable coal-fields and coal-mines which would help achieve one of our objectives, which is greater independence in coal supplies.

The second point; while research has fared better, what I regret is that direct action, which of course has been maintained as part of the multiannual programme, has fared better than indirect action and concerted action. If only the Commission could to a greater extent spend money as a co-ordinator of research programmes amongst the member countries, then I believe the Nine countries as a whole would achieve value for money. This stagnation in indirect action and concerted action must be regretted. Perhaps this budget in its lack of concern for Europe's future energy supplies illustrates our failure to learn our lesson from the incidents of 1973. And it shows too negative an attitude towards the coal sector.

Mr President. — I call Mr Dalyell.

Mr Dalyell. — I wish to put some questions to Mr Lahnstein on his speech. He referred to the loan of the 1 000m u.a. and used the words 'on an experimental basis', and he also used the words 'interesting investment projects'. Could he give some concrete examples of what the authorities have in mind, and

on precisely what criteria are 'interesting investment projects' going to be sponsored? That is the first question.

Secondly, in his speech he referred to the 7 000 m u.a. and the additional margin given to the EIB for its activities. Can we then assume that in the argument that has been conducted here in this Parliament and elsewhere for some months now the Council is coming down in favour of extending the scope of the EIB rather than supporting the ideas behind the so-called Ortoli loan?

My third question concerns the phrase that he used in his speech, that shadow boxing should be avoided. Some of us entirely agree, and are dismayed, and I speak here in a personal capacity as the rapporteur on the budget for the Committee on Energy and Research. We are absolutely dismayed at yet another example of what is clearly over-bidding by the Commission because, bluntly, when I was rapporteur, I challenged the officials and said, do you really mean this about coal? They hesitated and they say, Oh well, look, there are certain other things.

Now I do say to the Commission, look for heaven's sake, if you are putting forward an energy budget you have got to fight your corner and stick to it, and do not get into the position of saying time and again, Oh well, on second thoughts we would be content with a lesser sum. For heaven's sake, put forward what is necessary and then the authorities may take it more seriously. The fact is that Mr Tugendhat in his speech did not answer Mr Lahnstein's reference to the fact that the flow of appropriations was higher than the actual need in the first half of this year.

The fourth issue I wish to raise is the question of substantive decisions not being taken where there are not even Commission proposals. Mr Tugendhat will really have to be more convincing. It is no good saying, Oh well, it only happened in one instance. Unless there are concrete proposals it is very difficult to convince some of us who are under great pressure in our national parliaments and know that our governments are under great pressure.

If I can turn to Mr Tugendhat for a moment, he referred to one law for the rich and one law for the poor and lamented the fact that agriculture is always being jacked up. Many of us sympathize with him; but the question is, given the agricultural situation, what national governments can really do about it, and what Members of this Parliament, who have to exercise a dual mandate, can do to persuade their national governments differently. It is rather easy to state the problem, it is more difficult to do something about it.

Finally, as rapporteur on the energy budget, I would ask both Council and Commission why there has been the cutback in uranium prospecting. Some of us feel that this is a very sensible thing for the Community to undertake, and indeed it is clearly something

Dalyell

that is better done at Community than at national level.

I would like to say that I personally agree very strongly with Mr Tugendhat on the imbalance between Parliament and Council staff on the one hand and Commission staff on the other; some of us are rather friendly to him on this issue.

Finally, although I may be told that this is a matter for Parliament, nevertheless, because public money is involved and it concerns the £ 1.3 million that is apparently knocking around London, and undoubtedly other Community capitals as well — I choose my words rather carefully — I wish to raise the question of direct election expenditure. This year's and last year's budgets make available considerable sums for the information campaign prior to direct elections. Is there not a danger that, unless these funds are managed in a politically sensitive way, they may have a damaging effect on public opinion and actually discourage people from voting? What I am getting at are the rumours of large sums being earmarked for public relations firms. Should not the political bodies responsible for the budget ensure that adequate political control is maintained over these funds? Should not the Council and our own responsible committee examine this question together? It is really far too important to depend on the separate prerogatives of our various institutions.

I put it to my colleagues that it is highly unsatisfactory that £ 1.3 million should be given mostly to public relations firms in connection with direct elections. What some of us want to know is: is any money going to be given to political parties to cover the actual running expenses of the campaign? Frankly this money would be better spent in this way than by giving it to public relations firms. I leave it at that.

President. — I call Mr Notenboom.

Mr Notenboom. — *(NL)* Mr President, by way of exception I should like to speak only about resources and to say a few words about the Community's own resources from VAT.

The Council's draft states that the adoption of the Sixth VAT Directive has created the first form of harmonized taxation among the Member States and its implementation will mean that this resource can be assigned to the Community Budget.

That is in Chapter 13. Mr Lahnstein said at the end of his speech this morning that the Community's own resources from VAT were included in the budget on the assumption that this measure will be introduced in all nine Member States on 1 January. I shall take his expression 'on the assumption' as it stands, since

in fact, at this moment, national legislation has still not been passed on this VAT measure in seven Member States despite the fact that the Sixth Directive was adopted in May 1977 and despite the fact that the Ninth Directive specifies that the seven Member States which are lagging behind must be ready by 1 January 1979.

Your country, Mr President, has not completed its procedures yet; neither has mine; we can give each other a hand on that account. It is, however, very urgent and this is why I should like to say a few words about it. Success with the collecting of the Community's own resources is extremely closely connected with the financial autonomy of the European Communities and, since the basic rate is fixed by the Council and Parliament, this is all very closely connected with the question of Parliament's powers. In the year in which it will be directly elected, this is an additional political aspect of the question.

I hope that the members of the Council, when they drew up this document, were aware that they had entered into a commitment and that they cannot say: we assume that such and such a thing will happen. No, we begin with the assumption that it is our duty to make this to happen. I hope, Mr Lahnstein, that this is what you agreed with your colleagues. As for my own country, the bill is in its final phase in the Second Chamber. I hope, in any case, that direct resources become available in the year of the direct elections to the European Parliament.

I should like to ask you, Mr Tugendhat, to prepare yourself for a question which I have prepared for October in order to obtain an accurate picture of the state of affairs in the Member States. The question, which I will put now, is whether the Commission is preparing to set in train the infringement procedure in the event that there are still Member States which have not met their obligations by 1 January.

At your request, Mr President, I will leave it there. I have mentioned the political reasons why we consider it so important that consideration be given to this subject.

President. — I call Mr Noè.

Mr Noè. — *(I)* Mr President, I wanted to point out to the Council that, in view of the unfavourable attitude it adopted to the three-point energy plan on breeding reactors, the treatment of radioactive fuels and the disposal of nuclear waste, we should like at least the funds allocated by the Commission for the dismantling of the nuclear generating stations to be left intact, that is to say, 2 million EUA as commitment appropriation for 1979 and 1 million as payment appropriation.

Noè

Otherwise, in the first year of the five-year programme which the Commission has laid down for this important purpose, it will not even be able to requisition the studies which need to be carried out, not so much for the purpose of demolishing the power-stations (the need being rather to try and convince the population to build them and make sites available for the purpose) as with a view to enabling them to be dismantled without difficulty and avoiding trouble in the future.

It is a question of adopting precautionary measures, and this what I want the Council to note.

President. — I call Mrs Kellett-Bowman.

Mrs Kellett-Bowman. — When one looks at the Council's draft budget, the first thought that springs to mind is that Copenhagen and Bremen might very well not have been at all. The Committee on Regional Policy, Regional Planning and Transport, for whose opinion on the budget I have the honour to be draftsman, although I am speaking personally today, was deeply dismayed by the figures entered by the Commission in the preliminary draft budget. But the positive attitude adopted by the Council at Bremen led us to hope that some of the words used there might be translated into action in the Council draft budget. But as far as the Regional Fund is concerned, the Council's sole action was to *reduce* appropriations from 390m to 320m EUA.

The President said this morning that there is little point in entering payment appropriations when we know the money cannot be spent. He knows, as Mr Bangemann reminded us, that roughly a third of commitments to the Regional Fund are spent in the current year, and if more money were available in commitments, more money could most certainly be spent, and the original payment appropriations, and more, could be very well used. As Mr Bangemann put it: 'There must be more in the commitments to allow greater payments to start flowing', and Mr Bangemann was absolutely right when he stressed that regional imbalances can be turned against the Community, as the people of Europe will not accept any system which makes the rich richer unless it also makes the poor richer at the same time.

We were well aware that the European Council, which has of course no proper place in the budgetary proceedings at all, had proposed figures for three years. But we were also aware that Mr Eyskens said in the debate on 13 December last year, 'I do not consider it illogical for the 1979 and 1980 instalments of 620 and 650 million respectively as decided by the European Council to be concentrated on a shorter period'. He went on to ask us merely to 'stick to the first instalment in 1978.'

We took this as a very broad hint that we would undoubtedly get a further sum on top of the sums which had initially been proposed, and we were very disappointed when the Commission failed to take Mr

Eyskens' hint and made such very meagre proposals for 1979, which the Council has, alas, done nothing to improve and has in fact made worse.

After all, way back in 1974, the Commission had proposed a 1 000m u.a., or 846m EUA, for 1976, since when regional imbalances, far from decreasing, have actually increased, necessitating more rather than less regional expenditure. Moreover, the Commission had not plucked the figure of 750m u.a. out of the air for 1978. The figure was based in carefully calculated requirements. We could reasonably expect the Commission therefore to try to make up lost ground in 1979, instead of tamely submitting to the European Council's figure of 620m EUA, which is less than half the amount it proposed for three years ago, indexed at today's prices.

Moreover, this figure is totally out of step with the Commission's Triennial Financial Estimates, annexed to Volume 7 of the Preliminary Draft Budget, in which the Commission states, on page 39, that it 'is of the opinion that, from 1981, the scale of Community action in regional matters must be increased to a level more adequately tailored to the problems requiring solution' and proposes 1 250m EUA for 1980.

If the Commission is prepared to defy the Council next year, why not this year when things are so serious? How can the Commission justify the figure of 620m EUAs for 1979 and how can the Council support them in this?

The President said that the Council wrote in the amount agreed by the December Summit. But this has, surely, been outdated by Bremen. So even if the Commission had been correct in regarding the figure of 620m EUAs, as laid down by the European Council, as a 'political fact of life' at the time when it was drawing up its preliminary draft budget, this was completely outdated by the Bremen Summit. Yet the Council's budget actually cuts regional expenditure on the payment side. Surely it is the Council's duty to give effect to the spirit of Copenhagen and Bremen and put its money where its mouth was when it articulated those grandiloquent communiqués? As Commissioner Tugendhat said, the Council should take a fresh look at the budget proposals in the light of Bremen. The Council should think again and insert a realistic figure for the Regional Fund for 1979, if the hopes raised by Copenhagen and Bremen are not to turn to dust and ashes. Nor, as Mr McDougall pointed out, need this lead to increased national expenditure, since money spent more effectually by the Community, by increasing prosperity and reducing unemployment, can actually reduce the burden on national budgets.

This budget should be an instrument for creating, not just a citizens' Europe, but a prosperous citizens' Europe. As it stands at present, it is not such an instrument. It is up to this House to make it so.

President. — I call Lord Kennet.

Lord Kennet. — Mr President, when a source of energy emits waves and another source of energy emits waves of roughly the same wavelength nearby, you get a phenomenon called an 'interference tone' or an 'interference wavelength'. The Commission is a source of political energy and the Council of Ministers is another source of political energy emitting waves of roughly the same wavelength very near by, and I wish to address myself to the interference tone which has arisen between these two sources.

Throughout the Council's draft budget, the impact of the Council's modification on the Commission's proposal is downward: in all chapters, we see cuts which vary from a complete slash to a virtually complete slash and at the least a polite 10 % reduction across the board in certain chapters just to show the Commission that they need to be kept in place. Now the one exception to this, as has been noticed by earlier speakers in this debate, is our old friend the agricultural intervention fund. Here the Council has departed from its usual stance and the interference tone is one of sharp increase. To my mind and, I hope, to the minds of many Members of this Parliament of all parties, this one fact is the greatest single argument in favour of direct elections which you could have.

Now I know that this is compulsory expenditure. It is argued that it has to be at that level because decisions have been taken on prices and therefore the Commission made some mistake in calculating a lower sum. It is argued that it flows automatically from certain duties imposed on the institutions by the Treaty of Rome itself and particularly therefore that the Parliament may have no opinion about it or at any rate no worthwhile opinion about it which could affect the political scene. But I am sure of this and I doubt if there is anybody here present who would dispute it: if you went out and said to the peoples, the electors of the Community countries, is there anything about the European Community which you object to, which you hold in disrepute, which you detest, which you even hold in contempt, some of them would say, No, there is nothing, I love it all, but I believe that an overwhelming majority — shall we say 80 % or so, no doubt the Commission has the figures — would say, Yes, indeed there is such a thing: I object to the food mountains, I hold the food mountains in contempt, I regard them as unjust, indefensible and in the last resort totally ridiculous, and I can hardly believe that the wisdom and experience embodied in the European Commission and the Council of Ministers has not been able to find a way of getting rid of them. I do hope that when we have a directly-elected Parliament it will very soon test to the hilt its ability to call the Ministers to order on this point and to get a change in that expenditure although it is compulsory. If it cannot get the change, then I hope it will as quickly as possible confront head on the duty that that will lay on it of seeking a revision of the Treaty

itself. There is no thing more impeding the construction of the Europe we want than the growth, year after year, of these food mountains which are now imposed on us by the level of expenditure laid down not by the Commission, who have not been exempt from error in the past in this field, but by the Council of Ministers.

I turn now to the second point, a much smaller one but still indicative. This is in the field of non-compulsory expenditure, where, unless I am mistaken, the Parliament does have control. It arises in Chapter 33, which is the one about environmental protection consumer protection, public health and so on, and throughout Chapter 33 the Council of Ministers has adopted a minimal 10 % cut position just to make its presence felt. It has knocked roughly 10 % off everything the Commission proposed, with one exception, one only in the whole chapter, where it has cut the whole entry, it has cut it back to 'p.m.' Of course it could have done that for good reasons, but I do not think it has. That one section concerns expenditure on the implementation of directives on the environment. It could be that none of the directives in question has been passed yet, in which case there would, of course, be no need for implementation expenditure. It could be, but it is not so: I understand that there have been directives on the environment and particularly on water standards which are now in force. I will be corrected if I am wrong. How interesting, then, that all the thoughtful adjustments proposed by the Commission should be merely cut by 10 % by the Council but the one thing which really matters — namely, the implementation of directives which have been passed by the Council and which are part of a programme of environmental protection which has been laid as a duty on the Commission by the Council — how interesting that the funds for doing that should be cut right back to nil! This is as much as to say, think it all out, and when everybody is agreed, we will take damn good care that nothing happens and all your labours will be wasted. I could have misunderstood but I do not see how I can have, and the Environment Committee, or at any rate the Socialist members of the Environment Committee, will certainly be looking very closely at this apparently absurd deletion of financial provisions.

President. — I call Mr Normanton.

Mr Normanton. — Mr President, I listened this morning to the President-in-Office presenting what I would at best describe as a technical peroration and at worst as a political abdication, a recognition of the existence of a large number of difficulties and problems of an administrative, technical and budgetary character, but a total — I repeat, total — failure to recognize the size and character of the economic problems which face the Community. The budget proposals which the Council has put before us today are in this context in irrelevance, and this House should say so, loud and clear. Does the Council of

Normanton

Ministers realize that their proposals for expenditure on energy alone are analogous to an attempt to stem the inexorable onward march of the sands of the Sahara Desert by setting to work one man with a bucket and spade, to do a job which even an army of men with machines could scarcely prove adequate to deal with? In 1976, the European Community imported 46.9 billion dollars' worth of oil — four times the grand total of the budget which the Council of Ministers have proposed; and this rose to 49.3 billion dollars in 1977, a year which was characterized by economic stagnation, by non-growth. If economic growth begins to rise again — in itself arguably, in my opinion, a non-event — that expenditure on oil imports alone will rise disproportionately faster and create an even more serious economic monetary problem than faces the Community today. And that is critical by any standards you care to choose. The answer lies in investment, investment in energy creation and in energy conservation, and the absolute minimum of such investment at Community level, above and beyond that of the Member States and private and public investment, is 15 % of our total Community budget, if only to make sure that our already desperately serious economic situation does not deteriorate still further. We have got our priorities cock-eyed when we spend 75 % of our budget on the common agricultural policy to subsidize consumption and only 1 % on the creation of that vital, essential element of life, energy.

This budget is an irrelevance. Until this House takes Community budgetary policy seriously, we rightly and richly deserve to be condemned by our electorate and I believe we shall in future be indicted for our myopia.

President. — I call Mr Klinker.

Mr Klinker. — *(D)* Mr President, since all the speakers and especially the Council representative have talked about the agricultural policy, I feel bound to say that we must surely proceed from the assumption — and this seems to me fundamental — that the agricultural market organizations have legal validity and that the financing of them has legal validity and that the nature of this financing can only be changed if the market organizations are changed. This, to me, is the essential principle and it seems to me we hear too little about it. We cannot adopt the same course as the Member States in this matter, but rather must approach it from the angle I have indicated.

Again, it is constantly said that the agricultural policy is too costly. If you work out what percentage the present expenditure represents, you will find that it is 0.73 % of the Community's gross domestic product and 2.36 % of the expenditure from the individual Member States' national budgets.

My colleague, Mr Aigner, pointed out this morning that the agricultural policy is, after all, the only common policy and that the question of volume must

also be judged in the light of that fact. Furthermore, let us not forget that there is also the revenue to be set against the expenditure. We do have some revenue, too, you know; and we do find something entered on that side of the balance-sheet, for example, over 7.7m EUA from farm levies, 430m EUA from sugar levies and 7.2m EUA from the isoglucose levies. Expressed as a percentage, this is 16.46 % of the revenue in the agricultural sector. If we include everything, that is, the fact that the ACP sugar is subsidized to the tune of 380 m EUA and New Zealand butter 240m EUA, we get an entirely different picture, with total expenditure on the agricultural policy amounting to 44.95 % of the Community budget, and I believe that these figures should also be mentioned in the public debate so that all this talk about the agricultural policy being too costly may be refuted.

I want to tell the House, any reduction of the current expenditure on the market organizations would directly effect the incomes of the farmers concerned. Make no mistake about it: if reductions were made, Europe's farmers would find it difficult to understand why, for after all they have no alternative source of income. In most countries they have no chance of getting out of farming. This means that the responsibility of this House in regard to social policy must indeed be taken very seriously. The representatives of the Council and the Commission should also understand that we cannot have a repetition of the situation which occurred earlier in the seventies, when farmers staged mass demonstrations all over Europe, because statutory measures in which the farmers of the Community have put their trust are subsequently altered.

President. — I call Mr Lange.

Mr Lange, Chairman of the Committee on Budgets. — *(D)* Mr President, I should like, if I may, in my capacity as chairman of the Committee on Budgets, to make a few comments as this debate draws to a close.

The first is this: I should have liked the President of the Council of Finance Ministers to have been here in person to get an impression of the mood and views of the Parliament for himself. Of course, Mr Lahnstein, I am sure you will report appropriately to your Minister — but a second hand impression cannot possibly be as lively as a direct confrontation with this House. We know the reasons and we respect them, of course, but nonetheless the view expressed by the spokesmen of the different groups should not be regarded lightly by the Council.

You stressed the importance of the conciliation procedure and so did we in our resolution. But it must be understood by both sides that it is not a matter of listening to a delegation from Parliament, but that the two sides of one and the same committee, the Conciliation Committee, have to negotiate and talk with each other and that each institution is bound, whether it likes it or not, to take the other's standpoint into account. In earlier years we have tried to take account

Lange

of the Council's standpoints as conveyed in the conciliation meetings, but this year, as in previous years, we have been unable to discern much willingness on the part of the Council to respect those of Parliament; this fact is bound sooner or later to make itself felt as the budgetary procedure goes on.

In the Conciliation Committee, Mr Lahnstein, we made it clear that — although the Commission may not be able to follow suit, because the European Council met in Bremen after the Commission had submitted its preliminary draft budget — we expected the outcome of the Bremen meeting to be reflected in the budget, and immediately objections were raised on the Council's side similar to those you have presented to us today, to the effect that the Bremen talks do not have such direct implications for the budget.

Mr Lahnstein, I have the impression that the draft budget in its present form is not likely to ensure that the European Community is taken seriously, either by those inside it or by those outside. There is little in the way of credibility about this draft budget. In every respect it falls short of what the European Council put forward in regard to short-term, medium-term and long-term policy in the economic, social and monetary fields and also, consolidating what had been agreed in Bonn, in regard to the relationship of the industrialized countries, not least the European Community, to the developing countries.

Therefore, Mr Lahnstein, if we were to declare ourselves satisfied with the proposals you have presented today on behalf of the Council, we should be failing in our political duty. When, then, we assert that this Parliament intends to proceed according to the guidelines which it laid down in March and April this year and which were forwarded to the Council, although we have not as yet received any response from the Council to them — unless the Council's draft budget is the response, in which case we know there is going to be a conflict in the budgetary authority, let that be quite clear — and when we also say, in our resolution as well, that we will exhaust all possibilities offered by the Treaties and the Financial Regulation, this means that this Parliament is resolved to present a budget which will be found to bear no resemblance whatsoever to your original draft. This seems to us unavoidable. At the same time, however, — and I want to make this absolutely clear — it is a decisive and binding commitment on the part of the Parliament. If, then, we say 'Yes' to the resolution presented by Mr Bangemann on behalf of the Committee on Budgets, this will simply follow logically from the resolution we adopted in March and April and forwarded to the Council and Commission.

This means from now on not only that this Parliament can call on the Council to do this or that, not only that this Parliament can call on the Commission to propose this or that, but also that, as the considera-

tion of the budget proceeds, the committees responsible for the most diverse matters must carry out their tasks in such a way that we can really regard this serious undertaking as completely discharged at the end of the first stage in October. So this is not only a criticism of the Commission, not only a criticism of the Council, but also essentially a criticism of the behaviour of a considerable section of this Parliament in previous years in regard to the budgetary negotiations. All in all, therefore, we expect all of us to tackle these problems together.

Now, I would say to everyone here that we must all realize that over the years, through the extensions to the Treaties, one thing has changed. I still get the impression that the Council or — to put it less strongly — at least a considerable proportion of its members have not yet grasped the fact that, in the budgetary field, it has an equal partner who cannot be overlooked. The members of the Council must be made to realize the significance firstly, of the Luxembourg treaty of 1970 and, secondly, of the latest supplementary treaty of 1975, which came into force last year. These completely altered the position of Council and Parliament as the two component parts of the budgetary authority.

It is therefore no longer possible for the Council to imagine and count on the fact that it is master of the Community's revenue and expenditure and that it alone has the task of deciding which political tasks will be undertaken in the Community.

Mr Lahnstein, in the past years we have begun a discussion which was actually started by the then President-in-Office of the Council, Mr Eyskens, the Belgian Secretary of State, when he referred to the Council's fears that the Parliament, through its budgetary powers, might call the Council's legislative powers into question.

You have indicated more than once today — and it is clear, too, from the documents — that the Council holds the view that the budget must only cover items in respect of which the Council makes decisions of a legislative nature. So now I shall remind you of what we said at the start of this discussion and what we said again on another occasion this year when the Commission presented its preliminary draft budget, i.e., that we are resolved as a Parliament, as part of the budgetary authority, fully to accept the tasks assigned to us. This means that this Parliament will no longer simply be the Council's accountant, but must take political decisions, and that matters which constitute the basis for legislation must be entered in the budget, because they are linked with corresponding budgetary powers. We feel that we must discuss further developments in this field again very thoroughly with the Council, because we will not and cannot allow the Council, by its legislative powers, to undermine and cut back Parliament's budgetary powers again.

Lange

This is not the first time I have said this, but it seems to me essential for Parliament that it should be spelled out by the chairman of the Committee on Budgets. One might say, Mr Lahnstein, that there are two equally valid sets of interests which are totally at odds with each other. You, the Council, could extricate yourself from this conflict if, in regard to political intentions and necessities and the corresponding legislation, you would confine yourself to taking cognizance of this in principle, without going so far as you have in the past that is to say, believing you can here and now fix the volume of expenditure involved in these legislative acts, thereafter regarding your figures as binding, both in general and in particular. That simply will not do any more, now that Parliament also has to play its part as one section of the Parliament, will have to go into very thoroughly together in the appropriate conciliation meetings.

But perhaps we ought to discuss it first in a rather less formal manner, because after all, as we are generally well aware, such formality prevents one or other institution from showing a little flexibility. That was the case with this budget. The conciliation meeting on 18 July was on the whole superfluous. The Committee of Permanent Representatives had in fact decided everything with the necessary majorities, which left the Budget Council itself no room for manoeuvre, a rather surprising fact when you consider the scope which the Council has always had up to now compared with COREPER.

I am not blaming you for this, but simply pointing it out; on the whole it is an unacceptable obstacle to reasonable talk and reasonable argument. You must also consider how to allow scope for talks in the preparatory stage of drafting the budget and ensure that due account of the outcome of those talks can be taken in the Council proposals, through the Conciliation Committee.

As to the difficulties which you personally as President have had to contend with and which every President has to contend with, we, myself included, are very well aware of them, of course. But I think that not only you but also all the members of the Council should give some thought to them. Considering, moreover, how unsatisfactory the outcome of your deliberations is in the light of Bremen and Bonn, I would think it essential that the Council as a body give careful thought to how it might in future adopt consistent positions, instead of different Councils working out contradictory positions. This applies to you in relation to the European Council; it also applies to you in relation to the other Councils, for we have observed only too often that different Councils contradict one another.

We had a small example of this yesterday concerning the use of Chapter 101 for unforeseen contingencies. One President thinks that certain transfers of appropriations cannot be made from it, because it is only

meant to be used for unforeseen contingencies. Another President has said that the Council over which he presides holds the view that appropriations can in a particular instance be taken from it, although the purpose was itself foreseeable.

Little differences such as this, which show how little contact there is among the Councils, need to be corrected and the Council's whole working methods need to be improved, to establish suitable preconditions for a sensible cooperation instead of this dangerous opposition, not least in regard to the relationship between the two parts of the budgetary authority.

I should like to think, Mr Lahnstein, that the spirit which prevailed at the discussion on 18 July, on which you have commented and which we also noted, might be transformed into a corresponding readiness to meet each other half-way and to draw suitable joint conclusions from the political tasks which lie before us, which are of a medium and long-term as well as short-term nature. These conclusions must then have the political weight to enable the Community to deal with the complications which have arisen within the Community and also in all sections of the world economy in relation to third countries as a result of international economic developments, and at the same time to make its contribution to resolving these worldwide economic and social difficulties.

We also believe that the budget for 1979 must be drawn up with object in view, not forgetting the rôle that enlargement has to play in the process, and we expect the Council to be prepared to go with us along this road.

President. — I call Mr Tugendhat.

Mr Tugendhat, Member of the Commission. Mr President, I would like to begin by thanking the President-in-Office for his courtesy in allowing me to speak first, a courtesy which I will repay by speaking extremely briefly. I do so partly because we have had a long debate and the House has other business to attend to today, and partly because of the very considerable unanimity that has been expressed. This unanimity really makes it invidious for me to choose one speaker rather than another to reply to in detail. The questions which were raised were in very many cases the same and the thrust and the direction of the speeches that were made were also, in the great majority of cases, very much the same. I will of course report to my colleagues the nature and the extent of Parliament's concern.

There is one charge that I would like to reject absolutely and with all the force at my command, namely that we, the Commission, lack courage or are avoiding our responsibilities in the nature of the proposals we put forward. We have made proposals, many proposals, which the Council has failed to act upon, and

Tugendhat

that includes the area of coal mentioned several times by Mr Bangemann, the rapporteur, and the theme taken up in one form or another, either under the heading of coal itself or of energy, by a great many speakers. I must, of course, agree that the Commission is not always successful in persuading the Council to accept its proposals, but I feel that it is not only the Commission that ought carry the blame for this failure. After all, Parliament and the Commission usually share very much the same views, as the draft resolution which has laid before us this morning shows. Usually it is the case that Parliament thinks the same way as we do, only it wants us to go further and daster. Perhaps, therefore, both the Commission and Parliament ought to note the fact that we have not been as successful as we would like, either on this occasion or in previous occasions, in persuading the Council to accept our views. Perhaps it is something which we ought to think about the future.

I cannot help thinking too — and this is something which I said when winding up the debate in July — that there are many instances, including many of the policies mentioned today, where more pressure in some national parliaments might have helped considerably. Many of the speeches made here today would, I feel, carry greater weight if they were made in the national parliaments, particularly if the themes were taken up by the parties represented by the honourable Members who make the speeches here and from which governments of Member States are drawn. The regional parliament is perhaps a case in point.

The draft budget has been widely described today as irrelevant, but this can only mean that the Community does not yet have the range of actions or economic possibilities that the Community's development requires. Put this way, I fully agree. Despite the House's apparent disbelief, I must emphasize that the Commission is as determined as any Member of this House to see the full content of the Bremen conclusions carried into effect. We will continue to make every effort to ensure that the Bremen declarations are put into effect. The budget is only a part — certainly an important part and I hope a very important part — of what needs to be done ; but once it is able to do so, the Commission will not fail to draw the budgetary consequences of decisions that are taken at the level of Heads of State and Government. In the meantime, Mr President, I look forward to the October debate, when Parliament itself will be able to put into concrete form the proposals it would like to see implemented in the final budget in December.

President. — I call Mr Lahnstein.

Mr Lahnstein, *President-in-Office of the Council.* — (D) Mr President, ladies and gentlemen, at the end of a long day I will try to be brief as well. You can rest assured, Mr Lange, that I will of course inform colleagues in the Council about this sitting without delay. You, Mr Chairman of the Committee on

Budgets, may also rest assured that I will have a word with the Minister in my professional capacity. I do not otherwise intend to prolong this debate and I would like henceforth to address a dear friend without his admittedly long title.

I wish to make a preliminary remark. It is understandable that the House was not satisfied with some aspects of the decisions taken by the Council, but we must realise that the Council has done its duty as a Community institution to the best of its knowledge and belief. Today there has been at least one request for leave to speak in which it was assumed that the Council, especially in its decisions concerning reductions, had deliberately wanted to influence those parts of European politics which we all consider to be dynamic ones. The same speaker, and I am referring to Lord Bruce, furthermore insinuated that perhaps as regards staff reductions too, we had consciously and with a political aim, picked on institutions such as financial control or the Court of Auditors. I must vehemently reject both assumptions outright.

Secondly, I want to refer to the revenue side of the discussion. I must say that I was a little surprised that one of the essential issues of our debate today has been left aside almost entirely, namely the question of meeting the costs of those measures which one or other of you here or one or the other Minister in the Council rightly considers to be urgent. These measures too have to be paid for somehow or other by the European citizen and the reference to the system of own resources is very important. I fear we will have to give the European voter a satisfactory answer to this question in the coming months.

I will now talk about own resources. Mr Notenboom asked a very practical question concerning the introduction of a reference basis for value added tax. I was deliberately cautious because to be frank I am by no means certain that we will achieve the desired aim in all Member States by the end of the year. In this connection I acknowledge the pressure of the Parliament on the Council as well and would request you to apply corresponding pressures in the national parliaments where this draft is sometimes held up.

The subject of own resources brought up the matter of the loan also. I must assume here that Mr Spinelli in fact misunderstood the situation. The Council's attitude is not to allow the loan to be completely forgotten during the budget discussions. It is rather to retain the previous structure which the Commission had used in implementing the current Financial Regulation until, and I hope this will be soon, we have discussed a new Financial Regulation.

Since I am speaking about the Financial Regulation, I think it was Mr Dalyell — if this is not correct, please excuse me for not remembering the speaker — who asked about the use of funds for information purposes. That is a task under the present Financial Regulation of our Community in which the Council for very good reasons does not wish to become involved. It

Lahnstein

must remain the affair of each individual institution and within the framework of the implementing provisions, a co-ordinating task for our partners in the Commission of the European Communities.

Now a word about non-compulsory expenditure, Mr President. I would like to emphasize again, in order to dispel fears which Mr Dankert and Mr Aigner and perhaps others may have gained, that our proposals for reductions in non-compulsory expenditure have been concerned solely with substance and priority has been given to the two points which we have discussed today, namely the non-existence of precise decisions and the disparity between commitment and payment authorizations. The way pointed out by Mr Bange-mann this morning, whereby the Commission makes a made-to-measure suit, the Council makes a straight jacket out of it and then the budget authority makes a completely new made-to-measure suit again was not in our minds. The possibilities open to the European Parliament under the present budget provisions are of course well known to us and perhaps Mr Cointat, if I may say this, interpreted this possibility too restrictively with regard to non-compulsory expenditure. Our aim in the coming weeks will definitely be — and I want to make this clear — to draw up the 1979 budget in good time together with you. We depend upon each other in many spheres. A system of provisional twelfths would be a matter which would harm all institutions and consequently the Community as a whole. We at any rate do not intend to let things come to such a pass.

Next point: many speakers, and lastly Mr Lange, have referred to the connection between Copenhagen, Bremen and the draft before us, and speeches have suggested that these fiscalists in the Budget Council had, assiduously, unwittingly, maliciously or however, just reversed the major decisions of Copenhagen and Bremen. This is definitely not the case. First, the Council has a duty to fulfil which binds it as an institution as a whole; second, it has for very good reason to take account of what is decided in the European Council, which is not part of the official budget authority; third, I have the definite impression that, if you carefully read the decisions of Copenhagen and Bremen, you cannot fail to notice that on no single point of the draft have we conflicted with the letter or spirit of these decisions. However, we were not in a position in July — and I am not trying to put the blame primarily on the Commission for this — to convert all the individual questions discussed in Bremen into budgetary terms.

It was clearly stated at the Bremen Summit that a great deal of what is here addressed in common policies, is to be complementary to national efforts. It is therefore not surprising that, whenever the Commission believes a policy should be pursued in common, we do not always come to the same conclusion immediately and then establish appropriate budget appropriations. These are important points which have to be

discussed in future months. I would just like to refer here to the environmental protection which played a large part in the statement of a British Member of this House.

If we have therefore resorted for budgetary reasons in many instances to a p.m. or to token entries or to Chapter 100, I take the opportunity of renewing my earlier request: do not regard this as a marshalling yard — in the case of few, such as Mr Aigner or Mr Spinelli, I felt that they had this impression. It is, in effect, a waiting room, but a well appointed one, as it were. In many instances in the next few months we will have, we hope, the basis for drawing on appropriations from this Chapter. This applies especially to the unemployment of young people mentioned here, with regard to which we have to make an effort — and I say this frankly and openly — to see that the employment Ministers take their decisions before the final reading of the budget so that the timetables already established are not upset too much.

As regards commitment and payment appropriations, we are fully prepared to examine with you the reasons which have led to this discrepancy. Again we are certainly not looking for the reasons primarily at the Commission's door, for in many cases the reasons are to be found in the first place in the Member States. We do not think that simply setting commitment appropriations at a high level, in order to have a greater chance statistically of using the appropriations, is a realistic solution as the relationship between commitment authorizations and use of appropriations is in no way affected. We would then, however, commit ourselves for subsequent years to the payment authorizations, which would go beyond the decisions of the European Council as is the case, if I may mention it again, with the controversial example of the Regional Fund to which many speakers have referred.

Allow me to ask a special question. From next week onwards we will be able to discuss the other special questions quietly in committee. I attach particular importance to this question, namely Mr Dalyell's question concerning uranium. If you look at our draft, we have made a fine distinction between these projects and our negative approach concerns solely those which are to be promoted outside the Community. The reason for this is that at the time of the discussion, the Commission had not submitted a concrete proposal.

Perhaps I can say a few words about expenditure on agriculture. We are perfectly willing to play our part in the calculation of how to make 50 % out of 75 %. But from the point of view of the Budget Council the question is: 75 % of what, or 50 % of what? A solution involving an unchecked and unaudited increase of expenditure in other sectors would lead to the desired result statistically, but could completely satisfy us neither as budget politicians nor, I hope, as European politicians.

Lahnstein

Finally, I would like to end my few comments by saying, Mr Lange, that we are very well aware that we now have to function as a joint budget authority. This not only includes the examination of individual appropriations but also the examination of the horizontal appropriations but also the examination of the horizontal legal, economic and political questions relating to the budget in the list which is based partly on the Bangemann report and partly on other Parliament resolutions. I will be surprised if we can reach agreement on all points but I will also be surprised if we cannot reach agreement on some points in the coming weeks and months. Rest assured, however, that we will take the discussion very seriously and have in mind the compelling and direct aim of settling the draft in good time for 1 January 1979 in the interests of the Community.

President. The debate is closed.

8. *Commission statement, with debate, on GATT*

President. The next item is the Commission statement on GATT.

I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission. — (D) Mr President, some time ago we had an opportunity to debate the question of the multilateral negotiations in GATT on the basis of the report by Mr Cousté. At that time I described the situation in detail. I welcome the opportunity of a debate today, the first opportunity we have after the July part-session of this House to inform you of what has happened since then and what is the present state of the negotiations.

I should like to repeat what we established at that time here about the aims of the negotiations. Why are they now so important? We are convinced that these negotiations can make an important contribution towards reviving world trade, strengthening an open system of world trade and thus increasing the driving force in our world economy, to which in the past decades we have owed so much growth and social progress. In view of the difficult economic situation in which the world economy has been for a long time, it is particularly important to keep this driving force in action and to increase it up. We also think that the negotiations and their outcome is a test of the will of those concerned to act against protectionism and to resist protectionism which, as we know, played a decisive part in the crisis of the 1930s. We think that it is also a matter of creating through these negotiations and their outcome opportunities for the expansion of exports on a worldwide basis and we consider that the free movement in world trade requires, in particular, a reduction of the non-tariff barriers to trade. Finally, we think that these negotiations and their outcome must help to bring up to date the international rules for trade and also to reinforce discipline in interna-

tional trade; in particular the outcome must be that ultimately the same rules will apply to everyone, though we realize of course that in many areas the developing countries deserve special consideration.

You will see from what I have already said that we assess the importance of these negotiations very highly and see them as vital above and beyond the actual subject matter itself, since the consequences on world trade and the world economy are what is at stake here.

What are our main objectives in these negotiations, which we have established in line with the Treaties, the discussions and directives of the Council of Ministers? We want it agreed that in future in all countervailing duties and subsidies all participants in GATT will take account of the criterion of harm.

We are endeavouring to improve the mechanism of the safeguard clauses and adapt this mechanism to the requirements of the next decade.

We consider it important to arrive at international agreements which are practical and realistic, for example as regards customs assessment, technical standards and rules and government procurement procedures. In the case of agriculture we consider international agreement on cereals, milk products and meat to be important with the objective of greater stability and expansion of the markets in these spheres on a worldwide basis.

We consider that it is also vitally important — and I repeat this — that all participants in GATT should be subject to the same rules in these areas.

How far have we come? A short time after the last debate in this House we had a full session in Geneva, concluding on 13 July with a joint declaration by a large number of members of GATT. This joint declaration was subsequently welcomed by the participants at the western economic summit in Bonn and the heads of state and government promised their approval and support for those conducting these negotiations on their behalf in Geneva. They also undertook to assist in this and called upon the negotiators to complete the work by 15 December this year. In this joint declaration we did not want to lay down the outcome of the negotiations. We wanted as far as possible to paint a true picture of the position reached in the negotiations by 13 July and indicate the state of the negotiations, the agreements and the questions still to be settled.

This is important because it is not a question of the final outcome but of the basis on which we shall now enter the vital round in the final negotiations, with the determination to complete these negotiations by 15 December of this year, as stipulated by our heads of state and government. In this joint declaration, emphasis is placed on the non-tariff problems, although, of course, the traditional customs tariff questions have not been forgotten.

Haferkamp

We also did this because — as we all know from our experience — the non-tariff difficulties have recently often been greater and represent greater obstacles for world trade than the customs tariffs. We also agreed on the principle that in the course of the 80s, over a period of eight years, tariffs would be reduced, using the 'Swiss formula' which involves in particular the element of harmonization of customs tariffs. That is to say, the higher tariffs are to be reduced to a greater extent than the low customs tariffs. We have, however, attached great importance to adapting non-tariff problems to present developments and requirements and finding solutions for them.

In the document we have agreed that the GATT rules must be uniformly applied and, for example, in the case of countervailing duties, as I explained in connection with the objectives, the question of material harm must be taken into account by everyone.

We also have given detailed views on some agricultural issues, with particular emphasis on the importance of the agreements on cereals, milk, milk products, meat, which I have just referred to, and we have also considered possible solutions.

We also agreed in particular that we would jointly endeavour, within the framework of the GATT rules, to ensure that in the future, so far as is possible, we would avoid confrontations and disputes in these important areas, i.e. that we would achieve the stability in markets and in our relations which I have referred to.

In the document the principle of a selective safeguard clause is recognized, without yet specifying the ways in which such a selective principle can be applied. What I have described here is the latest state of our negotiation with which we shall now enter the decisive final phase of the negotiations.

I should like to make it clear here that for the Community it is only a question of a decision on an overall package, on an overall result, which must be a balanced package. Even though we have given our agreement to specific problems, this has been done on the assumption that the overall package is a balanced one. Our partners understood this and for such complex negotiations this is quite understandable.

We have also made it clear that the reduction in customs tariffs, which as I said is to extend over 8 years, in our view has to be completed in two stages, the transition from the first to the second stage depending on the economic and social circumstances, in the broad sense, prevailing at that time.

Finally we made it clear to our partners that there was no question of bringing the negotiations to a conclusion and initialling or signing an agreement. For us it is essential for the outcome to be ratified and applied by everyone. We shall make our ratification dependent on whether our partners also ratify the

final outcome of the negotiations in their legislative processes.

President. — I call Lord Castle to speak on behalf of the Socialist Group.

Lord Castle. — Mr President, I am reminded as I rise to speak on this occasion of the description by a good friend of mine of his situation at a very critical moment of his life. He talked about going naked into the Council Chamber. I hope it is not very apparent, but I feel naked tonight for the simple reason that the people you would have expected to supply me with the clothes to appear in this debate have failed to do so. The Commission, although in charge of this important debate, the magnitude of which has been commented upon by the whole of the press, has produced exactly nothing for the information of the Members of this Parliament.

(Cries of 'Hear, hear!')

No matter who was making this first speech in this debate would find himself under the same obligation to object to the cavalier way in which the Members of this Parliament have been treated. We have had this fantastically important document — so we are told — produced, on the agreement of the people who have been negotiating for seven years, the hundred nations who have debated for seven years, and to the Commission it is not worth an official document to inform us. What we have got is an official statement — so called — and I have done my best to pick my way through it to find how satisfactorily it answers the questions. But before I did I read a newspaper article, which has not been denied, and which refers to another official statement, though not from the 'haves' of the world, the three most dominant nations. Europe — which we here regard as a nation —, America and Japan produced the first statement which has been referred to. But it was the next day, or the same evening, perhaps, that the 77 dispossessed nations of the world, who are supposed to be a major concern of this Parliament, issued another statement in which they have grave warnings that they could not adhere to most of the proposals which had been made. I say that with no joy whatever, because I, like Mr Haferkamp, would have wished a cohesion throughout the world about the basis of our trading relations. But there is that undenied statement, which you will all undoubtedly read in your own national newspapers, and which has come without any official warning by the Commission or any comment today from the Commission, on this fantastic fact — that we have been unable to take the Third World along with us so far.

And now we are told that we are faced with the need to finalize what has been called the framework of understanding. We are told we are faced with the need for the timetable — imposed, I may say, by the American Congress itself — to complete negotiations

Lord Castle

at the end of five years by 31 December. I do not believe it can be done. I say that with tremendous disappointment. I have heard nothing this afternoon to suggest that there is a change of heart among the negotiators which will speed up things to the extent necessary to realize Mr Haferkamp's ideas, admirable as they are. These are sentiments with which I entirely agree for most of the time, but I do not believe it can be done. I myself would refer him to the kind of sop we have received so far. I refer to the information to which he referred himself: the statement issued after the last meeting in July. That was two months ago, and during that silence by the Commission, I have heard no whisper that there has been any change in the situation or any change in the attitude of the negotiators. He has mentioned one or two objectives, which I would have thought were impeccable, at the beginning of negotiations; but these are broad principles: there is no pinpointing of the problems, no report whatever except that vague one about reducing tariffs in the eighties. When I first saw the document, I wondered what was being done about subsidies. I looked up the document; vagueness exemplified here:

With regard to other subsidies, the final agreement should recognize that such subsidies are intended to promote important objectives of national policy but may have adverse effects, which signatories should seek to avoid, on the trade and production interests of other signatories. The issue of indicative guidelines is still unresolved.

So much for subsidies. A key question which had to be answered — unanswered. The next question I asked myself was: what has happened about non-tariff measures, which are always cropping up in the Committee on External Economic Relations? Here I find:

The delegations note that non-tariff measures not dealt with multilaterally are the subject of continuous and intensive bilateral negotiation.

That is not a principle, that is a hope. The next one I find is industrial tariffs:

The delegations acknowledge that there are still uncertainties with regard to certain offers in important sectors which require clarification and further negotiations. Reciprocal balance with other developed countries participating in formula reductions will also need to be reached.

All of these report, not an actual happening, but an aspiration — and an aspiration which, we are told, must be fulfilled if we are to get the kind of conditions to which we can give our assent within the next two or two-and-a-half months.

A final item which is very present in the minds of all of us who are Members of this Assembly is agriculture. We, and all our partners in the Lomé Convention, hoped above all that there would be a pronouncement upon agriculture. But what do we find as the pronouncement upon agriculture?

The delegations have continued intensive discussions of agricultural issues. There is mutual recognition that a positive result in agriculture is critical to the successful completion of negotiations in the Tokyo Round. Live agreements are still to be worked out satisfactorily ...

The delegations believe that the establishment of some fundamental understandings on the conduct of agricultural trade could provide a framework for avoiding continuing political and commercial confrontations in this highly sensitive sector in the future.

There is no agreement there, purely a pious hope. And so the whole of the document which we have had to digest in the absence of a factual statement from the Commission is pious platitudes.

I should only be too glad if, as a result of being, I hope, generous but nevertheless stern with the Commission representative, I could get some statements on the factual side of this arrangement. I get messages from the Commissioner which indicate that he is going to surprise us when he replies, and I should welcome that. But he must deal with the fact that if we are not careful we shall find ourselves estranged from our Lomé partners, the dispossessed of the world whom we in this group regard as our real brothers in this endeavour. I do not want to joint in the debates which take place when we meet them in a fortnight's time, and start perhaps to discuss the new Lomé Convention, with my present lack of knowledge. I hope that my ignorance will be made good in a satisfactory way.

President. — I call Mr Van Aerssen to speak on behalf of the Christian-Democratic Group (EPP).

Mr Van Aerssen. — (D) Mr President, I should like to say first of all that I do not share Lord Castle's pessimism. I think that more and more states are recognizing that however imperfect the operation of GATT may be in many respects, it is nevertheless today the most important instrument for organizing trade between the advanced industrial nations and the developing countries, and I think that the developing countries — and I do not mean this critically — have only recently recognized, perhaps a little too late, how important the negotiations in GATT are. I do not know whether Mr Haferkamp can confirm this later but, I get the impression that they originally were a little reticent and were not aware of the importance of what is being negotiated.

I should, however, like to say that I think Lord Castle is right insofar as the information provided to this House regarding the imminent direct elections to the European Parliament is absolutely unsatisfactory. My friends and I realize that in the face of such difficult negotiations, where a great deal is at stake and where a great deal has to be expressed diplomatically, somewhat flowery language is used about matters which in fact constitute the real core — the information we

Van Aerssen

have received is inadequate. It is precisely now — I should like to take Mr Haferkamp at his word — at the present stage of the GATT negotiations that, in my opinion, it is not simply a question of consolidation but of giving GATT a completely new stimulus, where one might say the fate of the international social market economy is at stake, which far too few people and even far too few national parliaments have hitherto recognized, that I think this House should be given rather more information. It is impossible to overestimate the importance of the negotiations and I understood you, Mr Haferkamp, to say that the present document is not the end-product but simply a basis for the next round of negotiations.

Mr President, I shall be brief. Before the summer recess we had a general debate on this subject. At that time I set out the main lines of our policy. I see that in his further analysis Mr Haferkamp has picked up these main lines again and to that extent I can refer to my remarks at the time.

I should like to support him again in his central thesis that we must put an end with all the means at our disposal to the incipient protectionism. I myself, as a German, did not take part in the war, but from my own family I know that unbridled nationalism and the protectionist measures before the second world war formed one of the main causes, not only of the breakdown of a free market and world economy but certainly of the developing war, and therefore we must fight with all our means against this spectre of protectionism. This must remain the main course adopted by the Commission and the European Community.

We also share your view, Mr Haferkamp, that in this round the non-tariff obstacles must play the decisive part. We have made considerable progress on duties in the last few years in Tokyo. We accept the Swiss formula for customs reduction. I think it is an ideal arrangement and we hope that it will be implemented, but the non-tariff obstacles are the Trojan Horse with which protectionism is constantly and secretly endeavouring to undermine the market economy.

We also accept that the criterion of damage should be introduced in connection with countervailing duties and that the safeguard clause should be selective. We should also like to support the Commission and the European Community in their mandate to implement the three codes (a) customs valuation, (b) government procurement and (c) technical standards and that the same rules should apply to all. I think this is obvious. This only has to be repeated with the necessary political emphasis. To that extent, in spite of the criticism of a lack of information, we are grateful that this is being discussed today, so that this Parliament has an opportunity to provide the necessary psychological support. Finally, we also think that we should commit ourselves to improving the arbitration procedure, so

that we can pass on from the stage of confrontation — whether between Japan and the European Community or between the European Community and the United States — into a better stage of cooperation and controlled collaboration. The package solution is available; I think it would be stupid at this point to adopt a piecemeal approach; I think we should stick to this package deal.

Finally, Mr Haferkamp, I should be extremely grateful if you could outline in a few words our internal position, since it is not unknown that some of our friends in the European Community have expressed certain criticisms of so-called concessions. We should only like to know the background so that we can assess better whether this criticism is justified and, if so, how we can possibly take account of it. I will summarize once again: we refer to the basic comments which we made before; we consider that these remarks have been endorsed by what the Commission representative has said in explanation as the basis of the negotiations so far; we should also like to provide support for the negotiations in GATT; we regret the lack of information provided to this House and hope that the situation will be different in future in view of the major psychological importance of these negotiations, and we hope that in a few months we shall have an opportunity to appraise and make a political assessment of the final outcome in this House.

(Applause)

President. I call Mr De Clercq to speak on behalf of the Liberal and Democratic Group.

Mr De Clercq. — *(NL)* Mr President, only a few months ago in this Parliament we had an exchange of views on the principles of world trade on the basis of the report by Mr Cousté on the multinational negotiations in GATT.

I do not intend to go into all the questions, which have already been discussed in detail.

Regret was expressed about the increasing tendency towards less free trade, and we have placed great emphasis on the fact that a successful outcome of the Tokyo Round will be of great benefit not only to the Community but to all countries engaged in trade.

There were also fears that the failure of this round — and this particularly concerns the gradual removal of non-tariff barriers to trade — will irrevocably lead to the loss of many markets in the world, which in turn will result in permanent unemployment and political crises.

The attitude of the Liberal and Democratic Group was clearly stated on that occasion. Liberals will support all attempts to have the rules and procedures contained in the GATT agreement incorporated in national law and to have them respected by all the partners.

De Clercq

Finally, my Group stressed in the debate that the GATT rules must not be ignored. On the contrary, they must be improved and strengthened. GATT itself must emerge strengthened from this Tokyo round.

This statement by the Commission, which is only really an interim report, gives us a welcome opportunity to reaffirm our Position, since only a few weeks ago the International Monetary Fund published a study of trade barriers which provides some cause for concern.

The study states that the United States and a number of other countries have had increasing recourse in 1977 and early 1978 to protectionist measures and have thereby impaired the balanced growth of trade.

The restrictive measures taken by the United States, the EEC, Canada and some other industrialized countries have, again according to this study, had unfavourable consequences for the developing countries.

According to information from the International Monetary Fund, these protectionist measures include various types of import quotas, bilaterally agreed self-restraint on exports and an increasing use of anti-dumping and levelling duties on goods from other countries.

This latest report from the IMF also says that it is difficult to decide whether these measures result from a greater sensitivity towards practices which have long been applied or from the measures taken by the exporting countries to lower their prices.

A series of measures of this type has, however, been taken by the industrialized countries to influence trade with other industrialized countries, particularly the United States, the EEC and Japan.

Finally, I should like to say on behalf of the Liberal and Democratic Group that it is precisely because of this tendency that it is so important that the GATT trade negotiations in Geneva should reach a successful conclusion before the end of this year.

President. — I call Mr Soury to speak on behalf of the Communist and Allies Group.

Mr Soury. — (F) Mr President, I put a question to the Commission on 29 June last about the statements made by Mr Haferkamp, Vice-President of the Commission, who had declared in Washington that, in the context of the negotiations on GATT, the Community was prepared to relax its restrictions on agricultural imports. July has merely confirmed, in good measure, the dangers which threaten the agricultural and industrial output of our countries. On 13 July, as we all know, the EEC, together with the United States and Japan, approved the text of a joint statement summarizing progress in the negotiations on GATT, and this was intended to be used as a basis for discussion during the final stage of the negotiations referred to. So much was conceded or surrendered to the United States in the statement that I

immediately put fresh questions to the Commission and wrote to President Jenkins with the request that the Commission should come here and give us an explanation, and I am very glad that this debate has been arranged.

The independence of Europe is diminishing: this is what President Ortoli said, in this House, in 1975, when speaking of the relations between Europe and the United States. This judgement has been confirmed with every successive year, and July 1978 is another sombre milestone in the loss of independence.

On 13 July, on behalf of, and with the agreement of, the nine States of the Common Market, the negotiator for the Commission surrendered to the big American companies and the Government of Mr Carter. The truth of the matter seems to be that the Community agreed to limit industrial and agricultural exports from the European countries to the United States. This concession is all the more substantial in that Europe received nothing from America in return. If this really is the position, the Americans will have greater freedom than ever to slap duties on products subsidized by the Common Market countries and to maintain non-tariff barriers of all kinds for the sole purpose of keeping out the products of European industry.

Agriculture will be called upon to pay a particularly high price for the concessions we can expect to see. The joint statement declares:

The signatories agree not to grant, directly or indirectly, any export subsidy on any agricultural product in a manner which results in the signatory granting such subsidy having more than an equitable share of world export trade in such product.

Mr Commissioner, does this not mean the abandonment by the Community States of subsidies, what we call refunds, which at present enable our farmers, especially in France, to put their goods on the world market? We regard this as the gravest onslaught on the common agricultural policy since its birth. I have files here containing letters from European agricultural workers' unions expressing — and, as you well know, justifiably expressing — their alarm at the concessions made in Geneva. It is obvious that, as a major exporter of cereals, wine, sugar and dairy products, France will be the first victim of this policy. Whole sections of our agricultural production, of sheep and pigs, for example, are already at risk, but at Geneva the threat was extended to other sections of agricultural production. What, in short, you are doing is handing over to the United States not only the world market, where we are established, but in the long run, and this is the important thing, the European market as well. If this policy were put into effect tomorrow, it would mean the end of Europe's independence and that of the countries in it, because we are all familiar with the aggressive trade policy of the United States.

Soury

Once they have a dominant position on the market, no one here or anywhere else can have any doubt about their ability to bring the full weight of their competition to bear on us. They have for a long time been knocking at the door of our agricultural markets, and in these negotiations you are opening it to them. Need I remind you how, as the sole source of supply for soya beans, they deliberately cut off our supplies for months so as to disorganize our stockbreeding? In a word, what you did at Geneva was ratify the political and commercial domination of Europe by the United States. It means that the Community's adverse trade balance *vis-à-vis* the United States, which was 28 000 million francs in 1977, is not on the point of being mopped up, but the reverse. As far as our countries are concerned, it means a sharp drop in exports to the United States and a sharp increase in American imports into Europe, and this will result in the closing down of still more factories in France and Europe and tens of thousands more being out of work.

And please don't tell us that this will help the developing countries, since they have themselves denied it and said that they were never consulted about the agreement of 13 July and believe that the outcome will be very much to their disadvantage. The unilateral concessions made in Geneva are merely the counterpart of what, under American direction, was decided at Bremen and Bonn: which is, to sell off entire industries, iron and steel, textiles, shipbuilding and agriculture, to help the commercial giants to re-deploy abroad and make fresh profits without any concern for the employment of our fellow-citizens or for independence. In this sophisticated game, played on an international scale, these giant companies and the Governments supporting them use our industry and our agriculture as cash in exchange for a few multinationals based in Europe. What is even more serious is that, at the time of the Bonn Summit, those taking part, including France, saw fit to declare at the highest level, as you were telling us just now:

We appreciate and support the progress as set forth in the Framework of Understanding on ... Multilateral Trade Negotiations.

Mr Giscard D'Estaing and Chancellor Schmidt were accordingly anxious to give their personal support to the unilateral concessions made to Mr Carter's Government in Geneva. The European Council at Bremen, the Western Summit at Bonn and the statement at Geneva all embody the same policy of surrender to the United States on the part of all and I mean all the Governments of the Common Market, regardless of their political complexion and whether they are Christian Democrats, liberals or socialists. It is tragic confirmation that Europe has yet to win its independence from the United States: nor shall we achieve it by the creation of what commentators are calling a mark zone. Europe and the Member States must take

another road, which is that of co-operation between all countries on a basis of equality, resistance to the plans of the multinationals and a revival of consumption in the High Street, which is the only thing which will re-activate world production. It is the road of independence within Europe and *vis-à-vis* the United States and it is the prerequisite of economic growth and social advance. What is more, and every day brings fresh proof of it, the Europe we want, the Europe of the people, with all its wealth, its industry, its agriculture and its nations, cannot be built unless its people play their part.

President. — I call Mr Normanton to speak on behalf of the European Conservative Group.

Mr Normanton — Mr President, may I suggest to the House that we would do well to remind ourselves of quite a number of facts, events and dates in the history of post-war Europe and particularly to remind ourselves that the GATT, which is the subject of this particular debate, was signed nearly thirty years ago. It was conceived, it was created, it saw the light of day at a time when international trade was conducted almost exclusively between one trader and another, between one private business or one private entrepreneur in one country and those of similar mind and similarly organized in other countries.

The main obstacle in the path of the more successful business lay in the high man-made tariff barriers. The commitment which the signatories to the GATT entered into those thirty years ago was to reduce those barriers, and we have to recognize the fact that by identifying those barriers and by trying to reduce them, GATT has made a major contribution to the expansion of trade. But as the tariffs came down, international commerce and trade increased. That certainly was proved, history shows it and we should remember it. But that was in 1947 and the years shortly after. Today, thirty years later, the barriers to trade are rising fast and furiously, and we appear to have no clear picture whatsoever of how to deal with the new barriers which are there before our eyes and which proliferate like dragons' teeth: as soon as we pull out one, ten appear in its place.

The point I want to make is that it is not sufficient to think that we can tinker about with minor amendments to the original GATT, update it, make it look more modern and so produce a 1978 or 1979 vintage. What we need is a totally new instrument for the promotion and expansion of world trade. And I have to confess, with deep and sad regret, that I find no evidence of this recognition either in the Commission or in the Ministries of Trade and Commerce, which I have visited in the last two and three years, of governments which have in fact appended their signatures to the GATT.

Normanton

In 1947, as I said, private trading was between company and company, or trader and company. There was no such thing as the State taking an active part in the activity of trade: there was no such thing as State-managed or State-controlled industry: there was no such thing as State economy and there was no such thing as that modern phenomenon which so few people can understand and even fewer explain: the Japanese economic system. How different the things are today: non-tariff barriers, as I said, bristling like the dragon's teeth of ancient history, artificial political pricing, bartered dealing between private traders and governments and government departments, publicly-owned and managed undertakings; for example, the building of ships by one state company to be given away in the world trade to operate against the very shipping industry of that same country. In this way, and a whole host of other ways, we are going progressively stark mad: the mysteries of Japanese commercial practices, which defy scrutiny and certainly have so far defied efforts to find any method of coping with them within the framework of an international instrument such as GATT; the rigging of currencies — I could go on with a long list of cases.

GATT is irrelevant to the trading practices of today. Wherever one travels and discusses international trade the same story unfolds — in every ministry, in every political forum and in every industrial commercial entity where one discusses the matter. Yet I find no evidence that the Commission has grasped this fact. It is with a very sad heart that I have to say this, because we as a Community, are committed to the expansion of trade, and long may we stand by that commitment! We are committed to the expansion and freeing of trade by every sensible and fair-minded device that we can conceive. The Commission has given evidence to me today that it has no understanding of the nature of the problems with which we must grapple. The Commission are not alone; I wish they were, but they are not. However, that is not an excuse which this Parliament should accept. We are told that the amended GATT will be signed sometime in December. I, for the record, fervently and fanatically hope that that will not be the case, because it will not work. It is not the appropriate instrument for dealing with the problems which beset the economies and the traders of the world. If it does not work, and I am certain it will not, then the world will inevitably see a growing demand from political quarters for protectionism as evidence of the growing concern felt by sector after sector as each one comes inexorably under growing competition and competitive pressure from one new industrial producing source after another.

From Japan come products of a highly-developed and sophisticated industry. And yet if you or I, engaged in exactly the same field, producing a product of exactly comparable quality, were to try to penetrate into the Japanese market, all I can say is that the mysteries of

the Orient are bottomless, are indeed without any limits, and they will come into operation as if by some magic touch or some magic device. GATT is totally irrelevant in its original form and certainly in that form which I fear it will take when it is signed in December. A classical example is the case of meat. The price of meat in consumer retail outlets in Japan is between 5 and 10 times as high as that in the highest-priced retail outlet anywhere else in the world. Yet you cannot simply sell meat to Japan. There are special channels through which it must be sold, and these are the only channels. Of course there is now a law in force, but there are devices and institutions which have been built into the Japanese economy to ensure that you have one price in the export market and a totally different price when it comes to selling imported products on the Japanese market.

The Commission's introduction to this debate leaves me, as I have said twice already, totally depressed. There appears to me to be no evidence that it recognizes the nature of this situation as it relates to GATT. If we sign the GATT agreement in the form in which I believe it to be shaping up, it will be a snare and a delusion and a deception to those who, like myself and my political group, and indeed other groups here in this House, believe firmly in the need to free world trade from restrictions, restrictive practices and protectionism. Free trade must be free both ways, and not leave European industry like the boxer in the ring with one hand tied behind his back. That, in my opinion, is all that I can see coming out of GATT in the form which I have some reason to believe it will take should the Commission and the Community sign it on our behalf. I hope they do not. I want to see a much more realistic recognition of the problems rather than a shortsighted simple answer. They have not done so to my satisfaction or that of my group, and I sense that they have not satisfied other Members from other groups in this House. I deeply regret it, because the Commission and Haferkamp carry with them our best and sincere wishes and hopes, because it is only through them and their actions that we are going to solve this extremely difficult and dangerous problem.

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

Mr Brugha. — Mr President, I find that, having waited to hear what Haferkamp had to report after July, I am almost back to the position I was in when presenting the report on behalf of Mr Cousté and having to repeat the arguments put forward by Mr Cousté. I do not propose to do that, because such repetition would not serve any useful purpose.

I have noted carefully what the Commissioner has said. I have noted nine or ten points which are unexceptionable but do not really convey any fresh infor-

Brugha

mation. They are unexceptionable in the sense that nobody can do anything but agree with notions such as giving developing nations special help, encouraging a drop in industrial tariffs, finding more markets for world goods, and, the most polite of the lot, that all negotiators should apply the same rules fairly. The fact is that the Community is not getting fair play in the negotiations with the major world trading groups. The one key phrase which the Commissioner used was, I think, the reference to non-tariff problems in world trade. This is polite language, of course, for describing the evasion of the spirit of fair world trading by other trading powers. I am glad that the Commissioner has referred to that and also that he has said the Community will only approve of a balanced and all-embracing package. I hope that that means that the Community is in the position to withhold something, because we know that in any negotiations you have to be in a position to withhold something, otherwise you are not able to negotiate.

I understand that the Commissioner is not in a position to speak more openly, I would specifically urge the Commission to provide the Community with the means to ensure full and fair compliance on the part of the world's trading groups, particularly the US, Japan, and the Eastern countries; full and fair compliance with the spirit and the letter of GATT. It is their failure to comply, their use of non-tariff means to frustrate trade, that are detrimental to the Community's position at the present time and to the position and the needs of the Third World.

Now reference has been made to the common agricultural policy. I would like to say to the Commission that there must be full support for the common agricultural policy. If one is to mess about with a major policy area like this, which is successful, one is not going to solve anything but merely produce new problems for the Community.

Finally, I would say Parliament is giving full support, Commissioner, to your efforts. Please use that support to the utmost and use also the obvious dissatisfaction of this Parliament as openly expressed by its Members.

President. — I call Mr Kaspereit.

Mr Kaspereit. — (*F*) Mr President, there is little time left in which to reach agreement, and the joint statement adopted by the chief delegations of the industrialized countries on 13 July leave me in somewhat of a quandary. Some of them — I refer to the United States -- see it as the basis of agreement, others as merely a report on the discussions. If I were asked to give my opinion, I should perhaps be less of a pessimist than some of my colleagues, because there can be no denying that progress has been made towards an agreement, in particular, as you, Mr Commissioner, emphasized, in the area of non-tariff measures. More-

over, we have secured a solid foundation for a satisfactory conclusion of the negotiations on the customs valuation code, the code on technical rules and regulations, an agreement on subsidies and countervailing duties, and the licensing system. It also looks as though the revision of the safeguard clause in Article 19, the establishment of a procedure for settling disputes and the introduction of international consultative arrangements are all on the point of being achieved.

This is good news, but I should like to know what the Commission proposes to do in those areas which are not yet covered by any definite agreement, such as tariffs and agriculture. In view of the inadequacy of the offers made by its chief partners, the United States and Japan, on the subject of lowering customs duties, the Community decided to withdraw some of its offers in order to remain on terms with its partners. Does this mean that we shall be the only ones whose customs duties will still be found at the lowest level? Again, what does the Commission propose to do about the insistence of the United States on access to the Common Market in Mediterranean agricultural products and a revision of our export refund system?

In connection with an enlargement of our Community to include Greece, Spain and Portugal, how can we continue to be competitive and guarantee our farmers a satisfactory income and stabilize prices? In the discussions on the common agricultural policy, we should like the Commission to bear very firmly in mind that this is not the subject of negotiation; it is part and parcel of the Treaty of Rome and it is the only common policy with financial resources.

In the situation report given on 13 July, there is no reference to establishing reciprocal trade arrangements with State-trading countries, although, admittedly, this is not an appropriate question for GATT inasmuch as some countries in the East are not members of it. So what are we going to do to counter the effect of the most-favoured-nation clause and, in consequence, the concessions which the Western States grant to each other and benefit from?

There are, finally, two other important questions, the first being the problem of the developing countries, to which reference has already been made. Of course, in the case of every rule, there is provision for exceptions or looser arrangements for the benefit of the developing countries, especially the more recent of them. But up till now, the developing countries have not felt themselves to be involved in the GATT negotiations. In fact, they declared that the statement of 13 July was drawn up without their help and that it paid insufficient regard to their difficulties. As we all know, the developing countries hope that a number of questions covered by GATT will be dealt with under the aegis of UNCTAD, where they feel in a better position to argue. Though such a shift of responsibility is out of

Kaspereit

the question, it seems to me that, if we want to achieve the object of GATT, which is to improve world trade and promote harmonious trade relations, both essential conditions for a new international economic order which is fairer and better balanced, it is vital to work in harmony with the developing countries.

The second question, Mr Commissioner, concerns what I will call the methods and position of the United States. As you know, our former colleague, Pierre-Bernard Cousté, who drew up the report on this subject, referred to it in 1977. People must be made aware of the fact that, at present, more than 52 % of the United States' export trade is handled by the Disc companies set up for export purposes under regulations which suspended the tax on profits. The Disc system was, incidentally, scrutinized by GATT, and when one recalls the Americans' power in that organization, one realizes how serious the offence must have been for it to have been acknowledged.

But what worries me even more is that the US Trade Act of 1974 meant an increase in the powers of Congress in relation to the Administration, in other words, the American Government. As you know, the American negotiators in this field negotiate *ad referendum*, that is to say, they are obliged on certain matters to await Congress's comments. I think it is essential therefore, for us to know whether the United States Congress approved the statements of Mr Strauss to the effect that the declaration of 13 July is really a basis of agreement which no one will go back on. I say it is essential because, clearly, if Congress withholds approval, all that has happened is unimportant. 'The 535 Dictators of Washington': this is the title which a French leader-writer puts at the head of his article in this morning's *Figaro*. The 535 are the members of Congress, and the President of the United States seems unable to make a move without them. I hope the Commission has taken due note of this new state of affairs.

By the rather condensed expression, 'position of the United States', I mean its monetary problem. At Bremen, Europe committed itself to a course of action on this subject but, obviously, if the dollar continues to suffer the set-backs which we are witnessing and if the United States does not take the necessary steps to return to a healthier position, the negotiations now going on will, Mr Commissioner, produce results which may be wholly illusory.

I shall be grateful for anything you can tell us on the subject.

President. — I call Mrs Dunwoody.

Mrs Dunwoody. — Mr President, it may seem rather unfair to the Commissioner that we are appearing to criticize the delicate position that the negotiations have now reached, because the whole essence of nego-

tiation must obviously be that you do not let your opponents know too much about what your plans are. I must say to him tonight that I think that some of the criticisms of this Parliament may seem rather unfair — particularly sitting as he is with Sir Roy beside him, a negotiator whose efficiency and ruthlessness many of us have had cause to appreciate over the years. It may seem that he in fact has done a very good job for one of the power blocs in these negotiations — that is to say, for the EEC.

We have now reached the situation where before the end of the year, because of the legislative deadline of the American Congress, some kind of agreement must be reached, and the statement of intent, although it gives very clear indication that there has been some progress — and I welcome it on the codes and on various other aspects —, has really done astonishingly little other than lay down the main lines along which the three major power opponents are going to fight — that is to say, the EEC, Japan and America.

Some of the statements of intent frankly are as vague as to be positively misleading. There is absolutely no point in this Parliament's believing that its negotiators can go into GATT negotiations, negotiating for the 1980s, negotiating for an entirely different world from the world in which the original Kennedy round was negotiated, without talking about the things that we do inside this Community.

One of the basic problems that we have not heard anything about today is what the Community intends to do about agriculture. It is not surprising that the Indian Foreign Minister, speaking as he did for many of the non-aligned countries, said that this was an absolutely disgraceful arrangement which had been arrived at without any consultation whatsoever with the people who would be most affected. He said that of course there was now a recrudescence of straightforward protectionism by the large trading blocs and absolutely nothing had been done in these negotiations to protect the interests of those people who were most materially affected.

Now, let us be quite clear when we talk about subsidies. When we say that of course we agree not to grant directly or indirectly, any export subsidy on any agricultural product, then we are not talking about the common agricultural policy; because one of the criticisms expressed by the Lomé countries, not to mention the Third World countries outside Lomé, is precisely the brutal distortion of trade that the common agricultural policy of this Community actually represents. When we are talking about doing a deal with the Americans, do we imagine that they are going to come to an agreement which will mean that we can demand what we like in relation to trade with them and can erect all sorts of non-tariff barriers and against them? Of course they will not even consider that.

Dunwoody

So let us be quite clear. Within the next six months the Commission has to achieve a minor miracle. It has actually to fulfil some of the general promises made in its statement of intent. I have to say that, far from hailing the negotiations so far as a dramatic advance, I think we are getting to a most dangerous stalemate at world trade negotiation level. We have not begun to consider the situation of the Third World countries, many of whom are moving very rapidly towards some form of industrial development and many of whom will force many of our traditional industries into considerable difficulties. We have not considered the situation of those one-crop countries who will require very specific assistance if they are to negotiate in the agricultural field without having the protection in the sort of subsidies that come from the EEC. Nor have we at any point in the whole of this trading negotiation managed to get out of our tougher partners in the negotiation, Japan and America, concessions which will actually make any difference to the liberalization of trade. Indeed, what it looks as if we are doing is taking a vast axe and carving the world trade into three nasty, tough little blocs which will make sure that their own interests are looked after no matter what the cost to the world as a whole, and I have no doubt that, far from contributing to a real advance in world industrial negotiations, that will lead us to the situation where, when it comes to the final communiqué, we shall be talking about one of two very dangerous possibilities: one, that we have reached no agreement, which I think is a very real possibility, that the suggestions that the Community put forward are totally unacceptable to the American Congress and certainly unacceptable to many of the Third World countries who will be part of this particular arrangement; and the other, an even more dangerous situation, that the EEC, Japan and America between them, using their economic strength, have come to a rather nasty, squalid little deal that will exclude the interests of the other trading countries of the world. If that happens, I have to tell you that the next decade will be one fraught with such political danger that the implications are far wider than we are prepared to discuss tonight.

I am sorry that Mr Haferkamp came here feeling that he could only give us a broad-brush approach to the whole question. I know his difficulties, but I say this to him. If in the next three months he cannot achieve a miracle, he may be condemning the world economic order to a recession the size of which we have not seen in the last two hundred years. And I believe that the impact of that, not only on the EEC but on all the world trading partners, will be such as to make us extremely sorry that we were not far more generous, far more imaginative and certainly far more honest with those with whom we are trying to negotiate.

President. — I call Mr Pisani.

Mr Pisani. — (F) Mr President, I have some brief comments. I am surprised that such importance is being attached to negotiations which, from many standpoints, seem to be hedged in by ritual and procedure which were no doubt appropriate in the post-war world but are no longer so in the world of today.

The impression is created that these negotiations are about products, whereas negotiations in GATT should be concerned with policies, structures and methods. In fact, the issue involved is not the level of customs barriers, which is ludicrous compared with the remainder, but the general behaviour of our economies towards each other. This raises the question whether GATT is the right place for the purpose when one bears in mind who takes part in it and its traditional practices. Is there any reasonable possibility of producing an international economic system when so many countries are absent? Is there any hope of reaching positive conclusions while so many issues are couched in such vague terms?

The first question to be raised is undoubtedly that of the conception which 'Fortress Japan' has of herself and of the world. If Japan goes on as she is doing at present and, in the name of 'liberalism', sticks to a mixed economy system where, inside MITI, the government and the international companies agree on the strategy to be followed; if Japan's conduct is dictated by strategic rather than commercial considerations, how can we pretend that things will turn out in the way we want? Similarly, isn't it now time that we asked the United States whether they intend to abolish the American Selling Price and the Buy American Act? I find it rather odd that those documents have not been brought up during the debate. They are pieces of domestic legislation which may result in completely blocking foreign imports to America.

From certain points of view it is possible, just conceivably possible, to accept that these measures had some point and justification when the dollar was responsible for keeping the Western system in a state of stability. But the United States has disclaimed this responsibility since 1971, and in recent months monetary policy has been conducted in such a way that the United States has not merely ceased to be a stabilizing factor in international trade but its decisions are constantly disturbing it. In the name of the Community — I might almost say in the name of the international community and not just the European Community — is it not time we asked the United States whether those pieces of legislation are still justified?

I do not see why I should not share a secret. I recently met two of the best-known people on the American political scene, and I asked them the question I am asking you, Mr Commissioner, and that is: shouldn't

Pisani

the Buy American Act and the American Selling Price be repealed? Although they came from different quarters, they both gave the same answer. Both said: 'Strictly speaking, you are perfectly right and we cannot argue with you on the point, but don't nurse any hopes or illusions; given the predominance of Congress and, therefore, of considerations of domestic politics, and given also the eclipse of the Executive, which, traditionally, has been the real guarantor of the international responsibilities of this great Federation — given all that, the idea is hopeless'.

So, to go a little further and, with some effort of the imagination, daring to hope that the question of repealing these two laws will, indeed, be raised, but knowing that the American answer will be 'No', I ask you publicly whether, in fact, it would not be a good idea to start thinking of a Buy European Act and a European Selling Price? For let us make no mistake: if we do not ask the questions which they raise and anticipate the effects of the disruption which is about to occur on the world market, we shall be paving the way for even worse catastrophes, such as unbridled protectionism.

The Community has not many policy options. The threat of protectionism will be removed only in so far as the responsible authorities are able, on a contractual basis, and in conjunction with all others concerned, to control operations of this kind, because if unemployment gets a little more unbearable than it is and further disasters threaten to occur and, as I said earlier, we have not managed to negotiate structures, methods and policies, we shall close our frontiers. It will then be too late to complain.

I assure you that, in referring to the Buy American Act and the American Selling Price, I have not come here to preach protectionism of an earlier era on behalf of my group. All I want to say is that the facts are such that, if we are not careful, protectionism will be the only alternative left. I hope those who have not acted accordingly will heed the warning we have given them today.

President. — I call Mr Spinelli.

Mr Spinelli. — *(I)* Mr President, I think that in this debate we ought to bear in mind what GATT can reasonably be expected to do and not load these negotiations with hopes and fears greater than they can bear.

In my view, the whole question facing us of the development of trade relations with the State-trading countries — a complicated one which must be the subject of thorough examination — is incapable of being tackled with the methods and stratagems invariably employed in GATT negotiations. Similarly, I believe that, on the question of our trade relations with the developing countries, it would not be in their interests or in our own to imagine that the issue could be included in negotiations on GATT.

The question of relations with the developing countries, which, as Mrs Dunwoody said, is one of increasing importance for our economies, depends on the extent to which we follow, as we must, a policy of mobilizing resources in order to convert the potential demand in those countries into actual demand by giving practical effect to the big development programmes, for their sake and our own. Until, as a Community, we have a development programme in which those countries are included, we cannot properly tackle the question of trade relations with them, and we certainly shall not be any more successful in settling it under the rules of GATT.

However, we must bear in mind that a not insignificant part of our economic life is concerned with relations between the developed areas; and if, in the developed areas, there were a resurgence of protectionism and economic defence measures, based on old or new methods, there would be such a breakdown of the system that we should hardly be in a position to make plans for the less developed areas.

The task of lowering the barriers separating the developed areas, taking down the barriers altogether and abolishing or reducing customs duties, is a relatively easy one during a period of growth and development. Although the Kennedy Round negotiations were tough, they nevertheless justified hopes that a settlement would be reached in a comparatively short time, and that was, of course, because we were then in a period of economic growth.

Today, however, we live in a state of widespread fear that unemployment may increase and that we may even fail to hold on to our markets; and so now, in GATT, a defensive battle is going on, a battle for position to stop the situation from getting worse, but I don't expect much to come of it.

To the speaker who thinks that we shall be giving up the subsidies to agriculture, I say: speed the day! But there is not the slightest possibility that the subsidies on our agricultural exports will be stopped either as the result of the negotiations in GATT or anything else; just as it is hard to imagine that, as Mr Pisani said, the Americans will so lightly abandon the Buy American Act.

On the specific subject of relations with our great trade partner, the United States, we must remember that relations with that country ought, in any case, to be regulated by extending the range of issues dealt with under GATT. As we all know, one of the instruments which countries have used since 1971 to change the conditions under which they trade is devaluation, so it is useless to conduct lengthy negotiations to achieve reductions of 5% or 10% in agriculture or in customs duties if there is suddenly a devaluation of the dollar which enables traders to regain a position of artificial competitiveness, with chaotic results. In a situation of monetary chaos, we shall, of course, carry

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on negotiating in GATT, but there will always be a point at which we have to say 'Stop' and adopt measures, not because a particular product is less or more competitive but because a sudden monetary manoeuvre has slashed its price. In circumstances where the real things at stake are economic recovery, the achievement of monetary stability and the prospect of growth, things which, in contrast to the position in the fifties and sixties, are no longer the concern of the developed countries alone, GATT will continue to reduce the mass of obstacles which separate even countries whose trade relations should be normal, but the solution of the real issues involved demands a fresh political outlook. We shall be talking about that again tomorrow but, at the moment, it is not to be found in the Community or the industrialized countries.

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission. — (D) Mr President, I am grateful for the suggestions, criticism and support. I should like to start by expressing regret that the information made available to this House was clearly not sufficient. I have arranged with the chairman of the Committee on External Economic Relations to have a full discussion on these specific questions in committee in the near future and I think that we will then be able to consider some of the problems raised in the debate more systematically and in greater depth. I appreciate being given this opportunity.

Mr Spinelli has just said that the real problems are much greater and lie elsewhere; they cannot be resolved in the GATT negotiations. It is true that what we are doing is only part of the story: we are trying, in a particular international institution and organization, to solve specific problems which come within that institution's terms of reference. We are not claiming to be able to solve everything else at the same time, though we may perhaps make some contribution which could serve as a model for other areas.

I should like to deal with certain questions which have received particular emphasis today. First, there are the developing countries. Since the debate on the negotiations in the Tokyo Round was stepped up about 18 months ago, we have endeavoured to keep the developing countries regularly informed and to involve them in our thinking and decision-making. This has been done both in direct, bilateral contacts and also through our delegation in Geneva, and again in frequent meetings which I held with the developing countries' representatives in Geneva. I am glad to say that some developing countries showed a very positive attitude and had specific contributions to make in especially difficult areas. I am sorry to say that a good number of other developing countries have not yet shown such a positive approach, merely

making general statements, so that little specific progress has been made on a whole range of issues of the kind discussed here today, such as the tariff and non-tariff barriers. Nevertheless, our joint statement does place on record that the contents of the statement form a basis on which we hope all the delegations in Geneva will be able to work with us in the coming weeks and months, so that we can all endeavour to bring the task to a successful conclusion. In this document we have included the essential objective of additional advantages for the developing countries, in particular, differentiated treatment of the developing countries in the tariff and non-tariff areas. I should like to point out here that the question of differentiation is important to us and matches the views expressed by Mrs Dunwoody. For we stated in the document that, while we must make a special effort on behalf of the poorest developing countries, we are also entitled to expect the advanced developing countries, that is to say the countries in which industrialization has made some progress, increasingly to take on the responsibilities which fall to them in this international context. I believe this is only fair and is particularly justified with regard to the least developed developing countries.

Hence it is by no means true to say that we have ignored the problems of the developing countries or have been conducting a campaign for a few industrialized countries or large trading blocs.

The joint statement includes some very clear points on the question of agriculture. I should like to repeat what we said on an earlier occasion, i.e. that the common agricultural policy cannot be the subject of negotiation outside the Community. Any discussion of the common agricultural policy must take place within the Community; it is not — and here I should like to refer to a comment made by Mr Kaspereit — a matter for negotiation. What did we do in the document? in the section on agricultural policy we stated — and I think this is to our credit — that we wished to work for the stable development of agricultural markets throughout the world. That is easier said than done but all the same, it is important that we should have agreed on such an objective.

There has been a good deal of criticism here on the passage on assistance in the agricultural field. Mr Soury has expressed very strong criticism and taken the opportunity to say that we have capitulated in the face of the nefarious influence of American trade policy. All I can say is, this attack on the wording we used might perhaps have been of interest 29 years ago. My honourable colleague is 29 years late; what he quoted was the wording of Article 16 paragraph 3 of GATT, and all we have done is to declare that we want to act in accordance with these GATT rules in the field of agricultural subsidies. What Mr Soury has particularly criticised is also stated word for word in

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the same Article, i.e. in granting subsidies, care should be taken to ensure that no more than an 'equitable share of world export trade' is attained, in other words he is criticising the fact that there is no intention to go for more than an equitable share. I think we should not make it our objective to use subsidies to conquer the markets of the world by forcing others out. To make this our objective would be tantamount to embarking on a subsidy war, and others would respond with similar measures. I am exceedingly doubtful whether we would win such a war. But I also wonder if we are entitled to allow a subsidy war of this sort to be financed by the taxpayer and consumer in our Community, and indeed by the farmer. I should like to say that our aim in framing this formula was the long-term, stable development and security of our agriculture. Our farmers have enough worries as it is; we should take care not to add to their worries by misrepresenting the facts. As far as the non-tariff barriers are concerned, I said in my introduction that we attach particular importance to this area. I support everything that has been said in connection with currency problems. Customs tariffs are in some cases totally insignificant compared with many currency movements and increasingly, as has also been stated here, non-tariff barriers, which are a danger to world trade, have been introduced. I think we can see from this joint statement that we have made quite substantial progress in this sector compared with the position only a year ago. Those who helped to formulate, and have accepted, this document, by which I mean the United States delegation as well, have acknowledged that we must have a uniform tariff evaluation system, and that they are prepared to accept a tariff system which applies to all in the same way. This means that the moment that happens, the American selling price system will cease to exist and that, in my view, is a most important advance.

As regards the Buy American Act, we have made substantial progress in relation to laying down international rules for public invitations to tender. We have not finished with this yet, any more than we have with many other sections. But if we are as successful as we expect, and a large amount has already been achieved, the consequences of the Buy American Act would be largely nullified. That should not be underestimated. I see that Mr Pisani takes a somewhat sceptical view on this matter. Obviously what I am saying here also applies to the American side, which is insisting on the same condition as we are, namely acceptance of the total package.

Secondly, we must recognize the importance of the ratification procedures. Reference has been made to the role played in these matters by the legislative bodies i.e. the American Congress and Senate. Well, we have our own legislative bodies too: the achievements secured by the Commission in negotiating the total package still need to be ratified by the relevant Community Institutions. As I said quite clearly at the

beginning, we are making the acceptance and implementation of our agreement conditional on acceptance and ratification by our partners. That is something which I believe is worth stressing.

It has been said that what we are doing simply cannot cover everything or resolve all of the difficulties, and that GATT is out of date. Well, that may be so; I do not propose to go into the question of whether I agree. Be that as it may, we are at present involved in negotiations in GATT, with a mandate adopted in Tokyo on 14 September 1973, i.e. five years ago on Thursday. That is the basis for negotiation; we have updated the Community mandate of 1975 in numerous discussions, not least in the Council of Ministers. But as we have seen in today's debate, some people seem to feel that what we are trying to achieve on the basis of the Tokyo mandate is too much. The word 'miracle' has been used for such an achievement. How much more miraculous it would be if at this stage we began to bring GATT back on schedule. I think we should try to implement as much as possible of the 1973 Tokyo mandate during this phase, to do so with all speed and then without delay endeavour to strengthen GATT as an international organization, if necessary extending its functions and taking recent developments into account.

But there is one thing on which we should be clear. If we are not successful on the basis of the 1973 Tokyo mandate, then we need not expect to be able to expand GATT in a more ambitious way. If we are successful, we have a good basis for tackling this further and greater task without delay. I repeat, in this regard too, success for our efforts in the GATT negotiations, on which I am hopeful, could also contribute to successful endeavours by the international community in other fields. I do not mean that this would have a direct effect on, say, the monetary field, or on what can be done through the International Monetary Fund. Nevertheless we want to try to achieve the maximum progress and positive cooperation in the field in which we are now operating and for which we are responsible. This might well assist and encourage those in other international organizations, such as the International Monetary Fund, who are also facing difficult tasks.

I think that would be an important contribution, and we are certainly not going to work any miracles in the immediate future. We shall be tough negotiators, with the aim of doing a service to world trade and hence also to the largest trading partner in the world, the Community itself. In these tough negotiations — I use the phrase, as Mrs Dunwoody also referred to them thus — I am very glad to have Sir Roy in my team. You may be assured that we shall increase our endeavour and we shall not give up. We need the greatest possible Community solidarity and we must be sure that we have the whole Community behind us at all the important stages of these negotiations.

President. — The debate is closed.

9. EEC-China trade agreement

President. — The next item is the report by Mr Müller-Hermann, on behalf of the Committee on External Economic Relations, on the trade agreement between the European Economic Community and the People's Republic of China (Doc. 198/78).

I call Mr Müller-Hermann.

Mr Müller-Hermann, rapporteur. — (D) Mr President, as rapporteur for the Committee on External Economic Relations, I should like to confine myself to a few brief remarks. This report is dedicated to an infant which has already learnt to walk. The trade agreement between the European Community and the People's Republic of China entered into force on 1 June this year. Moreover, about a year ago Parliament noted another comprehensive report by my colleague Mr Kaspereit on the opportunities for future trade relations between the Community and the People's Republic of China.

I think we must get used to the fact that the Far East will be an increasing prominent figure in world trade and the international economy. This does not just mean Japan, nor just these countries whose dynamic economic development, has provided us with attractive economic links, if also with all kinds of problems; for the People's Republic of China is moving further into the international arena, and this is a country of 900 to 1 000 million people, a country with tremendous reserves of raw materials. It is a nation with a rich cultural tradition and a high level of intelligence. This country is like a waking giant; we must recognize all the opportunities, and perhaps also the risks, which will arise out of closer economic relations with this vast continental power.

At the present time, the volume of trade between the Community and the People's Republic of China is, from our point of view at any rate, very modest. In the last few years only about 0.8 to 0.9 % of our foreign trade has been with China, while imports from that country amounted to 0.5 % of our total import trade. To Peking, the problem looks somewhat different. Trade with the Community accounted for 12.9 % of Chinese exports and 23.9 % of Chinese imports. To us this country is an attractive trading partner first and foremost by virtue of the size of its population, but also because of its unusually large reserves, which are only now beginning to be exploited; it holds out the promise of substantial development opportunities in the future.

The phenomenon which we have observed in the last few years, and on which Mr Kaspereit reported most convincingly at the time, is the fact that after the cultural revolution and the change of leadership, a new era of development has begun in that country. The period of isolation has been succeeded by one of openness to the outside world, and there is now a

demand for as much of the very latest technology as possible, to make up for lost time by developing at the greatest possible speed. The fifth National People's Congress has set very ambitious objectives, with a large number of major projects in key areas, an eight-year plan for scientific and technological development providing for an annual production increase of about 10 %, with the main emphasis falling on coal, steel, chemicals, oil and the very backward transport sector. We should also remember that the People's Republic of China recently concluded an eight-year trade agreement with Japan, providing for a trade volume of 20 billion dollars and geared to the importation of technical and industrial plant, the plan being to pay for most of these imports with raw materials, mainly coal and oil.

In its discussion of the trade agreement, the Committee on External Economic Relations naturally also bore in mind the fact that Red China, as I will call it here was the first Communist country to recognise the European Community, establish diplomatic relations and open an embassy in Brussels. This encouraged us and the Commission to make certain concessions when drawing up the trade agreement. We are endeavouring to step up relations on the basis of a balanced approach, mutual advantage and complementarity.

I repeat, it is clear that the People's Republic of China is particularly interested in the supply of industrial equipment and technological know-how.

Two questions loom large in the matter of development. First, how is a trade balance to be achieved? This is a question which the People's Republic of China in particular must ask itself. How can it provide goods geared to the needs of the European market? This will not be easy, at least for a transitional period, but if such a trade balance cannot be achieved automatically, or can only be achieved with great difficulty, this obviously raises another question: how is financial equilibrium to be obtained? I believe that this will be a central problem. In the past the People's Republic of China has always maintained the utmost reserve in accepting credit. Supplier credit was accepted on the condition that the balance was restored as soon as possible by reciprocal supplies. But given that the need for technical plant and technological know-how is acknowledged in the multi-annual plans, it will be increasingly difficult to bring about equilibrium in the balance of payments.

Another problem that we must consider, ladies and gentlemen, is one that the Commission has tried to neutralize by the introduction of a clause on prices in Article 7 of the trade agreement. I should like to congratulate the Commission for having managed to include this admittedly rather vague formula in the agreement. The article specifies that trade in goods and the provision of services should be effected at

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market-related prices and rates. This means that exports from the People's Republic of China to the European market are to be effected at market-related prices and rates, though how it will work in practice is still an open question; nevertheless, our experience with the practices of state-trading countries suggests that, in a trade agreement, this is an ideal formula for enabling contentious issues to be discussed at all, and it would be useful to have a similar provision in our relations with the Comecon States as well. Experience of dealing with the State-trading countries has shown that they use the Community's market prices as a guideline but, their over-riding need for foreign currency ensures that, irrespective of costs, their prices are always slightly below our market prices. The result is, as we all know, extensive disruption over a wide area of our economies, and I would therefore recommend you, Mr Haferkamp, to use this trade agreement with the People's Republic of China as the model for future agreements with the Comecon States.

During the visit of the Deputy Prime Minister of the People's Republic of China, Mr Ku Mu, to Bonn I took the opportunity to meet him and asked him specifically: how do you suppose equilibrium can be attained both in the balance of trade and the balance of payments? He replied, 'We have an exceptionally high level of demand in our domestic market at the moment, which we must meet, but in the longer term we want to use the equipment we are buying from you to produce goods which we can then sell to you.'

Mr President, we must beware of excessive euphoria over the prospect of trade relations with the People's Republic of China. Clearly we shall have many opportunities, in tough competition with other advanced technology countries, to sell equipment and capital goods, but we must also face the repercussions which will eventually affect us. The People's Republic of China will become a super-large Hong Kong, so to speak. We shall then be confronted by goods and services produced and sold at very low cost, or at any rate at a much lower cost than we can achieve.

This, essentially, is the problem facing us day in, day out, and I just want to mention it in this connection. The Community must get used to the fact that it cannot expect too much. It wants to sell capital equipment throughout the world, but then expects the goods produced on that equipment to be kept out of our markets.

Mr President, I believe this is a central problem, and one with which we must get to grips at an early stage, since we need a long period of adaptation which we would have done better to complete during the years of high economic growth, since it is exceedingly difficult for us to catch up in the current period of stagnation.

Finally, Mr President, I should like to express the wish that the talks to be held in the Joint Committee

provided for in the agreement are arranged in such a way that Parliament, or at any rate the Committee on External Economic Relations, can take part in them since the extension of trade relations is bound to give rise to a multitude of problems, and that is why it is a good thing that this Joint Committee is incorporated in the agreement, to enable problems to be considered on a permanent basis. It would surely also be a good idea to set up special working parties here, so that the various problems can be dealt with in sufficient detail. On behalf of the Committee on External Economic Relations I should like to ask for the appropriate committee to be consulted, or at least informed, by Mr Haferkamp or the Commission on whatever points prove relevant in these discussions.

In conclusion, Mr President, I should like to ask this House to follow the recommendation of the Committee on External Economic Relations and support the ratification of the agreement.

(Applause)

President. — In my capacity as draftsman of the opinion of the Political Affairs Committee, I can inform the rapporteur that the Political Affairs Committee agrees with the motion he has tabled.

I call Lord Kennet to speak on behalf of the Socialist Group.

Lord Bessborough. — ... On a point of order! I have had this letter from the Secretary-General saying: 'Pursuant to the guidelines on Question Time, the President will not be able to include your question ... The President will give you the floor as a matter of priority ...'

President. — Is it not preferable to call you as spokesman for your group?

Lord Bessborough. — That is not what I was told this afternoon, by the Secretary-General and by others. I will certainly give way, I am happy to listen to the others, but I do not think you have ruled correctly, Mr President, in view of the question which I had down earlier. On other occasions Members have been entitled to speak if their own question has been preempted by a major debate.

President. — I then call Lord Kennet.

Lord Kennet. — Mr President, I will be very brief. I think it must be a matter of satisfaction to all parties in this Assembly that we have at last got round to discussing relations with China, that the European Community, which is among the five great trading blocs in the world, should at last have come in its parliamentary Assembly, after many delays, to a discussion of its relations with the nation-state which has

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the largest population in the world, then the oldest culture in the world, and therefore is potentially — in the future, of course — the largest trading entity in the world, though that is far in the future.

The document before us is a trade treaty and one must, I think, at the outset emphasize the fact that it is a trade treaty and nothing but a trade treaty. And among trade treaties it is in the very minimal form: it prescribes just about as little as it could and there can be no objection to that: it is the first step. I would like — not on behalf of my group, because of course they have not heard him, but personally — to associate myself with everything that Mr Müller-Hermann has said in his speech introducing this admirable report and particularly with his concluding passage, where he said he hoped it would be possible for this Parliament, perhaps through the Committee of External Economic Relations, to be associated with the joint committee which is to be set up under the treaty between the Community and China.

While I am saying that sort of thing, I should make the familiar and indeed routine point that the Socialist Group, although it endorses the report, in general and in detail, does not automatically follow every turn in the thought of Mr Müller-Hermann in his explanatory memorandum. So much is no more than normal.

Since this important treaty was signed, there has been the Sino-Japanese trade treaty, and we have seen once again a demonstration of the fact that one of the dominating facts of world politics today and thus of world trade in the future is the intellectual fight between Russia and China. The Soviet reaction to the Sino-Japanese treaty has been perfectly furious: it is hard to remember an occasion when the Soviet Union in its propaganda, both for internal and for external consumption in the Chinese and Japanese languages, has been more angry. They have certainly been a thousand times more angry about the Sino-Japanese treaty than they have been about the Sino-European treaty, although they have not liked that too much. We must take this into account and draw what conclusions we can. It is a dangerous world and trade treaties have a habit of being harbingers of fuller understandings which come later. One can understand Soviet fears; one cannot of course share them, but one can understand what they feel. For myself, I feel that nothing could be more natural than a trade treaty, a thorough-going trade agreement between two peoples only a few hundred miles apart with a shared culture and indeed even with linguistic features in common in that culture; one cannot wish them ill in an attempt to come closer between themselves.

Finally, of course, I think one must look at the political implications of this treaty and look at them quite straightforwardly. We here have made this Community of ours, for better or for worse, and we in this

Parliament, which is about to become fully legitimate, shall be responsible for continuing the job of construction. We know why we did it: we may think of the overcoming of the old Franco-German difficulties, we may think of our very highest purposes in establishing common economic goals and a common economic consistency among our countries. We now are naturally interested to see other people's reactions to our imaginative and historic effort as we see it. We cannot fail to note that the Soviet Union has so far failed to admit the existence of what we are doing, has failed to enter into any relationship with the European Community, has failed to welcome a peaceful and imaginative construction for our human development — for what reason we cannot guess. We cannot fail to notice equally that the United States does recognize it and welcome it. We cannot fail to notice, now, that China also does recognize it and increasingly welcomes it on a political level. We must be content to allow our feelings toward others to be somewhat conditioned by the reactions of those others to the things which we ourselves hold most dear.

President. — I call Mr Mont to speak on behalf of the Christian-Democratic Group (EPP).

Mr Mont. — (*F*) Mr President, the action which led to the conclusion of a general trade agreement between the European Economic Community and the People's Republic of China will always remain a major landmark in the history of the Europe of the Nine. And the fact that I am addressing this Parliament for the first time fills me with due modesty. China, with 950 million inhabitants spread over more than 9 500 000 square kilometres, is more of a continent than a State. Now it has signed a treaty which is virtually limitless with a partner which it has weighed up and judged, as a group of nine Western European nations, to be a unit with which, to the mutual advantage of both parties, it can open up a huge area of economic activity. That China happens to be a Communist country is a tribute to the enormous progress made by the Europe of the Community and to its attractiveness. There can be no mistake about it, on anyone's part.

Mr Müller-Hermann made a searching analysis of the document, for which we owe him thanks, though I shall not attempt to follow his example. I should, however, like to say how glad I am that, in the section on most-favoured-nation treatment, the two signatories undertook to improve the structure of their trade in order to diversify it further. During the five years of the agreement, which is tacitly renewable from year to year thereafter, great care must be taken to ensure that the gradual liberalization of Chinese imports into the Community does not, for any reason, such as their quality or price, disturb our European market. This is admirably provided for in Articles 3, 4, 5 and 7.

Mont

It is very much to be hoped that, in general, the trade balance clause will be fulfilled by the exportation of oil rather than Chinese textiles. My group also trusts that the financial regulations will operate in accordance with the international rules for the promotion of trade and that the predictable indebtedness of our partner will be the subject, as necessary, of special agreement. Meanwhile, a Joint Committee will be responsible for seeing that the treaty is carried out in good faith and to the mutual satisfaction of the parties. The committee must meet as often as necessary in the common interest, and I should like to remind you, Mr President, of Mr Noé's admirable suggestion that four or five specialized working-parties should be set up to help the Joint Committee to draw up its decisions in precise, effective and consistent terms. This will provide the committee with the requisite resources for successful collaboration in the form of close support over and above the arrangements laid down. We welcome the clause for the promotion of visits by persons, groups and delegations from economic, trade and industrial circles, to facilitate industrial and technical exchanges and contacts connected with trade and to foster the organization of fairs and exhibitions by both sides.

China is opening herself up to the world; we are opening ourselves up to her. But, however admirably worded, a treaty must be judged in the light of its underlying purpose and the likelihood of its lasting the course. In this case, are China's signature and the durability of its commitment underwritten by a policy, a programme and a desire for real expansion? The documents and facts speak for themselves. As regards policy, at the fourth People's National Assembly, in January 1975, Mr Chou-en-Lai, the Prime Minister, launched the great fourpoint plan for the modernization of agriculture, industry, science and national defence. Mr Teng Tsiao Ping backed it up with a list of huge projects to be undertaken. For this he was in disgrace until the July 1977 session of the Central Committee of the Chinese Communist Party put him back in his post of Vice-Chairman. Since the death of Chairman Mao Tse Tung on 9 September 1976, the Prime Minister, Mr Hua Kuo Feng, has shared Mr Teng Tsiao Ping's ideas for the future and, at the beginning of the eleventh Congress of the Chinese Communist Party on 12 August 1977, he declared with conviction: 'By 1980, our country must establish an industrial system and a national economic system which are independent and relatively self-contained. By that year, agriculture must, for all intents and purposes, be fully mechanized, and output in agriculture, afforestation, stockfarming, ancillary industries and fish-breeding must record substantial growth in order to consolidate and develop the collective economy of the people's communes. On the industrial front, we must give an impetus to light industry and, at the same time, do everything in our power to accelerate the pace of growth in the basic industries. To do

this, we shall have to concentrate our forces and embark on a series of energetic campaigns and in this way create the necessary conditions for even more intensive development during the sixth five-year plan.'

There can be no doubt about the political directive. Will it be translated into a programme? On 26 August 1977, Mr Hua Kuo Feng submitted the economic estimates for 1985 to the fifth People's National Assembly, meeting under the auspices of restored unity. They provided as follows: production of cereals, 400 million tonnes; steel production, 60 million tonnes; between 1978 and 1985, the total value of agricultural output will show a yearly increase of between 4 and 5%; industrial output, 10%; between 1978 and 1985, the increase in output in the main industries will, by and large, be in excess of the increase during the previous twenty-eight years. Budget revenue and the proportion of investment appropriations allocated in the State budget to general building for those eight years are, respectively, equal to the whole amount entered under these two heads during the previous twenty-eight years.

He then set out a ten-year plan designed to bring up to 95% the degree of mechanization in the main agricultural industries; to build a light industry for the supply of a wide range of products, based on a fair relationship between price and quality; produce a pretty substantial increase in output per head of the population; put heavy industry on an up-to-date basis and ensure growth in existing industries, with metallurgy, fuel, power, engineering, etc., adopting new techniques — all of which, Mr Feng announces, means the launching of 120 big industrial projects, covering 10 steel-producing factories, 9 non-ferrous metal plants, 8 coalmines, 10 major oil and gas fields, 30 electricity generating stations, 6 new railway lines and 5 large ports. When completed, these 120 projects, will, in conjunction with the existing industrial infrastructure, enable 14 great industrial centres, sensibly situated, to be built. Moreover, the ten-year plan will base development on steel production, strengthen the basic industries and, in particular, accelerate the growth of industries, electricity generation, fuel, equipment and raw materials, transport and communications; apply the principle of the simultaneous development of large, medium-size and small-scale undertakings; and, finally, on the basis of carefully drafted rules, effect a substantial improvement in the scientific and cultural standards of the Chinese nation as a whole. The resources allocated for these purposes are enormous, not least because, before output increases, it must catch up with the recession of the last few years, caused by strikes and other disturbances in the factories which are officially blamed on the 'Group of Four,' the 'gang of saboteurs,' including Mao Tse Tung's widow, Madame Chang Chin (eliminated), and, in addition, by disorganization in transport and elsewhere.

Mont

Old equipment must be replaced, techniques must be improved and undertakings expanded; the demand for steel alone under the plan is enormous. Apart from the contribution made by the fantastic steel-producing combine at Han Chan, near the North Korean border, and various others, like that at Honau, on the Yangtse Kiang, in the middle of the country, China has already increased its imports of steel from about 2 million tonnes per year in 1973 to nearly 5 million tonnes in 1977. The plan which has been laid down is becoming a principle of national life, a resolve, and the policy of modernization is not only underwritten by a plan but is also reinforced by an unshakeable determination to achieve the prescribed objectives, namely, optimum domestic growth and the use of Western techniques. On 6 October, Mr Li Chiang, Minister for Foreign Trade, who signed the treaty between China and the European Community, wrote in the *People's Daily*: 'Our country maintains economic and trade relations with more than 160 countries or territories. Relying on one's own resources does not mean withdrawing within oneself. We must learn from foreign experience.'

On 15 October 1977, China signed two trade agreements with Federal Germany for the delivery of 250 000 tonnes of steel and separate castings for the Huan complex of a total value of approximately DM 260 million. I do not know whether a third agreement worth between DM 200 million and DM 300 million was eventually concluded for the equipment of a coalmine in Inner Mongolia. On 21 January, China signed an outline agreement for scientific and technological co-operation with France, the first of its kind to be negotiated with a Western country. On 3 February, the treaty we are discussing was signed in Brussels and, what is more, on 16 February, China signed an eight-year trade agreement with Japan. Over this long period, Japan will export, among other things, petroleum and chemical plants, equipment for the extraction of coal and petroleum, port installations, and transport and building material amounting to 10 000 million dollars. On its side, China will supply 6 900 000 tonnes of oil during the first year and 15 million tonnes after 1982, one million tonnes of coking-coal up to 1982, with more in each subsequent year in order to reach 4 million tonnes in 1985. What is more, one day after the signature, on 12 August, of the treaty of peace and friendship with Japan, China proposed doubling the volume of Sino-Japanese trade provided for under the agreement of 16 February and thus bringing its value up to 40 000 million dollars.

These two great powers have no doubt their own reasons for raising the level of trade between them to such a pitch; but, apart from the way in which their economies complement each other, we must not forget Japan's technological superiority, which is very marked in the iron-and-steel industry and which helps to bring down production costs and substan-

tially increase productivity. Obviously, compared with this, the volume of business hitherto between China and the European Community had been on a very modest scale. The new treaty will provide a stimulus, but we shall have to satisfy in full measure the earnest hope of increasing the volume of trade which, during his recent visit to Europe, Mr Ku Mu, Vice-Premier of the Peking Government, confided to our rapporteur; and I feel sure that, in present circumstances, the Europe of the Nine is very keen on getting Chinese oil. That is one of the reasons why we are having this debate.

That, then, is the Chinese policy of development and modernization of which the EEC-China trade agreement forms part. The two countries constitute a sound and necessary partnership. My group welcomes this co-operative venture as providing a great opportunity for, we most earnestly hope, peace and prosperity, because, as you, Mr Vice-President, so rightly declared on the day the Treaty was officially signed, our agreement is aimed against nobody.

(Applause)

President. — I call Lord Bessborough to speak on behalf of the European Conservative Group. A question on the same subject was put down for Question Time by Lord Bruce.

Lord Bessborough. — Thank you very much, Mr President. We are debating an agreement which, in my view, should promote the well-being of more than a third of the world's population. If China and Europe want to assist each other to prosper, then the more profound aspects of the human and political relationship may follow and our respective destinies may well be refashioned. The European Conservatives welcome the ratification of this agreement as well as the report by Mr Müller-Hermann. We are grateful to him and congratulate him on its presentation. The rapporteur says that, as China has shown a desire to maintain friendly relations with the Community and fully, recognizes its existence, some effort should be made to accommodate its wishes. That is what Mr Müller-Hermann has said.

Now let us, as other speakers have done, look at the China market, its objectives and the European response. First, China, with nine hundred million souls, enjoys an enormous human asset. China possesses very large untapped mineral resources, particularly in Tibet, according to a recent report by a national geological conference. China has important reserves of coal, and I am told that she will develop ten more Ta Chings — Ta Ching being the well-known oil-field in Manchuria, which I have also visited. Geologists also seem confident that substantial oil deposits exist in the Gulf at Po Hai and in the East China sea. Thirdly, China has always given first priority to agriculture, and from what I have seen of the physical well-being of the Chinese, this is proof of

Lord Bessborough

adequate nourishment. I expect the improvement of agricultural efficiency to continue to rank as a first priority, the other priorities being, as Mr Mont has said, industry, defence, science and technology.

Fourthly, Chairman Hua has spelled out precisely the industrial sectors in which China wishes to invest in order to bring her into the advanced nations by the year 2000. Never before can I recall such precision in market information as Chairman Hua detailed to the Fifth National People's Congress earlier this year. The Chinese people are being asked to achieve a very rapid degree of industrialization in those 22 years, and industrialization on this scale will certainly require unique working arrangements with firms and other institutions of the Community if these same firms are to prosper in helping the Chinese to prosper. Such industrialization can be achieved only by methodical organization. Community firms and institutions will have to adapt themselves to the planned nature of the Chinese economy if they are to implement the trade agreement successfully. I recognize, of course, that individual firms and nationalized industrial sectors in the Community are already engaged in detailed discussions with the Chinese on a bilateral basis, and already a good deal of trade is in progress. But in my view, if both parties are to derive maximum benefit from the agreement, the task will demand a greater degree of political and economic coordination than perhaps in any other human project.

Consider the far-reaching effects on the Chinese economy resulting from the large-scale introduction of foreign technology and industrial plant. In order to avoid the social and political upheavals which have inhibited previous attempts at industrialization, China will have to adjust and rearrange its domestic infrastructure to anticipate the demands that the operation of new technology will impose. People will have to be relocated and rehoused, they will have to be trained and taught. Progress is evidently being made here when I read that some 10 000 scientists and engineers are already training in the West. But more than this: supporting industries must be built, services must be provided, and it has been estimated that China will have to invest 30 billion dollars for each 10 billion dollars spent on industrial plant. Let us think of the demands that that will place on China's treasury. The burden will be enormous, but it is a burden which will have to be borne without inducing political or social difficulties.

If, therefore, China is to fulfill the hopes and ambitions of its people and if this Community, as a whole and as an entity in itself, wants to participate in that achievement, then firms, officials and we in Parliament must provide the means for a confident and coherent relationship, a relationship on which China's leaders can rely. This is the object of the amendment which stands in the name of my group and which follows up the suggestion which Mr Noè made in our last debate on this subject.

In order to understand the reasons for the amendment, let us compare the Community's trade agreement with China, as Mr Mont has done, with that achieved by Japan, bearing in mind that European Member States are engaged in fierce competition with Japan. Article 1 of the Sino-Japanese agreement provides for an agreement concerning 8 years to coincide with the remainder of China's 10-year plan. The Community's agreement is only for five years. Article 2 of the Sino-Japanese agreement envisages a total two-way trade, I think Mr Mont said, of 20 billion dollars, the Chinese supplying Japan with their much-needed oil, coking-coal and steam coal. The Sino-Japanese agreement was accompanied by the following Chinese shopping-list for 20 billion dollars: one integrated steelworks, to produce 3 million tons annually; a colour television manufacturing facility; a synthetic leather factory; one copper-refining plant; a factory to manufacture coal-dressing equipment; a chemical fertilizer plant; a petro-chemical complex; a factory to manufacture insecticides; a factory to manufacture earth-moving machinery; an aluminium refining plant; a facility for manufacturing new construction materials; a factory to manufacture containers and container trucks; and a contract to repair three iron-and-steel works. I hope very much that Mr Haferkamp in his forthcoming visit to Peking will return with an even better shopping-list than that.

The point that the Commission and governments will, I hope, recognize is that the Chinese market is so large that individual Member States or individual firms cannot meet China's need; still less can they compete with the Japanese; but together, Community-firms could organize themselves effectively under the right European umbrella ...

Although I had the foresight to send the Commissioner a copy of my notes in advance, I do somewhat regret that he is not listening to me because some of them have perhaps been altered to some extent. The noble lord from another place, I see, is now moving away from the bench of the Commissioners, and is not going to interfere with the Commissioner's possibility of hearing what I have to say.

Well, the Japanese have organized themselves to supply a major share of Chinese needs. They have been supplying up to 25% of their needs in the seventies, but it is clear that by 1980 they will probably be supplying some 36% of their trade. And so confident are our Japanese friends — and I am as friendly with the Japanese as Mr Haferkamp — that they are forecasting a decline in the European Community's share of China's foreign trade, notwithstanding the Community's trade agreement. Well, that is how China and Japan have organized themselves for their mutual prosperity.

Like Article 9 of the Community's agreement, Article 9 of Japan's agreement contemplates an annual conference taking place alternately in their capitals in order to discuss the implementation of the agreement.

Lord Bessborough

Unlike the Community's agreement, Article 8 of Japan's agreement — and I arranged for Mr Haferkamp to have a copy of this agreement — calls for the establishment of a secretariat to handle the liaison and business matters associated with its implementation. Together with the Japanese Industry Federation, the promotional committee and coordinating subcommittee with five working-parties, already mentioned, have now been established. The Bank of China and the Bank of Tokyo are authorized to compile and exchange statistical information in order to monitor progress and deal with any payments problems.

I have, as you know, Mr President, because you are very interested in this question, as you said at the outset, twice ventilated these ideas in this House: on 5 July 1977, and on 11 April this year. The concepts of official and trade working-parties, which again was underlined by Senator Noè, were suggested before the content of Japan's agreement with China was announced on 16 February this year. But where are our working-parties? Are they being set up? No! When will the Community have its own representation in Peking, as the Chinese have in Brussels, as the Community has in Washington and as the Americans expect to establish next year in Peking? Community firms are looking to the Commission to establish the right official and trade interface with Chinese ministries and state-trading enterprises.

On 9 April this year, the Community's trade organizations, which have a special interest in China, met in London. I was there too. They issued a joint memorandum. All these trading interests within the Community welcomed the agreement. They said they believed it would help meet the need for a more concerted approach to the Chinese market and for a mechanism enabling businessmen of the Community to be more competitive and face the formidable challenge of Japan and the United States. Now that meeting welcomed the establishment of a joint committee. It was only proposed, but I do not know whether it has been established yet. They welcomed the establishment of a joint committee and the proposed working-parties. The Community could perhaps structure the working-parties to accommodate China's priorities and plans. Is Mr Haferkamp doing this? I do beg him to give me a satisfactory answer on this. My group's amendment asks the Commission to create the necessary mechanism. Will the Commission respond to our call? How does the Commission propose to concert the activities of Community firms? The agreement with China and I am coming to the end, Mr President — holds great promise for the Community's economy, which is trying to emerge from a prolonged recession. At a time when protectionism around the world is rampant, the Chinese market has suddenly come to the centre of business attention. China's projected imports, which run into billions of dollars, will have an effect on related industries. They could,

for instance, help solve the problems in the Community's steel industry. The British Steel Corporation has already concluded an important contract with them.

Mr President, by approving the agreement and Mr Müller-Hermann's report, Parliament will, I hope, pave the way for a relationship that will continue into the next millenium and beyond. Its successful implementation could lead to European economic recovery and renaissance. But if the joint committee and its working-parties have not been set up — and I know how much the Chinese want them — I would with great regret have to criticize the Commissioner very seriously; not the Commission as a whole but, I regret to say, the Commissioner himself. And when I say this, it is not only my own view which I am very reluctantly putting forward, but also that of many other Members in this House: members of the Committee on External Economic Relations, members of different political groups who have been, I regret to say, not only in regard to this China agreement but on other questions, critical of the Commissioner's activities. I hope therefore he will take account of what I have said and what speakers from other groups have said this afternoon on other subjects and that he will seriously take these criticisms into account and mend his ways.

(Applause)

President. — I call Mr Mascagni so speak on behalf of the Communist and Allies Group.

Mr Mascagni. — *(I)* Mr President, while the EEC-China trade agreement was being drawn up, our group took more than one opportunity of making clear its wholehearted agreement and satisfaction with the action taken, the way in which the negotiations were conducted and the unmistakable political interest shown by public opinion in our various countries in an event which can only be described as historic.

Now that the agreement is signed and in force, we can only re-affirm our approval and our conviction that this act represents an important contribution not only to world trade but, I venture to say, to the difficult operation of removing tension between nations, to understanding between States with different forms of government and to the elimination of those mischievous and irrational prejudices which have for too long prevented exchanges between the Chinese People's Republic and our own countries and, moreover, have made it impossible for common action and joint responsibility to be established for the solution of the enormous, awe-inspiring problems which endanger mankind.

I am not going to discuss the technical merits, so to speak, of the agreement or the various features which were explained so clearly by the rapporteur, Mr Müller-Hermann. I am not going into them because, instead of attempting an appraisal of the individual clauses of the agreement, what we want to do before

Mascagni

anything else is to pay tribute to the deep political significance of the bilateral initiative and its successful outcome. In emphasizing its great political significance, we are certainly not unaware of the possibility that certain people may read things between the lines of the agreement which will suit their particular book, in relation to future developments. We are well aware that there are not a few people who, in the relations between China and the Community, are inclined to seize the opportunity of mischievously exploiting grounds for disagreement or misunderstanding which can still be a source of discord between nations who have provided mankind with new and historic experiences, even though those experiences have certainly not been uniform or free from inconsistency. There are many people who, far from being idealists, think only in terms of self-interest and regard the agreement as the source of material gain and nothing else. We, on the other hand, are fully convinced that, as lovers of peace and human progress, the great mass of workers and decent people will greet the event from a different, more civilized and enlightened standpoint.

China is emerging from a period of difficult and confusing experiences in its political life, and its attitude to the Western world is one of realism. The recent visits of President Hua to Romania and Yugoslavia must be regarded as events full of promise and hope. Naturally, we feel it right and proper to emphasize those aspects of the meetings which hold out hope of future developments rather than rake up the remnants or platitudes of a bitter ideological and political controversy which, as Italian Communists or, to use the term now in fashion, as Eurocommunists, we want, in conjunction with the massed forces of progress throughout the world, to make a thing of the past.

Mr President, it is with this interpretation of events, this spirit and this general attitude that we welcome the agreement which has been concluded and which creates new and better conditions for relations of friendship between the Community, the democratic forces on which it rests, the working people of our countries and the Chinese People's Republic.

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

Mr Kaspereit. — (*F*) Mr President, the agreement which came into force a short while ago on 1 June is undoubtedly noteworthy in many respects. To be sure, it is only a trade agreement and not a framework agreement dealing with trade and cooperation. Of course, its provisions are routine: a 5-year non-preferential agreement with a most-favoured-nation clause, provision for the progressive abolition of trade restrictions, a friendly consultation clause, a joint committee — in short nothing very new. Nevertheless, the Group of European Progressive Democrats welcomes the establishment of relations between the world's most popu-

lous country and the largest trade entity in the world. But it considers, as you certainly also do that the establishment of these relations is just the beginning. The following questions, therefore, arise: where are we heading? Where will all this lead us to? What should we expect from this agreement?

It seems to me that three observations could be made. The first is that China is the first major state-trading country to recognize the Community as an entity in its own right. The second is that China has very valid economic reasons for establishing close relations with the Community. The third is that China is now trying to be part of a multipolar world, one part of which is Europe. In other words, the importance of this trade agreement, which is in fact very limited in scope, lies in the nature of the partner and in the prospects it holds out.

Turning to the first observation, I would say that China's recognition of the Community is worthy of note because it is by and large the first true recognition of the Community, apart from the latter's participation in various international bodies. It is therefore a success for Europe, even if a somewhat negative success, since we owe it more to our partner's determination than to our own action.

As to the second observation — economic reasons — the Chinese are trying to achieve in 23 years a level of industrialization which the European nations took 100 years to attain. By 1985, they plan to mechanize 85 % of their agriculture, produce 401m tonnes of wheat, set up light industries for consumer goods and expand their heavy industries. But I doubt that this ambitious programme can be accomplished within the time stated, considering the centralized bureaucratic system that prevails in China. In order to achieve these goals, China needs our technology, our knowhow, our turnkey plants, etc.

With regard to my third observation — which is political — we need to examine the situation carefully. The Chinese leaders have on several occasions expressed their desire to see a strong, united and enlarged Europe and no one has forgotten Chou En-Lai's policy of replacing the hegemony of the US and the USSR by a multipolar world set-up characterized by a balance between the five leading powers: the United States, Russia, China, Japan and the European Community. After Chairman Hua Kuo Feng took over he asserted, not long ago: 'We support the countries and the peoples of the second world in their struggle against the hegemony of the super powers. And it is true that China sides with every movement that is against hegemony. Quite recently, Teng Hsiao-ping announced that his country was in favour of an African peace-keeping force. 'The Government and people of China,' he said 'resolutely support the just and united struggle of the African peoples against hegemony, imperialism and colonialism'.

Kaspereit

For centuries, I would even say from time immemorial, China has not turned inward on itself, because its trade with the West dates far back, but its interest in the outside world — wasn't it once the middle kingdom? — is not guided by expansionist ambitions. The conflicts in which it has found itself have always been provoked by other countries and not by it. It is difficult to point to any record of large scale Chinese invasions.

It therefore appears that its isolationist policy, upheld during the cultural revolution, has been abandoned and that its presence is now being felt on all fronts — political, military and economic. The agreement we have just signed is an example of that change. But I would say that an example of an even more radical change is the Sino-Japanese treaty. China is becoming receptive to external influences and there is nothing more natural than for it to establish links with Japan, a country with which it has so much in common — be it history, thought or simply script. But it is a political event which the agreement with the Community should not make us forget and I call on you to give thought to the consequences of this matter, at a time when the USSR has been forced to ease some of the pressure it has been exercising from its territories bordering on Asia and when Japan has become one of the economic giants of the world. The few ideas I have put forward have already attracted some comments and have been analysed. I think that we should, from now on, keep them in mind. What, then, should we do?

I think that, for our part, we should continue to follow the path we have taken. First, because China is a potential market which could already be said to be unpredictable but with indisputable potential — and here I am replying to some of my colleagues who sounded to me rather lyrical in their assessment of our future relations with China. Second, because the world which is still experiencing the consequences of the Yalta agreements, though they are being challenged continually, has followed another road, and lastly because China's attitude is each day assuming increasing importance and Europe cannot afford to be absent from the great international debate that is just beginning.

President. — I call Mr Radoux.

Mr Radoux. — (*F*) Mr President, this is not the first time we are discussing the agreement the Community has signed with China and I would like to remind you of all the good things that I have already said about the provisions of this agreement.

I wanted to reaffirm my views today for two main reasons: first, because the People's Republic of China now has complete freedom of action as a State and, second, because the Community's desire is to maintain normal relations with all the nations of the world and it is pleased to have been recognized as such.

I have asked to speak today because I want to make a specific point concerning the report itself, which I approve. With regard to the resolution, I would like, in my capacity as a member of the Political Affairs Committee, to say how pleased I am at the inclusion of a paragraph relating to the promotion of mutual visits by persons, groups and delegations from Chinese and West European economic, trade and industrial circles.

But I cannot go along with certain paragraphs of the explanatory statement. I hope that Mr Müller-Hermann will understand my objections, especially as I am in agreement with his motion for a resolution and the sections of his explanatory statement dealing exclusively with the nature of the agreement.

We all know that a resolution is one thing, that its explanatory statement is another and that our vote is not on the explanatory statement. But, the statement is part and parcel of the resolution and whoever picks up the document is supposed to have read the whole of it. I note that no less than seven paragraphs of the explanatory statement are devoted to a description of internal policy events in the People's Republic of China. And the last paragraph speaks of 'cooperation' (meaning cooperation between China and the Community) 'between two powers which, though until recently existing in separate worlds, are now fast becoming aware of their common interests in the face of the challenges and dangers of this last quarter of the twentieth century'.

Mr President, very much has been said with very little substance. The nature of these interests is not specified and each time that a quotation of Chinese origin has been made in the explanatory statement, I have been pleased to note how prudent our Chinese friends have been when referring to the Community which, thus far, has remained an economic community.

On the whole, Mr President and honourable gentlemen, I do not consider it wise to delve into considerations of a political nature when talking of our economic and trade relations: our Community maintains relations with States. My remark has been made in the interests of the two signatories to the agreement, both as a result of the respect we hold for the people of the People's Republic of China and because our Community has always sought to act in such a manner as to appear credible when we assert that we want it to be one of the most important factors of stability in the world.

President. — I call Mr Brugha.

Mr Brugha. — Mr President, in welcoming this agreement, the first between the Community and the People's Republic of China, one would hope that it might be the beginning not only of the development of trade potentially beneficial to both parties, but also

Brugha

of more normal political, social and economic relations between the Chinese people and the people of the European Community. I think that this development is in a sense a fulfilment of the spirit of the Treaty of Rome, and I hope it is not over-optimistic to believe the Chinese authorities may have recognized the sincere and peaceful intent embodied in that treaty which is now our charter. Only time will reveal the long-term consequences of this action on the part of the Chinese, but speaking as an Irish member of the Group of European Progressive Democrats I am particularly pleased that this historic agreement has been signed.

I consider it appropriate to mention that at an earlier bilateral level my country has always sought to encourage good relations with the People's Republic of China: indeed, we were in the forefront in working for the admission of China to the United Nations at a time when such views were not shared by many other nations.

Under the new leadership of Chairman Hua, we see a country opening its doors to the Western world, a country in the process of building a strong economy. China recognizes the need to work in partnership with Europe and not in isolation on its own. Other speakers have referred in detail to what China represents in economic terms and to what the potentials may be. To be as brief as possible, I would single out China's need to obtain modern equipment for its agricultural programme as offering valuable prospects to the Member States. And following the signing of this trade agreement, the Member States are in a good position to aid China, which, to all intents and purposes, will be a new market.

There is a huge scope for expansion in trade and, as Members have pointed out, in the past twelve months the total amount of goods exported to China from the Community was well under 1%. In 1975, China gave great prominence to its four-point modernization programme. This programme centred on agriculture, industry, national defence and technology. Earlier this year, a more ambitious programme was presented in order to achieve China's commercial objectives. China has greatly extended its development programme to include energy, materials, steel and raw materials, computers, lasers, space, high-energy physics and genetics. Each of these areas of activity must provide the Community Member States with many worthwhile opportunities. At present, 90% of the Community's exports to China are made up of machinery, industrial equipment, transport equipment, other manufactured articles and chemical products. By comparing the range of goods we presently export to China with China's second development programme, we can see that there are much greater opportunities for EEC manufacturers, from agricultural products to the rapidly-expanding market for computers and engineering requirements.

I fully support this agreement and congratulate the Commission and Mr Müller-Hermann on his excellent report. I might draw particular attention to Mr Müller-Hermann's references to the price clause in Article 7 and his further comments to the effect that this might be included in future agreements with the Comecon countries. It is of particular importance, I believe, that the price clause in Article 7 be operated. I believe such a clause is essential in any agreement between a state-trading country such as China and the Community, because of the fact that in Community industry prices are related to the cost of materials and production, whereas state-trading countries are at liberty to charge any price on exported goods that they choose to decide on. I hope this clause will enable the Commission to establish realistic prices for the sale of Chinese goods coming onto our markets. I believe this is essential so that our workers are protected against the kind of disruption and unemployment that has arisen in recent years from the flooding of Community shops with low-cost goods from certain other areas.

I again would like to compliment the Commission on the signing of this agreement.

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission — (D) Mr President, we had a debate on this subject in this Parliament on 11 April of this year, a few days after the agreement was signed. On that occasion we underlined the political importance of this agreement and discussed the economic outlook. I am glad to be able to note that the same ideas have come to the fore today and that today's debate has confirmed everything that was said in the previous debate. This testifies to a certain consistency in the approach of this Parliament.

It was also made clear on that occasion — as Mr Kaspereit has reiterated today — that this trade agreement, though of limited scope, is an important one and that it constitutes a framework which will have to be filled out in practice. I just wished to make those preliminary remarks.

I should now like to say how pleased we are that the conclusion of this agreement between the Community and the People's Republic of China has aroused so much interest both in this Parliament and in the general public.

We welcome the report which has been presented here today. It is an excellent document on this important subject. It constitutes a useful description of the development and history of the negotiations and relations between the Community and the People's Republic of China and contains a sound analysis of the agreement. The Commission has nothing to add to it.

Haferkamp

We agree with the main points contained in the motion for a resolution. We too believe that the agreement constitutes an extremely important milestone in the strengthening of ties between the People's Republic of China and the Community.

I should like to make specific comments about two points. I think there is some danger that paragraph 4 of the resolution might give the impression that the agreement is mainly concerned with the sale of products of Chinese origin on Community markets. I think we agree that there will not be merely one-way traffic here. Indeed it came out clearly during the debate that the agreement will also be offering opportunities to the Community to sell its products on the markets of the People's Republic of China.

Paragraph 7 mentions the possibility, in connection with the price clause provided in Article 7 of the agreement, of protecting ourselves against imports at political, non-market-related prices. Here too it is necessary to point out, in order to avoid misunderstandings, that there can be no question of our making the assumption that politically manipulated prices are being used. If price disparities occur, then this is unquestionably the expression and result of the system of varying price formation. I say this to clarify matters and to avoid misunderstandings.

I should now like to address myself to a number of questions which have been put to me here, in particular by Lord Bessborough. He asked when a Community delegation and a Community representation would be set up in Peking. I would remind you of the words of Lord Kennet, who said that this agreement was to be regarded as a first step. There is no reason why a later step might not be the establishment of a delegation in Peking. Personally I think it would be useful and desirable. As to when this could be done, no answer can be given at the present time. It depends on developments.

Lord Bessborough also put a question to me on the matter of the working parties under the Joint Committee. Now, neither my powers nor those of the Community go this far, as the final sentence of Article 9 says :

where both Parties consider it necessary, the Joint Committee may set up working-parties to assist it in its work.

We cannot put the cart before the horse. The first step is to set up the Joint Committee for Trade pursuant to Article 9 and then we shall see what this Committee decides to do about working parties in accordance with Article 9.

In this connection I would refer you to the statement I made on this subject on 11 April. When the text says that both parties must consider it necessary, this means that we should discuss these matters jointly with our Chinese friends not merely in the spirit of cooperation which we presume to exist here and not only on the basis of the wording in this particular

Article, but in the true spirit in which the negotiations were conducted and the agreement was signed.

I would add that I regard it as extremely important that we have this opportunity of going further than the purely formal framework laid down in the Articles of the agreement to promote encounters between human beings, both within the committee and in other contexts. The agreement states that both parties wish to foster the visits of exhibitions and so on, meetings between people and representatives of trade and industry. I think that this should be seen as something which gives more life to the agreement than it would appear to have at first sight from the actual text. I would repeat that we regard this agreement as a sign of trust between the European Community and the People's Republic of China, as a basis for close cooperation which both sides are convinced is extremely important. In signing the agreement we also pointed out that the spirit of cooperation had determined the existence of this Community from its very inception. We explained on that occasion that we conduct all our external relations in the same spirit of cooperation, that our actions are directed against no-one, and we were delighted to note how much importance the People's Republic of China attaches to European integration. We shall apply this agreement in the same spirit. We shall of course, given the importance of this question and given the great interest shown by Parliament, remain at your disposal for ongoing information on progress in this area.

(Applause)

President. — I note that no one else wishes to speak. The motion for a resolution, together with the amendment which has been tabled, will be put to the vote tomorrow during voting-time.

The debate is closed.

10. Creation of a European Export Bank

President. — The next item is the Oral Question, with debate (Doc. 287/78), by the Committee on External Economic Relations to the Commission, on the creation of a European Export Bank :

On 9 May 1977, the European Parliament, at the end of its discussion of the report on a European Export Bank drawn up by Mr Nyborg (Doc. 66/77) on behalf of the Committee on Economic Relations, adopted a resolution¹ calling on the Commission to reconsider its proposal for a regulation and to publish its revised draft not later than December 1977. During the discussion, Commissioner Tugendhat stated that the Commission intended to respect the deadline fixed by Parliament.

Eight months have elapsed since that deadline and no new proposal has been submitted, nor can any be expected in the near future. Could the Commission therefore indicate :

1. what contacts it has had since May 1977 with the various bodies concerned, national or other, with a view to drawing up an amended proposal ;

President

2. whether it has now abandoned the idea of creating a European Export Bank ;
3. if not, on what date it intends to publish its amended proposal ?

I call Mr Kaspereit.

Mr Kaspereit. — (F) Mr President, I should like to explain why the Committee on External Economic Relations wished to question the Commission concerning the prospects for the creation of a European Export Bank. You will remember that our Parliament has already dealt with this matter on several occasions during the past few months. In fact, on 9 May 1977, on the basis of the report drawn up by our colleague, Mr Nyborg, it adopted a resolution calling on the Commission to reconsider the proposal for a regulation published in February 1976. This proposal advocated the creation of a European Export Bank whose basic task would be to facilitate the joint export of capital goods and services by undertakings located in different Member States. The Commission felt that the creation of such a bank would be the best way to resolve the problems connected with multinational contracts and to promote the harmonization of export credit terms within the Community. I need not go into the details of this project which was discussed at length by our Parliament during its sitting of 9 May 1977, which I have just mentioned. I should simply like to remind you that the resolution adopted on that occasion clearly illustrated the doubts and differences of opinion expressed in our individual groups and countries on the desirability of creating such a body and its power to operate effectively within the framework of the Commission's proposal. Although our Parliament favoured the creation of a bank, it expressed certain reservations concerning the role of this bank and the technical aspects of its organization. These doubts led our Assembly to ask the Commission to reconsider its proposal for a regulation and to publish its revised draft before the end of December 1977. During the discussion Commissioner Tugendhat stated, as we have mentioned in the text of the question, that the Commission intended to observe the deadline fixed by Parliament. Nine months have now elapsed since that deadline and the Commission has not submitted a new proposal. The Commission should not be surprised at the impatience of our Committee on External Economic Relations. I would remind you that as long ago as 19 January 1978, Mr Martinelli asked the Commission to explain the reasons for this delay. On that occasion Mr Haferkamp replied that there were two reasons why the Commission had been unable to keep to the deadline fixed by our Parliament: firstly, most of its work had been aimed at renewing the international gentleman's agreement on export credits; secondly, it had then been obliged to consult several national

experts from the various economic circles, concerned before proceeding to revise its proposal. We hope that these consultations are now over and that the question from the Committee on External Economic Relations will provide Commissioner Haferkamp with an opportunity to discuss this extremely important issue in detail.

Are the present difficulties and delays due to lack of political will to create this new body? Has the Commission reason to think that such an undertaking would not serve any useful purpose? These, Mr Commissioner, are the questions which we would like you to answer. Since the Commission has taken so long to reply to our Parliament's question it is to be hoped that your answers will be complete and will give us a concrete picture of the difficulties and the problems.

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission — (D) Mr President, on 9 May 1977 Parliament adopted a resolution on the Commission proposal on the creation of a European Export Bank. On that occasion Parliament regretted the lack of progress in the field of external trade financing and insurance. It urged further harmonization of national export credit practices. Parliament made three practical suggestions in connection with the European Export Bank proposal: firstly, that the possibility of integrating this activity into those of the European Investment Bank should be investigated; secondly, that the activity of the European Export Bank should be coordinated with other Community policies, and finally that a list of selection criteria should be drawn up. Parliament requested that the Commission proposal should be amended to this effect by December 1977. In the debate on 9 May 1977 my fellow Commissioner, Mr Tugendhat, stated that the Commission accepted Parliament's position, that additional work was necessary on the relevant Commission proposal and that the Commission hoped to complete consideration of it by the end of 1977.

I should like to take this opportunity today of informing Parliament what progress has been reached with the proposal on the creation of a European Export Bank, and the problems facing the Community in the field of export financing in general.

As you know, the Commission submitted its proposal on the creation of a European Export Bank to the Council in February 1976. Parliament delivered a fundamentally positive opinion on it on 9 May 1977 but hitherto no serious discussion of the Committee proposal has yet been held in the Council. The only discussion of the subject was held in the Monetary Committee in July 1977. The Commission cannot therefore at present assess whether the Council is on principle in favour of the creation of a European Export Bank.

¹ OJ C 133, 6 June 1977, p. 13.

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We feel it is necessary for the question whether the proposed European Export Bank has a political chance of materialising to be cleared up in the near future. We are thus awaiting a full discussion in the Council and the adoption of a stance by that institution. In the last 12 months, as I have already pointed out several times, the Commission has had to give priority to other export policy questions, in particular the problem of credit conditions granted by industrialised countries in respect of exports. I refer to the arrangement agreed upon at the end of 1976 between the USA, Japan, the Community and other countries concerning maximum redemption periods and minimum interest rates for medium-term export loans. This arrangement was renewed at the end of 1977 and we believe that it made a quite significant contribution to improving the competitiveness of Community undertakings on the world market and helped to avert the danger of competition among finance ministers — which would have been detrimental to everyone — for export credit and export credit terms.

As regards the three specific suggestions made by Parliament on 9 May with regard to the European Export Bank, I should like to make the following comments. There are a number of arguments bound up with banking practice and the statutes of the bank against integrating European Export Bank activities within the European Investment Bank. The European Investment Bank was set up primarily to finance internal Community investment projects. An export bank necessarily works according to different business principles from an investment bank. It might of course also be possible to attach a separate department to the European Investment Bank with its own guarantee capital for these specific activities and it should be investigated whether the advantages accruing from such incorporation within the EIB are really as considerable as some people think. However, the question of the possible integration of the European Export Bank within the European Investment Bank should not be seen as a question of principle but should be solved pragmatically.

Whatever organizational solution is found for the relationship between the European Export Bank and the European Investment Bank, we believe that it is not absolutely essential to draw a clear line between their respective activities. This distinction flows from the very nature of banking activities and insofar as the European Investment Bank finances investment projects in third countries, it might well be desirable for it also to participate in the financing of these projects by granting supplementary export credits.

Nor would it appear vital to coordinate the European Export Bank with other Community policies since the former would in any case only contribute to the financing of major export projects in which undertak-

ings from several Member States were involved. It will therefore probably be necessary to concentrate on major projects but at the moment it is difficult to say whether the European Investment Bank should confine its activity to certain industrial sectors.

The reticence which the author of the question believes the Commission has shown in the past twelve months with regard to the European Export Bank does not mean that we are not interested or not sufficiently interested in the matter. The comments I have made today show that we do attach importance to this question and that we are making serious efforts to solve the difficult problems involved or find answers to various questions. We have not abandoned our plans for the setting up of such a bank. Our proposal of February 1976 is still on the Council desk and we are maintaining it. We are of course prepared to adjust and expand this proposal. In doing so we shall not be guided merely by considerations of banking practice and the question of statutes. We shall also have to take account of the latest developments in the field of Community monetary policy on which the Commission departments are currently concentrating, since clearly — as had been said on other occasions — monetary development questions are a crucial factor in such banking activities.

Obviously, a further step in the direction of a European monetary system would facilitate the creation of a European Export Bank from the point of view of technical monetary problems such as exchange rates, interest rates etc.

Given this situation the Commission is not able at the present time to say whether it will be submitting an amended proposal on the European Export Bank. We are naturally willing to discuss the issues involved with you at committee level. We shall be grateful for any advice and any support in this complicated matter.

President. — I call Mr Dalyell.

Mr Dalyell. — Mr President, at 10.20 at night, we have a new departure from policy announced: anyone who listened carefully to Mr Haferkamp must know that the Commission in fact have abandoned this project. Indeed, if they had not abandoned this project, why did not they put something in the 1979 budget to support it?

Mr President, you are familiar with the history of the Netherlands and the House of Orange. May I remind you of that story of one of your opponents in the 17th century, the Duke of York, who marched his army to the top of the hill, and then marched it down again. Some of us feel precisely in the position of that Duke of York's dragoons, because the truth of the matter is that the Commission — some of us were sceptical to start with — through Christopher Soames, through Liliana Archibald, persuaded us that an export bank

Dalyell

was absolutely necessary for this Community. Indeed, if then became the agreed policy of this Parliament, and as late as 1977, the budget Commissioner, Mr Tugendhat, said that he would bring revised proposals by the end of that year. This was a clear undertaking that was given. But it is quite clear from what Mr Haferkamp has just said that the idea of the export bank, for some reason or another, has been rejected. Otherwise, Mr Commissioner, you would not be talking about a separate department of the European Investment Bank.

Mr President, it is late at night, the staff has been here a long time, you have been a long time in the Chair. May I make one suggestion, that we have a clear undertaking from the Commissioner, because this is not a thing that can be done at 25 past 10 at night, that he is prepared to come to the appropriate committees of the Parliament, to the Committee on Budgets and indeed, if they invite him, to the Committee on External Economic Relations, and have a serious discussion with us as to why there has been this change in policy? I am not automatically condemning it — there may be good reasons, the pressure of national governments may have been overpowering — but nevertheless, after all the water that has flowed under the bridges, the Parliament deserves to have a proper explanation that can only be done in committee. Mr Commissioner, are you prepared to come along to the Budget Committee at your early convenience and have a proper discussion on it?

President. — I call Mr Martinelli.

Mr Martinelli. — Mr President, I must confess that I am amazed at Vice-President Haferkamp's reply and equally amazed — with all due respect — at the proposal made just now by Mr Dalyell.

We are here to consider a question which should conclude a long procedure which up to now has only brought criticism of the Commission's activity in this area; how, Mr President, can we end the discussion now when we have already started to consider the matter and those who have entered their names on the list of speakers are waiting to express their opinions?

President. — I call Mr Dalyell.

Mr Dalyell. — Mr President, I must make it clear that I would not be a party to cutting out any colleagues, Mr Martinelli or anybody else. It may have been my own procedural ignorance, but my proposal was simply to get a clear yes or no from Mr Haferkamp as to whether he would come to the Committee on Budgets. The last thing I had intended to do was to silence any colleague.

President. — The debate is therefore continued.

I call Mr Martinelli

Mr Martinelli. — Mr President, as I have already said, I am amazed at Mr Haferkamp's reply just now. I must say that I find it very strange that, as a member of the Commission which made the proposal and after his colleague, also speaking on behalf of the Commission, had agreed to submit a new proposal in response to Parliament's opinion, he should take on the role of scapegoat — as Mr Dalyell very wittily remarked — to come and tell us now that his views were mistaken.

On 9 May last year, the Assembly considered all aspects of the question in a wide-ranging discussion and expressed its support for the creation of a European Export Bank. Among the arguments discussed was the possibility of setting up a special department in the European Investment Bank instead of creating a European Export Bank, thus avoiding the establishment of a new Community institution, but the Assembly agreed that the functions of an investment bank were very different from those of an export bank. Mr Haferkamp's colleague from the Commission observed at the end of the discussion — and I quote — that he 'came here armed with a number of arguments in support of the idea of the European Export Bank... but after listening to the debate' he had been 'extremely heartened by the fact that support had come to the idea from every angle of the House'.

It is true that the Commission has changed the person responsible for this sector and that as the old Latin proverb says, *tot capita tot sententiae*, but as my colleague Mr Dalyell has said, we need to have a frank discussion to find out why exactly, after expressing its full approval through Mr Tugendhat when replying to my question last January, the Commission used discussions with Member States and the conclusion of the gentleman's agreement as a pretext for its failure to make progress on this matter. Why were these arguments not put forward then? Instead, we were given to understand that although the Commission had been unable to keep its promise to Parliament, it still intended to submit a new proposal to resolve the technical problems which had been pointed out as soon as certain difficulties had been removed.

I do not wish, Mr Haferkamp, to criticize your activity within the Commission, but do you not think that the creation of a European Export Bank is very relevant today? Just a few moments ago when speaking of the prospects for relations with China, Lord Bessborough pointed out the need for coordination between the European industrial and export interests. Even though he did not specifically mention the European Export Bank he referred to the body whose establishment Parliament has approved.

I do not intend to proceed any further with this argument but I must say that I do not agree with the proposal by my colleague, Mr Dalyell, for which I ask

Martinelli

his forgiveness. The Committee on External Economic Relations has urged the Commission to submit the proposal...

President. — Mr Martinelli, you were only allowed five minutes' speaking-time.

Mr Martinelli. — .. please let me finish... I only want to say that I think the best thing is for the Committee on External Economic Relations to submit an own-initiative proposal which will enable Parliament to speak with greater authority.

President. — I call Mr Baas.

Mr Baas. — (NL) Mr President, I regret that this important subject is being debated in such a charged atmosphere. My impression is that we have already got on to a subject we are to debate tomorrow — namely, relations between the institutions. But now that Mr Haferkamp says that the Council has not yet had any serious discussion about the Export Bank proposal, it is not the Commission which we must ask for further explanations, we must ask the Council whether it has any serious intention of doing anything. I do not completely agree with Mr Haferkamp when he says that we must wait until we have a discussion of principle; but it is, of course, true that if the Council does not want to discuss something, the Commission cannot force it to. The only thing it can do in those circumstances is, perhaps, to urge the Council to make a statement.

My group supports efforts to set up a uniform system of export financing and credit insurance. That is part of the job of export banks. We do not merely want an export bank to make sums available for multinational export projects; we also want to try to achieve some harmonization. I agree with one thing which Mr Haferkamp said: for me it is not at all a matter of principle; in pragmatic terms the question is whether effective action can be taken on this as part of the Investment Bank or in some other way.

To prevent any misunderstanding, I should like to say, in answer to Mr Haferkamp, that the Legal Affairs Committee is at all times willing to hear the Commission's views on a pragmatic approach but, nevertheless, it would like to ask the Commission to use its influence and authority to persuade the Council to make a statement. If the Council refuses, we still have the opportunity to exchange views here in Parliament. We have reached a dead end, and I hope with all my heart that together we can find the way towards a positive solution.

President. — I call Sir Brandon Rhys Williams.

Sir Brandon Rhys Williams. — Mr President, it is difficult to be sure whether it is the fault of the Council or of the Commission that we are having such a bitterly disappointing debate tonight with so

little progress having been made on a subject on which Parliament has already given its view. It is disappointing that we have to pick up the subject again in order to try to force some kind of activity out of the Commission or out of the Council — whichever it may be — when it is so plainly obvious that there should be progress.

I suppose there is no country in the Community which is not obsessed in greater or lesser degree by the problems of inflation and unemployment. What we are discussing here in connection with the Export Bank is a credit institution which does not create inflation but leads directly on to the production of goods — and not only real goods which are required by the market, but goods required in export markets. Where unemployment is concerned, we all know the difficulty that governments have in creating a climate of confidence and readiness to invest, to innovate, to take risks, and to enter into new commitments and adapt to new markets. We have this lack, which has been voiced in all parts of the Community, of an export credit institution. The Americans and the Japanese have such an institution, but because of the inactivity of the Commission or of the Council, whichever it may be, we are having to continue without this obvious and necessary facility.

I would like to quote briefly, without exceeding my time, from a letter written by the President of the Confederation of British Industry as recently as August of this year. Mr Haferkamp has had a copy of this letter, but I must remind him of what it says:

It is essential for there to be a single EEC institution to help in risk-sharing for credit insurance, financing and co-financing where necessary, and for generally simplifying and accelerating procedures. This need can be met by a European Export Bank, which would accordingly make a significant contribution to the competitiveness in world markets of Community exports. The Community interest would be ill-served indeed if at this time of high unemployment in Europe, opportunities of obtaining important contracts which would generate work for a large number of skilled and semi-skilled workers were lost. Those of our member companies that feel the greatest need for an EEB, from the engineering sector, for example, are located in Europe's worst-hit areas of unemployment.

The main point, however, I wish to register, and which cannot be too strongly emphasized, concerns the lack of activity by the Commission in carrying out the clearly-stated wishes of the European Parliament in this matter.

Obviously we need an Export Bank to handle transactions which are outside the range of national official credit guarantee institutions, perhaps because they involve goods which originate in more than one Community country or even goods from outside the Community altogether. We need an institution to cater for risks which are beyond the range of private

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banks — mainly the long-range risks for 5 years or more, which private institutions are afraid to handle — or for sales to countries where political factors are dominant and no private institution is able to offer sufficient protection. As I mentioned, the United States and Japan have these facilities and we need to act as a Community in our approach to the troubled export markets of Africa, to the difficult but vastly important and growing market in China and also, of course, in our relations with the Comecon countries. I mentioned those markets in particular.

As a parliament, we have to recall the state of our exchange markets. The Export Bank is necessary to help create a background of confidence, which is a precondition for venture trading on an ambitious scale.

We need, also, to consider the problems of the efficient management of an institution of this kind. In a speech lasting five minutes, I cannot dwell on that important subject in the way I would wish, but with regard to the quality of the staff, I believe that the European Export Bank should have a supervisory board on which private interests should be strongly represented.

With regard to what is, perhaps, the most difficult question of all, whether this institution should try to make a profit or at any rate not operate at a loss, I am bound to express the view, and I think that colleagues in my group would join me in this, that while worldwide political and exchange risks are of a totally unpredictable and uncommercial character, it may be asking too much for this European institution to operate on strict accounting principles. But if we are right in thinking that the export markets require support for our industries because of these unpredictable exchange or political risks, then this is all the more reason why the Community should act together and not allow the Member States to continue trying to deal with dangerous problems of our export trade simply as individual nations in competition with each other. I do implore Mr Haferkamp, if he is taking a serious interest in this debate tonight, to realize that we have stayed here to make these points because we really care and we are not going to allow him simply to coast along in a state of masterly inactivity. Europe deserves that the Commission should act and we hope that the Commissioner will take note of what we say.

President. — I call Mr Nyborg.

Mr Nyborg. — (DK) Mr President, unlike previous speakers, I can well understand why Mr Haferkamp said what he has said to us this evening. It is a very difficult question, and I fully understand that it has taken a much longer time than Mr Tugendhat had anticipated to draw up a second, a better and a more reasonable proposal than the first one produced by the Commission. We must not forget that the first proposal we received, which we returned to the

Commission, did not at all put forward what Sir Brandon Rhys Williams was just suggesting — namely, that there should be an institution to perform the tasks which national banks do not have the courage to carry out at the moment. I believe that it is not so much a case of a lack of courage but rather the difficulty of achieving cooperation across borders. The Commission's proposal, however, was that the European Export Bank should form a superstructure over the national banks and that the national banks must be brought in on each individual case. The procedure required by the proposal we received will cause such a delay that, in many cases, we shall just not obtain the trade we set our sights on.

Finally, at that time we told the Commission — and I should like to repeat it today, since I was then the rapporteur on this subject — that what we are lacking is an analysis of the demand. We all have a feeling that there is a need but we don't have any figures, we don't have any analysis and it is impossible to collect that sort of thing in eight days. That is simply not possible. It takes time. We had no forecast of the amount of business such an institution was expected to handle. We only had an idea that Parliament should countersign a blank cheque for the costs which presumably would be involved in an export bank. They did not even wish to put a figure on it and then Parliament said, we cannot help to make out a blank cheque since it is the taxpayer in the European Community who has to pay the money. Therefore we ask the Commission to produce a second, new, better, well-prepared proposal. For me it does not matter whether it takes eight days, eight weeks or eight months longer, just as long as we receive it.

President. — I call Mr Haferkamp.

Mr Haferkamp, Vice-President of the Commission. — (D) Mr President, I am glad this debate has been held. I regard the debate as a whole, and the criticisms made in particular, as most valuable as they have demonstrated Parliament's interest in and commitment to this matter. I should like to make two comments. Firstly, when I said that it was important for us to have a debate on principle and policy in the Council of Ministers, I said this not only because we want guidance but for a number of reasons. Firstly, in such a complicated matter, the complexion of which is constantly changing, it is important for those working on it to know whether they can work in a positive direction or not. In other words, when one observes that those who will have to take the decision have not debated the issue at all for several years, that is not particularly encouraging for those who are having to do the work. We might have made it very easy for ourselves. We might simply have adopted word for word the amendments proposed by Parliament; we might simply have copied them out and handed them over to the Council and said wait and see. I do not know whether our joint efforts would

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then have succeeded in getting the Council to take a decision more quickly. I am therefore grateful to learn that it is also necessary to continue careful preparation of matters of substance. I made the general comment that circumstances had changed, we have extended the gentlemen's agreements and the political bases. We have concentrated on that. We also have other questions to examine in this connection. I mentioned monetary matters. We shall attend to that in the very near future and we shall then have to make joint efforts to ensure that the Council of Ministers deals with the Commission proposal, in whatever amended form, as soon as possible so that we know where we stand. As for the possibility of the Commission explaining the position in the Committee on Budgets, all I can say here is that of course the Commission will do this although I do not think it matters very much who represents the Commission there. This will have to be arranged to fit in with our engagements, but I am sure the presence of a Commissioner will be possible.

President. — The debate is closed.

11. *Agenda*

President. — Mr Müller-Hermann proposes that his oral questions on the introduction of summer-time (Docs 281 and 282/78) be postponed to the October part-session.

Are there any objections?

That is agreed.

12. *Agenda for the next sitting*

President. — The next sitting will be held tomorrow, Wednesday, 13 September 1978, at 10 a.m., with the following agenda:

- European Council in Bremen and Bonn Economic Summit (two oral questions to the Council and Commission on a stable European monetary zone will be included in the debate)
- Reay report on inter-institutional relations
- Joint debate on two oral questions to the Council and Commission on employment in the Community
- Oral question, with debate, to the Council on the place of work of Parliament
- Oral question, with debate, to the Council on bird conservation
- Oral question, with debate, to the Council on border controls
- Reay report on the internal procedures of Parliament

3.00 p.m.

— Question Time (questions to the Council and the Foreign Ministers)

4.30 p.m.

— Voting time.

The sitting is closed.

(The sitting was closed at 11 p.m.)

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IN THE CHAIR : MR COLOMBO

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.

Since there are no comments, the minutes of proceedings are approved.

2. *Documents received*

President. — I have received from the parliamentary committees the following reports :

- a report by Mr Inchauspé, 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 Community tariff quotas for certain wines having a registered designation of origin, falling within subheading ex 22.05 C of the Common Customs Tariff, originating in Tunisia (1978-79) — (Doc. 301/78);
- a report by Mr Amadei, 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 extending the period of validity of Regulation (EEC) No 2862/77 on levies applicable to imports of certain adult bovine animals and beef from Yugoslavia (Doc. 302/78).

3. *Texts of treaties forwarded by the Council*

President. — I have received from the Council a certified true copy of the following document :

- the agreement, in the form of an exchange of letters, rectifying Annex A to Protocol No 1 to the Agreement between the European Economic Community and the Kingdom of Sweden.

This document will be deposited in the archives of the European Parliament.

4. *Agenda*

President. — I call Mr Fellermaier to speak on a point of order.

Mr Fellermaier. — *(D)* Mr President, ladies and gentlemen, on the agenda for today is the report by Lord Reay, on behalf of the Political Affairs Committee, on inter-institutional relations. There is a long story behind this 62-page document which I am sure will one day assume historic significance. It began on 25 March 1973 and ended with the final vote at the meeting of the Political Affairs Committee

on 19 May 1978. The document lists a series of questions concerning relations between the institutions of the Community, and this is at a time when we have not long to go before the direct elections. Consequently, the Socialist Group feels that it should be the task of the directly elected Members to discuss with the Council and the Commission the future development of relations. For this reason, Mr President, our Group proposes that the Reay report be removed from the agenda.

President. — I call Mr Notenboom.

Mr Notenboom. — *(NL)* Mr President, for slightly different reasons I am prepared to support this proposal, especially as the opinions of the Legal Affairs Committee and the Committee on the Rules of Procedure and Petitions have not been sought, which means that this debate would have to go ahead without these opinions, contrary to what had been agreed. Consequently, I feel it would be a good thing if this report were referred back to committee. Our support for Mr Fellermaier's request may be somewhat differently motivated, but nevertheless it is the support of the Christian-Democratic Group.

(Applause from certain quarters)

President. — I call Mr Fletcher-Cooke.

Mr Fletcher-Cooke. — Mr President, with some difficulty, I disagree. I am afraid my colleague Lord Reay is not in the Chamber. That of course is, I agree, no excuse. Nevertheless, I know that he and the Political Affairs Committee have, for a very long time, laboured on this problem, and I would not like this motion to go by default in Lord Reay's absence. And for that reason, I formally object, without any rancour, to Mr Fellermaier's proposal.

President. — If Mr Fellermaier and Mr Notenboom agree, we can discuss this matter at the end of the morning. In this way Lord Reay will have the opportunity of expressing his opinion.

I call Mr Fellermaier.

Mr Fellermaier. — *(D)* Mr President, I am sorry that when a sitting begins at 10 o'clock the House must first of all decide whether something has to be removed from the agenda. In accordance with the Rules of Procedure I have requested that the Reay report be deleted from the agenda after the first report. The Christian-Democratic Group has seconded my proposal. Mr Fletcher-Cooke, deputizing for Lord Reay, has already made a statement. Pursuant to the Rules of Procedure we have therefore heard one speaker for and one against. There is no reason why a vote should not take place.

President. — I see that Lord Reay is now present. I call him to speak.

Lord Reay. — Mr President, this seems to me a rather unsatisfactory procedure. This item has been down on the agenda for a very long time. The agenda was adopted by the Parliament on Monday. Suddenly a proposal is introduced by another political group, without the rapporteur in question having received any warning — I had no notice that there was going to be a proposal to delete it from the agenda. I have not been able to hear the argument put forward to justify this change but I am very much opposed to the removal of the item from today's agenda.

But on a point of order, Mr President, is it not very unsatisfactory that, without any prior notice of any kind, a sudden proposal should be made in the middle of a part-session, to remove an item from the agenda without informing the rapporteur and others?

President. — Lord Reay, while appreciating the political reasons for your comments, I must remind you of the wording of the second paragraph of Rule 12 (2) of the Rules of Procedure :

Once adopted, the agenda shall not be amended, except in application of Rules 14 and 32 or on a proposal from the President.

Rule 32 applies in fact in this case, as Mr Fellermaier put forward the proposal, seconded by Mr Notenboom, to refer back to committee the report on inter-institutional relations (Doc. 148/78). This has been decided.

5. *Welcome*

President. — I should like to welcome to the official gallery a prominent and ardent advocate of the European idea, Mr Ugo La Malfa, leader of the Italian Republican Party. It gives me particular pleasure to welcome him here, as he was a Member of this Assembly in 1954-55.

I should also like to offer a warm welcome to the Secretary of the Italian Liberal Party, Mr Zanone, who is also in the official gallery.

(Applause)

6. *European Council in Bremen and Bonn Economic Summit*

President. — The next item on the agenda is the debate on the European Council in Bremen and the Bonn Economic Summit, included in which, pursuant to the Rules of Procedure, are two identical oral questions tabled on behalf of the Christian-Democratic Group (EPP Group) by Mr Müller-Hermann, Mr Notenboom, Mr Ripamonti, Mr Deschamps and Mr Klepsch and put respectively to the Council and the Commission of the European Communities (Docs. 290/78 and 291/78):

Subject: Plans for the creation of a stable European monetary zone.

1. How do the Council and the Commission assess the results of the European Council meeting in Bremen and of the Bonn Summit, and particularly the plans for a new European Monetary System?
2. Do the Council and the Commission consider a new European Monetary System possible without agreement among the Member States to act in unison to produce economic growth without inflation?
3. What is to be made of the statement issued by the US representative to the Community immediately after the Bonn Summit which referred in admonitory terms to the interdependence of the US dollar and the new European Monetary System.

I call Mr Genscher.

Mr Genscher, *President-in-Office of the Council.* — *(D)* Mr President, ladies and gentlemen, I am pleased to be able to present to the House, in my capacity as President of the Council, the conclusions reached at the two important meetings in July, the meeting of the European Council in Bremen and the world economic summit in Bonn.

In doing so, I can at the same time answer the oral question put to the Council by Mr Müller-Hermann and others on behalf of the Christian-Democratic Group.

At the Bremen and Bonn meetings we endeavoured to find an answer to the challenge we face as a result of the economic and social situation in the Community and throughout the world.

Monetary instability, continuing high inflation rates and unemployment indeed constitute a danger for the economy of the Community.

In Bremen a significant start was made on resolving these problems.

I would not claim that we have found solutions to all the problems. On the contrary we now have to face the protracted and complex business of translating the guidelines worked out by the Heads of State and Government level into concrete measures.

In the monetary sphere, in the energy sector and in the fight against inflation and unemployment it is obvious that the political will exists in the Community to proceed with courage, armed with new ideas. Thus we have produced a comprehensive basis for the future policy of our States. Monetary union, which until recently seemed a mere pipe-dream, can now take on a new lease of life and become established as a feasible goal for the coming years.

If we succeed in translating these guidelines into action at Community level, we will of course also have made a significant contribution to resolving the world's economic and monetary problems.

The European Council in Bremen decided on a common approach to economic policy in order to achieve in Europe a considerably higher rate of economic growth and thus reduce the level of unem-

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ployment by fighting inflation, establishing a greater measure of monetary stability, expanding international trade, achieving progress in the energy sector, reducing regional disparities and stimulating demand.

It was acknowledged that a common approach by means of complementary measures would help to minimize the internal and external economic policy constraints on individual Member States and increase the effectiveness of such measures. In particular the efforts to reduce inflation and disparities in cost and price trends between Member States must be continued. All Member States will adopt this common approach according to the room for manoeuvre under their respective economic policies. Countries without inflation and balance-of-payments problems will do more to increase domestic demand, in particular investment demand and rate of economic growth. Countries with steeply rising prices will first concentrate in particular on undesirable inflationary developments.

This coordinated approach in all areas of economic policy should help strengthen the confidence of investors and consumers in the longer-term growth perspectives of the Community.

In this connection the introduction of a zone of monetary stability within Europe must play an essential part. The European Council established that the creation of a durable and effective European monetary system is a desirable objective and studied the implications of such a system.

The European monetary system examined by the European Council, and on which the Ministers for Financial Affairs are basing their discussions, takes the following form.

In terms of exchange rate management it is intended that the new system will be at least as strict as the snake. In the initial stages of its operation and for a limited period of time, member countries not participating in the snake may opt for somewhat wider margins around central rates.

In principle, interventions will be in the currencies of participating countries. Changes in central rates will be subject to mutual consent. The European Currency Unit (ECU) will be at the centre of the system. In particular, it will be used as a means of settlement between EEC monetary authorities.

An initial supply of ECUs (for use among Community central banks) will be created against deposit of US dollars and gold on the one hand (e.g. 20 % of the stock normally held by the central bank of Member States) and currencies of the Member States on the other hand for a comparable amount.

The participating countries will coordinate their exchange rate policies vis-à-vis third countries. To this end they will intensify consultation in the appropriate bodies and between central banks participating in the scheme.

No later than two years after the start of the scheme, the existing arrangements and institutions will be consolidated in a European Monetary Fund (EMF).

A system of monetary cooperation will only be successful if the Community and the Member States pursue policies conducive to a higher rate of growth and a greater degree of stability.

The European Council at the same time instructed that studies be made of the action to be taken to strengthen the economies of the less prosperous member countries in the context of such a scheme; such measures will be essential if the zone of monetary stability is to succeed.

The Finance Ministers were instructed to formulate the necessary guidelines so that the provisions necessary for the functioning of such a scheme could be elaborated by 31 October. Discussion began at the meeting of the Council of Economic and Finance Ministers on 24 July 1978.

The technical studies continued during the summer recess. The Finance Ministers meet next Monday and again in October with a view to finalizing the report for submission to the European Council so that the latter may take the necessary decisions and make the necessary commitments at its meeting on 4 and 5 December 1978.

We remember how long it is since we first heard the call for economic and monetary union. The first in the early '70s culminated in the so-called 'snake'. The Bremen decisions thus now constitute the first concrete steps towards greater monetary stability in the Community as a whole. If we succeed in creating a European monetary system, we will not only be promoting economic development within the Community and consolidating its integration. We will also have made a significant contribution to resolving the world's economic and monetary problems.

The European Council gave new impetus to energy policy. I will give some of the details when I report on the outcome of the Bonn summit.

With regard to employment, the Heads of State and Government called upon the Council of Ministers of Labour and Social Affairs to decide on measures to combat youth unemployment within the framework of the European Social Fund so that such measures could come into force on 1 January 1979.

The European Council also discussed current questions of political co-operation. In view of the gravity of the situation in the Lebanon, which at that time was giving rise to fears for that country's unity as a State, the Foreign Ministers made a declaration supporting the efforts of President Sarkis. This declaration was welcomed by the Lebanese Government.

The European Council also discussed the problems in Africa, problems which are causing increasing public

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concern in Europe. Apartheid and racial discrimination are unacceptable to us, and we are thus determined to continue to press for rapid and peaceful change in South Africa.

The European Council also reaffirmed its rejection of any attempts to create spheres of influence in Africa. With reference to the action undertaken by some of the Member States in Shaba, it stated that the aims of such action had been strictly humanitarian and that the action had been limited in space and time.

Mr President, ladies and gentlemen, from the European Council in Bremen it is a logical progression to the World Economic Summit in Bonn. Many of the topics discussed by the European Council were tackled in the world context in Bonn.

We note with satisfaction that at the World Economic Summit the voice of the European Community was given the hearing it deserves. From a procedural point of view the Member States were involved in the preparation for the summit and in its deliberations. The Commission and the current Presidency took an active part in the preparatory meetings and the conference itself. Thanks to the careful preparation done at the European Council in Bremen the Community was in a position to adopt a common position commensurate with its economic weight.

Following the two-day summit conference, the Heads of State and Government of the countries taking part put forward a coordinated programme for the stabilization and revival of the world economy. The agreement involves in essence a comprehensive medium-term strategy to create stable growth free of inflation and to reduce unemployment. All of the participating States undertook to effect concrete coordinated measures to this end.

There was unanimous agreement to maintain and strengthen the open world trading system — the indispensable driving force behind economic growth. The Heads of State and Government expressed their determination to refrain from solving existing adjustment problems by resorting to overt or covert protectionism at the expense of their partners in world trade. They thus welcomed the latest round of GATT talks and urged that the multilateral trade negotiations be successfully concluded by 15 December.

The final communiqué of the summit conference placed a positive emphasis on trade relations with the developing countries. In reiterating their desire for increased cooperation with the developing countries in the GATT negotiations, the participants made it clear that the industrialized countries were not planning simply to finalize the GATT negotiations among themselves. Instead, they would conduct these negotiations with a view to ensuring that the interests of the various participants were evenly balanced.

In general, the conclusions of the Bonn Summit demonstrate a forward looking attitude to the Third World.

This is illustrated by the insistence on better access for developing countries to the markets of the industrialized countries. It is also seen in the appeal to the more developed countries of the Third World gradually to assume responsibilities of their own in the world trading system.

The countries participating in the economic summit conference stated their readiness to increase their assistance to countries of the Third World, particularly the poorest of them, and this also applied to future assistance.

The promised to bring the negotiations on a common fund for commodities to a successful conclusion. They will pursue their endeavours to conclude individual commodity agreements and to find ways and means of stabilizing export earnings.

In addition, the Bonn final communiqué stresses the need to protect private investment adequately. Investment protection stimulates economic growth in the developing countries; in particular it makes increased transfers of resources possible.

In the field of energy, the seven countries attending the summit offered the Third World countries increased cooperation. They are prepared to step up their individual development aid programmes in the energy sphere. Moreover, they will make concerted efforts to introduce technology for the use of renewable sources of energy.

The Heads of State and Government at the Bonn meeting laid particular emphasis on the need to save energy in the industrialized countries. Of particular help in the Bonn discussions was the agreement previously reached by the European Community in Bremen to reduce its dependence on imported energy to 50 % by 1985, to limit net oil imports and to reduce the rate of increase in energy consumption vis-à-vis the rate of increase in gross domestic product.

In this connection particular reference should be made to President Carter's pledge to cut back oil imports into the United States and to reduce overall oil consumption. At the Bonn summit President Carter explicitly acknowledged the special responsibility of the United States in the field of energy.

I am confident that taken as a whole these coordinated measures will not fail to have their effect on foreign exchange markets.

The Heads of State and Government agreed — and emphasized in Bonn — that stable currencies and exchange rate parities are necessary. They agreed that their monetary authorities would continue to intervene to the extent necessary to counter disorderly conditions on the exchange markets.

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The United States, Japan and Canada on the whole reacted positively to the monetary decisions taken by the European Council in Bremen.

Let me in conclusion refer briefly to the Bonn Summit statement on the hijacking of aircraft.

The Heads of State and Government agreed to take joint sanctions against any State which failed to punish or extradite hijackers or to return a hijacked aircraft.

No-one should mistake the firm political will behind this statement. Every State must know that it runs the risk of being cut off from international air traffic if it puts the interests of sky pirates before the basic tenets of civil aviation safety which are enshrined in numerous agreements in international law.

The effect of the statement will be all the greater the more States associate themselves with it. The Seven have therefore approached all States with that in view.

The reaction so far has been encouraging. It gives us reason to hope that we have made an important step towards eliminating a particularly dangerous form of international terrorism.

Mr President, ladies and gentlemen, it was not to be expected that the Bonn economic summit would solve the basic problems of international economic development which beset us. However, its decisions — in my opinion — point us in the right direction.

It is now a matter of putting the agreed measures into practice, with conviction and judgement.

If these measures are successfully carried through, there is a good chance that growth will be accelerated and that urgently needed jobs can be created. Success can also rationalize production structures and stabilize currencies. It can check inflation rates and help to stem the economic decline within the Community.

Even now it can be seen that the Bonn summit has released considerable energies and set initiatives in motion. A number of governments have begun in no uncertain fashion to fulfil the commitments which they entered into in Bonn.

The results will — in accordance with the medium-term strategy of the economic summit — be seen in the months to come.

The participating governments have agreed to check that their promises are kept — in the first place at a meeting of personally appointed representatives by the end of 1978 and afterwards at a further summit meeting of Heads of State and Government in the coming year.

The participant States which are members of the European Community further agreed to keep track of the goals agreed upon in the framework of the Community. This has already happened in various Council and Commission bodies.

This exercise has shown that the agreements reached by the European Council and the Bonn world

economic summit meaningfully complement and buttress each other. Both meetings have thus created favourable conditions for tangible success in solving our economic problems.

They have shown the way out of the previously dominant uncertainty into an atmosphere of confidence. Events have shown that in all concerned there is a strong political will to cement this new confidence.

It is the duty of the Community and the Member States to make use of this impetus and in so doing to push forward to the boundaries of the possible in today's world.

(Applause)

President. — I call Mr Jenkins

Mr Jenkins, President of the Commission. — Mr President, this debate on the results of the summits of Bremen and Bonn takes place two months after the meetings themselves occurred; therefore, inevitably, we are not engaged in a *débat d'actualité*, but that, I think, should in no way diminish the importance of the exchanges in the House today. I myself and Vice-President Ortoli for the Commission will intervene later, and I am sure too the President-in-Office of the Council, for whose report we are very grateful, not only wishes, but needs, to hear the views of the House on the crucial issues at stake. The lapse of time made inevitable by the summer break has not in my view diminished the topicality of this debate.

More than on any other occasion that I can recall when two major meetings have occurred close together, the consequences and the necessary follow up of Bremen and Bonn remain at the forefront of European politics. And it is indeed right that they should. For the issues under discussion are basic to shaping the Community of the 1980s. If those of us in positions of responsibility failed to seize the opportunity now presented, a crucial chance would be lost for many years to come.

I do not wish to repeat the comprehensive report which Mr Genscher gave to you. I do not wish to present you with a catalogue of the subjects under discussion or even the results that were achieved under discussion or even the results that were achieved. Those you will have found already in the communiqués, the press statements and articles, of which there have since been many. I would prefer, if I may, to concentrate on a few of the themes that arose on each occasion and to give you my personal impression of their significance and what they imply for the future. Vice-President Ortoli, in his intervention a little later, will concentrate on the current state of preparation of the work for a European zone of monetary stability.

I will begin, if I may Mr President, with Bonn, and then turn to Bremen. That, in a sense, by reversing

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the chronological order, will bring us progressively nearer home. The declaration of the Western Summit of Bonn was more specific than previous summit declarations. The sections on growth, employment and inflation contained which went further than I, and indeed most others, has expected. The position of the European Community as such was enhanced. The earlier agreements in Bremen in respect of both growth and energy were clearly referred to, and throughout the discussions the position and role of the Community were explicitly recognized, I am glad to say that, so far as I was concerned, there was no ambiguity of welcome of the kind that I experienced in London fourteen months before. The Commission had played its full part in the preparatory work, and I was on this occasion present at all the working sessions and able to contribute to the discussion of all subjects on the agenda.

I should like to emphasize two additional points. First there was a clear, and in my view imaginative, recognition at Bonn of the complexity of world economic problems and of their interlocking nature. There was less go-it-alone philosophy and a more realistic recognition of the overwhelming need for a cooperative approach. We even escaped somewhat from the strait-jacket of international platitudes. There were differences of view, they were sometimes quite sharp, but they took place within the framework of an impulse of common and interdependent action.

Second, in this growing atmosphere of interdependence, the Community has a distinct and notable place, and I believe that this can in large measure be attributed to the work of the European Council at Bremen, about the results of which there was considerable discussion at Bonn. These discussions concentrated, naturally enough, on the Bremen proposal for a European monetary system. As you know, the Bremen Council was principally concentrated on monetary matters, but it was much more than an arcane and baskets, floating and sinking. It not only provided the basis for a truly European contribution to international monetary stability and economic growth, but also, for the first time after a substantial, sometimes slightly deadly period, which we have all lived through, of hesitancy and caution, provided a firm and fresh impetus for the further integration of the Community. I hope that we have in Bremen outlined the foundation of a European monetary system which can be made a reality and which can be lasting and effective.

I believe that we should be able to build surely on these foundations, because our approach had several important characteristics.

First, it is not a petty, penny-pinching scheme. The resources suggested as available to the new system would indeed be somewhat greater than those which the International Monetary Fund has for the monetary problems of the whole world.

Second what is suggested combines, I believe, the need for concerted discipline with a realistic degree of flexibility. It does not pretend that you can just claim monetary stability without doing anything to make it real and effective.

Third, it recognizes that monetary discipline and monetary arrangements alone are not enough, but must be buttressed by concurrent studies to give greater help to the weaker members of the Community, and to ensure that membership of the system is not a new constraint, but offers a new freedom to the countries which participate in order to be able to play a stronger part in concerted growth.

Fourth, the system outlined is, I believe, sensible in its approach to the dollar. It is in no way anti-dollar — quite the reserve in my view. But it recognizes that the dollar cannot, and indeed should not now, run the whole world monetary system, as it was willing to do in the days of Bretton Woods. There has been a seachange. It is time for Europe to take a greater monetary responsibility in the world. It is much better in my view for western unity, to which I attach the greatest importance, that we should do this, rather than merely recriminate and complain at moments of dollar weakness.

Fifth, Mr President, the European leaders at Bremen showed a determined political will for Europe that was stronger, more ambitious, and more rapidly evident than I believed possible when I endeavoured to refocus attention at Florence nearly a year ago on the monetary route forward in Europe.

We should not, certainly, be complacent about the results of the Summits, certainly not of Bonn, or even of Bremen. But we can and should have our confidence renewed in the capacity of the Community to move forward again, and by moving forward again, to make a constructive approach to world economic problems. The next six months can provide for the Community an opportunity for advance comparable to the major breakthroughs of its earlier history. In this process, the views of this Parliament can serve as a vital bridge between public opinion on the one hand and monetary experts on the other, and between the policy choice to be made and the technical and institutional arrangements that underpin them. I hope that a clear message can also be given from this Parliament to the responsible statesmen in Europe that the advance is welcome and a good result eagerly awaited.

(Applause)

President. — I call Mr Müller-Hermann.

Mr Müller-Hermann. — *(D)* Mr President, I should like to begin by thanking the President-in-Office of the Council and the President of the Commission for their statements, much of which we support. Their

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two speeches have answered at least some of the outstanding points and it is only natural that today's debate — and indeed, public interest in general — should be devoted first and foremost to monetary problems, although, of course, I do not underestimate the importance of the other matters.

I should like to affirm right at the outset the open-minded attitude of the Christian-Democratic Group in the European Parliament to the projected monetary system based on fixed rates of exchange. If this project is successful it will undoubtedly take the Community a significant step closer to integration, to an efficiently-run economy and to greater political solidarity and authority. We believe this to be an important point, not least because confidence in the Community is an essential precondition of increased investment, giving companies a longer-term framework within which to pursue their foreign trade strategies, and we are all aware that these are essential factors without which we can make no progress towards reestablishing full employment.

We must also realize that the Community is faced with new challenges and a great deal of uncertainty from external factors. We do not know what will come out of the talks at Camp David, nor do we know what is going to happen in Iran, one of our major sources of oil supplies. Nor, indeed, do we know how the oil-exporting countries will react in the long term to a further decline of the dollar. I would underline what the two previous speakers have said, namely, that the Community must be increasingly prepared to accept its international responsibilities, and so everything points to the need to tackle this projected monetary scheme.

Mr President, it is a fact of political life that we have to be prepared to take risks to find solutions to the problems facing us. We must realize that this project is also fraught with risks, chief among them being that the Community might be diverted from the straight and narrow path leading to greater stability back into the slough of inflation.

It is no good mincing words here — we all bear the responsibility for searching our consciences and asking ourselves whether the routes we are following will lead to a successful outcome. We can be quite sure that none of us would be prepared to pay the price of reduced stability in the Community. That is something I should like to stress here.

As you know, a year ago my Group tabled a very far-ranging and thought-provoking motion for a resolution on Economic and Monetary Union, for which we drew very heavily on the work of the erstwhile Luxembourg Prime Minister, Mr Werner, and the Belgian Prime Minister, Mr Tindemans. I should like to point out that we still feel that the demands made in our motion for a resolution are the most suitable basis from which to make progress towards Economic and Monetary Union.

We hold a parallel approach in the economic and monetary sectors to be the most promising strategy, which means that we must make coordinated efforts to formulate a solid, stability and growth-orientated economic policy and achieve greater coordination in our monetary, budgetary and credit policies.

We also pointed out on that occasion that we considered the snake — with its fixed guide rates and its clear intervention points — to be the most suitable basis for a new monetary community, and that we felt that the snake should be retained and kept open for those Member States who are not at present in it and — let me repeat — I was glad to hear Mr Genscher emphasize the fact that this new project should be kept as stable and strictly-ordered as the snake has been. That is a principle that we would thoroughly support.

I should like, Mr President, to express certain reservations on the idea that stable rates of exchange within the Community will lead automatically to a convergence of our monetary policies. Ten years ago we had a very lively discussion throughout the world on whether or not to go over to flexible rates of exchange, given the widely varying rates of inflation within the Community. At that time, everyone was calling for flexible rates of exchange. Curiously — and please do not take this as a criticism — the very same politicians who were then calling for flexible exchange rates as the great panacea have now changed their tune and are claiming that what we need first of all are stable exchange rates.

Mr President, we are not going to solve our problems by setting involved in an academic dispute. There is, however, one thing we should all be clear about and that is that if our aim is to restore the rule of stability and to reestablish an efficient European monetary system, there can be no substitute for greater discipline and the rejection at all levels of over-ambitious notions.

In the motion for a resolution which we tabled last year, we freely admitted that what was needed was a transfer of resources within the Community. Those countries with strong and stable currencies must be prepared to make sacrifices in favour of the weaker countries; not so that the money or the resources should disappear without trace but simply to help the weaker countries to help themselves. In other words, the proper conditions must be created to ensure that the transfer of resources really serves its purpose, and that there is a return to greater stability for all of us, with the weaker countries in particular being helped to make an appropriate contribution.

We must, of course, realise that if certain countries do not steel themselves to observe sufficient discipline in the economic policy sector, it is likely that there will

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be more and more devaluations and revaluations — all of which will have to be met from new European fund — and there are consequently a multitude of questions to be answered, although today is undoubtedly too early to expect all the answers. Who is to administer this transfer of resources? Who is empowered to draw on the resources held by the European Monetary Fund? What guidelines and what criteria should be applied to this transfer? And another very important question — should the Fund be endowed and replenished by the Member States on their own responsibility or should the principle of joint and several liability apply? What range of fluctuations should be allowed and, given that the independence of the central banks still seems to us to be a good guarantee of the Community's willingness really to work the general aims, what part should these central banks play in the whole system?

Mr President, on behalf of my Group, I should like to leave you in no doubt that we would consider it a disaster of this new European monetary system and the use of the stable currencies to increase liquidity were to result in increased inflation in the stable currency countries without any compensating gains in the way of stability in the weaker countries.

One final point I should like to touch upon here, Mr President, is the question of the future relationship between this new European monetary system and the US dollar. I raised this point in the oral question addressed to the Commission and the Council because, after the Bonn Summit, an unofficial paper prepared by the Americans made us all aware that certain reservations are held — and some measure of support may have been given to them by certain very outspoken statements by leading politicians — to the effect that this new European monetary system would introduce a measure of competition or confrontation with the US dollar. Mr President, we would warn against any such temptation and I should like to thank Mr Jenkins in particular for saying very clearly that this must not happen. We need the Americans as our political, economic and military partners and our partnership should also extend to coordinating our monetary policies. This does not mean to say, Mr President, that — as Mr Genscher and Mr Jenkins said earlier — we shall refrain from insisting that the Americans accept their responsibilities. It is true that until the Americans have solved their energy problem, confidence in the dollar will not be restored and the world monetary system will continue to disintegrate with the inevitable and unpleasant consequences for the whole of the world, not least for the Third and Fourth Worlds.

Mr President, we should persevere in appealing to the Americans' sense of responsibility, as there is still no

substitute — and will be none in the near future — for the US Dollar as the key world currency.

It is our very clear intention to ensure that every fresh measure taken on the European monetary scene should always be based on a sense of partnership with the USA and the US dollar.

Mr President, in our oral question we have raised a number of queries, but there are many more still to be asked. I should like to appeal here to the Council and the Commission on behalf of my Group not to present this House with *faits accomplis* but to take every opportunity of explaining their plans to this House and in particular to the committees of the European Parliament, so that we can make an appropriately serious contribution and help towards bringing the project to a successful conclusion.

I should be very pleased to receive confirmation here today from the Council and the Commission that this will indeed be the case, because I think the task we are faced with here will require us to draw on all our intellectual powers, and this House would like to make its contribution to this process.

President. — I call Mr Albers.

Mr Albers. — (NL) Mr President, when I submitted my oral question at the beginning of August, I did so because it was not very clear how the European Council in Bremen had dealt with the question of improving employment opportunities for young people.

As late as 7 July, Parliament had held a wide-ranging debate on the difficulties involved in the Commission's proposals to combat unemployment among young people.

In fact, all that came out of the European Council was a simple statement — which is reflected in item 53.530 of the budget for 1979 — to the effect that the European Council in Bremen had asked the Council of Ministers for Employment and Social Affairs to approve measures under the European Social Fund to combat unemployment among young people, so that these measures could come into force on 1 January 1979.

In a way, this statement should be enough to satisfy us, were it not for the fact that discussions are apparently in progress about creating jobs for young people not only in a productive sector but also in what is known as an 'unproductive' sector — i.e. jobs of social benefit.

This point was given due consideration in the July debate. Can jobs of social benefit be regarded as unproductive if they help to reduce unemployment? It was pointed out then that no matter how unemployed young people were put to work, the work was productive.

Albers

I think it would be worthwhile hearing how the Bremen Council reached its decisions and what discussions there were beforehand. We hear that the French Minister of Social Affairs has been holding up these decisions — is that the case? Is it also true that the French minister is now fully prepared to cooperate, and can we therefore reasonably expect these proposals to come into force on 1 January 1979?

When he was introducing the draft budget for 1979, Mr Tugendhat expressed his doubts on this point, since the item in question is only in the form of a token entry, so that steps would have to be taken immediately. The Commissioner stated that he had serious doubts as to whether such a scheme could be implemented. I should therefore like Parliament to be given more information on the discussions held and on the chances of this scheme coming into force. Parliament could then allay Mr Tugendhat's concern by amending the budget.

IN THE CHAIR: MR ADAMS

Vice-President

President. — I call Mr Ortoli

Mr Ortoli, Vice-President of the Commission (F). — Mr President, ladies and gentlemen, Mr Jenkins has given on behalf of the Commission an overall assessment of the Bremen Council and the Bonn conference. Both the monetary and the economic questions are now being studied in the Committee of Central Bank Governors, in the Monetary Committee and in the Economic Policy Committee, with, of course, the constant and active involvement of the Commission, and — if I may say a word about the timetable of events — the Council of Finance Ministers is to meet on the 18th of this month and will be making a preliminary assessment of the technical and political features of the new system. As you know, the Council has to complete this task by 31 October, when a report is to be submitted for consideration by the European Council.

In the course of this debate we shall no doubt have occasion to give further consideration to a number of technical points, so I shall concentrate now on the questions raised in Mr Müller-Hermann's speech. This will lead me to touch on a number of problems which must be faced prior to establishing the monetary system.

If I have understood Mr Müller-Hermann's reasoning, what he is saying is: 'You cannot have monetary stability without economic stability, in the proper sense of the term i.e. growth without inflation.' I fully share his conviction, and this is one of the ideas that must be constantly borne in mind by all those responsible for establishing this monetary system, if we are to achieve anything worthwhile and viable.

This is no recent conviction on my part. Last October, in assessing what we would be able to do in the monetary field, I proposed to the Commission that we should seek much closer convergence, with much more effective machinery, in matters of economic policy. And it is no mere chance that in November, when we put forward a number of ideas on economic and monetary union, we tried to show that the economic situation and the convergence of economic policies were intrinsically important factors for the success of monetary policy. It is no mere chance that at the Bremen Council decisions were taken simultaneously on the structure, the basis, of a European monetary system and on a concerted programme of action, in other words a set of decisions taken individually by the Member States but linked to a common objective — increased growth — and with a view to compatibility between the various mechanisms employed so that there should be a powerful multiplying effect.

This being so, it is no mere chance either that the Bremen communiqué shows this economic aspect to be an essential factor. In this debate the Commission is obliged to point out constantly that the monetary system can only function properly if it is accompanied in economic terms by a genuine policy of optimizing growth and by a vigorous policy of reducing inflation, in order to prevent the latter from being a permanent unstabilizing element. I am well aware that all this may seem wishful thinking, but I think there is a direct link between what we are going to do in the monetary field and the implementation of this policy of growth without inflation.

Firstly, if I may say so, we have a firm basis. The fact is that at present, in all our countries, a very keen awareness has developed of the pernicious effects of inflation, and all our countries are pursuing, in one way or another, policies aimed at eliminating inflation or, as a first stage, greatly reducing the rate, and this is a policy which, as you know, has achieved some quite remarkable successes in the last two years. I had occasion to point this out here when we debated the economic situation, when I suggested that the first element of convergence was the realization that growth and inflation were linked, and that the will to draw the necessary conclusions was already apparent in our policies.

I believe that the establishment of the European monetary system is capable of making a contribution to this policy. The system should in itself make it possible to achieve reduced inflation and increased growth. Why in itself? Firstly, as regards growth — for the moment I should like to separate it from inflation — because we know very well that one of the reasons why, by a sort of collective inhibition, we are not today achieving all the growth which should be possible having regard to current needs, the amount of money

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in existence and the available work force, is a kind of hesitancy by the economic groupings in the face of an economic situation marked by instability. I am well aware that it is not fashionable to introduce emotional or behavioural factors into economic analysis, but this is a fundamental element, as is particularly clear if we turn to what is perhaps the central point of our study, namely the way in which investment can contribute to growth.

Five or six years ago, in a period of dynamic growth, we in the Community devoted 23 % of our GNP to investment. Last year the figure was 20 % — in other words, at the very time when the support provided by investment is more necessary than ever for lasting growth we are failing to make this investment. And we are failing to do so for reasons which — as far as productive investment is concerned — are very simple. The monetary instability is causing a fundamental hesitancy vis-à-vis market prospects and all the concomitant problems of yields and profitability. That being so, greater stability in the monetary field, and thus an improved quality of forward planning in international trade and investment, would make decision-taking immeasurably easier. And if we as a Community succeed in this we shall, indeed, have done the world a service, but we shall have done ourselves a service too, for it should not be forgotten that we ourselves are the prime beneficiaries of stability in the Community.

We cannot half our trade among ourselves, but we do so under relatively precarious conditions, since in terms of money and reserves we are strangers to each other and this monetary uncertainty means that no one knows exactly the state of the market or where the point of profitability, the true economic level, lies. As soon as we succeed in creating monetary stability, we thereby provide a solution to the problems of economic calculation. When I spoke of behavioural aspects, I was not referring to philosophy but to economic calculations, which are factors of the greatest importance in reducing uncertainty. That is my first observation, to show that there is some truth behind the assertion that monetary stability is in itself closely linked to growth.

There is a second point which relates to international trade as a whole. We should not forget that the Community accounts for a good third of world trade. If this zone, which is indeed subject to the external constraints you mentioned, Mr Müller-Hermann, but may itself at times be a disturbing influence because of its difficulties or the disparities that develop, becomes a stable element, then I would say that in a world of volcanoes one source of eruptions will have been reduced — but this source is a whole continent, an area of such scale that it can make a significant contribution to improving the overall equilibrium. And I would add that we shall have increased weight

in international negotiations, firstly for the very simple reason that we shall have followed one of the elementary rules of politics, which is to practise what you preach, and that is a first step which will greatly strengthen our hand. Our influence will be greater also because we shall no longer merely represent a spectrum of opinions on how international monetary problems should be solved but a unified — and necessarily unified — force, for we cannot reconcile efforts to ensure that our currencies are stable in relation to one another with divergent monetary policies by each of our states at international level.

My third point relates to the system itself and what I would call the direct consequences of the existence of a European monetary system, which are as it were the upstream requirements. Here we are discussing how the currencies are to fluctuate in relation to one another, what intervention machinery there is to be, what margins, what credit appropriations, what consultation arrangements, etc. Behind all this there are the internal monetary policies of the various states, for a currency is not something which presents one face to the outside world and another on the internal scene; the creation of money is in itself a factor with both internal and external consequences; the interest rate is a factor with both internal and external consequences; there is therefore an implicit necessity — and I for my part should like it to be explicit — for a link between the European monetary system and the development of more mutually compatible internal monetary policies.

These seem to me some of the direct effects of the system. There are, however, two other elements I should like to stress in talking of the link between economic policy and monetary policy, and I wish to place them in the context of a central idea, which is that the ultimate objective of the European monetary system is to contribute to improved growth without inflation. This being so, the actual machinery of the European monetary system must be designed not to impose unreasonable constraints on any of the participants but, on the contrary, to relieve or ease any constraints that may hinder the attainment of this objective. In this context I should like to dwell on two points. The first relates to the mechanisms making for solidarity, including medium-term credits within the system itself, conceived with a dynamic purpose, i.e. to help certain Member States, for example, to avoid the consequences, affecting the whole system, of structural deficits in their balances of payments. This is an essential element, as an example will show. A situation could well arise in which we are working together for maximum growth, in which the various countries are pursuing coordinated policies which will therefore have a good multiplying effect on each other and if our measures are technically sound this multiplying effect will be great — almost a factor of two — and

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even greater if we are politically convincing, since there is also a multiplier dependent on confidence.

That is what the Member States want: they are all achieving it with a sound and determined policy of combating inflation. There may, however, be countries which, while pursuing a sound policy, are faced with structural balance-of-payments problems forcing them to adopt either a certain attitude to the system, i.e. because 'we can go no further', or a certain attitude towards economic policy, on the principle that 'we must adopt restraint, in order to restore equilibrium'. I am sorry to labour this point somewhat, but it is of absolutely fundamental importance for us to integrate the economic objective into the basic concept of our system in such a way that the monetary system can contribute to easing constraints.

The second point is that the machinery of the system must avoid imposing excessive burdens on this or that party. One of the problems — apparently of a technical nature but in fact political — we shall have to face is the choice of *numeraire*, and behind this is the question of the machinery, the rules, and the burden of intervention, which has firstly a financial aspect: should the reserves be reduced or increased?

The reduction of reserves is a problem for the weaker countries and increasing reserves can present a problem for the stronger countries. However, intervention raises a further question: will the effects of the intervention policy be inflationary or deflationary? Consequently, against the background of our fundamental objective i.e. that the monetary system should serve a lasting policy of growth without inflation and of international economic development, we must ensure that the machinery we set up takes account of these fundamental questions.

I should like to say that I have the impression that in Brussels we are now really talking business. That is to say that everyone is fully aware of the enormous importance of what is at stake. It is of enormous importance in terms of ending the crisis because if we in fact succeed we shall have made an important and original contribution — which does not relieve us of the need to make an effort in a series of other ways or, and I would emphasize this, of the need *above all* for national measures — towards relieving the crisis by virtue of our prestige in the world.

A great deal is at stake because if we fail we shall have dashed many a hope for Europe. This is why everyone today wants a system which will last.

Our discussions are thus concerned with the mechanisms, but also with the question of how to ensure that these mechanisms are compatible with a certain Community economic policy. They include analysis of the funds to be made available to the system,

which, if it is to be viable, will require a large amount of money which can be easily mobilized, in other words funds with both a dissuasive and an operational function, making it possible to deal both with problems of speculation and, in the medium term, basic problems linked to the balance of payments. In addition, complementary studies are being carried out on the way participation by the weakest states can be made easier, and this raises, for example, questions of the strengthening of their economic structures.

Behind all this, fundamental work is now being done, although I cannot give you much information on it, since we do not yet know what the final structures of the system will be, I have, however, tried, Mr Müller-Hermann — and I apologise for the provisional nature of my remarks — to take up the points you made and to explain how I see this problem of economic convergence and of convergence in monetary policy.

I would add that this necessarily implies that concerted action must be continued permanently, with progressive strengthening of the mechanisms. There is nothing more difficult than setting up coordination machinery. Indeed, such machinery is only effective if it is the expression of an active will. The monetary system, however, may encourage such quiet perseverance, for it will compel us to give thought to the various highly complex elements, involving both strictness and flexibility, which will make the system workable. I am convinced that at the outset we shall necessarily have a very strict system, — indeed, this has been decided — with the same strictness as in the snake, though perhaps in a different form, but here will inevitably be a certain amount of flexibility, for we are obviously not going to lay down definite fixed parities between our currencies for all eternity, so that we must be able to make adjustments to the pivot rate from time to time. But this must only be a safety-valve for the system, a logical part of it and not an escape-clause or special facility within it.

All this is under discussion at the moment and does not seem to me — this is my reply to your last question — to pose any very great problems with regard to the dollar. The undertaking we are at present engaged in has several virtues. I have already mentioned two of them in particular, of which one is more of a technical nature than the other but is not to be overlooked. Firstly, there is the fact that we will ourselves be stable and that this European monetary force, which we shall gradually succeed in establishing *de facto*, will be a stabilizing factor in the world system. I need not dwell on my metaphor of the zone of volcanoes and an area of calm which will no longer add eruptions of its own to the world's problems. In helping ourselves, we shall be helping everybody else.

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The second virtue is that of example, and the process we are hesitantly involved in at international level reminds us of what we felt twenty years ago in Europe. The feeling is not as strong, of course — we are not creating a common market with common policies, a substantial budget or institutions — but it is certain that, since the finite nature of our world has been clear to us for some time, we ourselves share a joint responsibility on a world wide scale and that consequently an effort must be made to organize affairs on a worldwide basis.

Summit meetings, which may seem valuable or valueless depending on their results, are important in at least one sense: namely, they reflect the conviction, at the highest political level, that individual policies are no longer possible in a world characterized essentially by large scale, dynamic and free trade and a free monetary system. I would say that in the monetary field it is becoming increasingly clear that 30 years ago, at the time of the Bretton Woods agreement, we had a system without a market, as that was the age of quotas and exchange controls. Today, paradoxically, we have a market without a system, and we must recreate the system. The example we give and our negotiating power — as I said just now — are, I think, a fundamental element on the international scene.

The third element is of a technical nature, but is of no small importance. In deciding not only to coordinate exchange policies but also normally to use, within the system, the Community currencies for intervention — of course, not only Community currencies, but primarily and whenever possible Community currencies — we are also saying that the dollar will not be used. Now, not using the dollar is not, in this particular case, to say no to the dollar; on the contrary, it is a question of preventing it from being involved in quarrels and disturbances which are nothing to do with the dollar and which we ourselves, within our own system, can find the means of resolving, by combining our various financial resources and through economic consultations, without creating an additional disturbance on the international market.

That is the end of my reply, but you will have gathered from what I have said that the Commission has two convictions. The first — concerning the monetary problem — leads us to deal with a series of closely linked problems which are directly concerned with efforts to achieve optimum growth on a lasting basis, i.e. without inflation.

Secondly, we are convinced that, paradoxically, the system will work if it is strong and not if it is loose. All the points I have mentioned can be effective only if the system is strong. If it is not strong, it is a non-system — something which does not provide the expected benefits, largely because it does not impose the constraints which must, in a sense, be the foundation of any success achieved by this common resolve.

I should like to conclude on that note and assure you that these two central ideas will be an integral part of the Commission's thinking in its contribution to this work.

(Applause)

President. — I call Lord Ardwick to speak on behalf of the Socialist Group.

Lord Ardwick. — Mr President, I wish to give a general welcome to the Bremen ideas. I am sure that Parliament as a whole joins me in welcoming them. There are one or two individuals who do not; but the general feeling of this Parliament is, I think, one of welcome for Bremen.

Now, we know factually very little about it of course: Most of the things we know are taken from the newspapers and they have provided varying and differing accounts of its implications. I think the first thing we need to do is to look at Bremen in perspective. It was not, as sometimes has been suggested, a sudden Schmidt-Giscard brainwave foisted on an astonished Community. A good idea has many fathers. But it looks as though early last year both these leaders — Mr Giscard and Mr Schmidt — decided to revive the idea of EMU at the end of 1977.

This was followed in October by President Jenkins's historic Florence lecture, setting out seven arguments in favour of complete EMU, that is, a Europe with a single currency replacing all the national currencies, requiring a large Community budget — at least large in Community terms, perhaps up to seven times as big as the present one — and taking macro-economic policies out of the hands of the Member States and transferring them to central banking and political institutions. Of course President Jenkins made it clear that this great leap into a minimum federal system could not take place overnight. Indeed, all EMU supporters seemed to agree that the complete version cannot be achieved in the foreseeable future. And it cannot be achieved gradually in the way proposed a decade ago.

First of all the Community must reach a preunion stage. Shortly after Mr Jenkins's lecture, Mr Ortoli, on behalf of the Commission, presented to the European Council his five-year programme for progress towards EMU, which envisaged, of course, the pursuit of monetary stability and economic convergence. Since the beginning of the year the specialist committees of the Council have been studying his proposals. The Bremen ideas are neither starting nor original. Indeed they pick up a number of ideas that have been lying about for a year or two and have indeed been put into reasonable shape by Mr Ortoli before these studies began.

Lord Ardwick

I think that the Bremen proposals can be seen in two ways. First of all they are an attempt to find a Community solution to the five-year-old inflationary recession from which the world is suffering. Secondly, they can be seen as a stage on the road to complete monetary union. They are the pre-union stage, and they promise some of the benefits expected of full EMU in return for some of the constraints of such a system. But the Bremen proposals, which are of a non-federal nature, do not inevitably lead to a full single federal currency EMU. They provide a jumping off place, but the Community would still have the freedom not to make the jump if it so desired. The Socialist Group, like Parliament itself, has always been in favour of progress towards EMU. But when the time comes to study the full implications of EMU in depth, it will be seen that much more is being asked of the political groups and the political parties than was asked in the past; because the original idea was based, if I may use a British Fabian phrase, on 'the inevitability of gradualness'. Then we had a Community with a successful record, with economies that seemed to be converging and with roughly similar inflation rates: this was to draw closer and closer together until the day came in 1980 when the currencies could be irrevocably locked together in everlasting parity. A kind of holy wedlock, with no possibility of divorce.

Now to make the great leap from the pre-union stage calls for a set of decisions which would require important constitutional changes in every Member country. Not only governments but also substantial majorities in the national Parliaments will have to accept the change, and this means that every major political party in Europe must be in agreement. I do not think that we ought to boggle at that at this moment or indeed when we come to discuss Mr Jenkins's proposals alongside Mr Müller-Hermann's resolution in this Parliament in a month or two's time. I think that we can take our traditional benevolent view of the objectives and we can examine President Jenkins's seven arguments in its favour, to see if they are indeed seven pillars of wisdom; but only when the pre-union stage has been accomplished some years from now, will it be possible to envisage whether the leap is both desirable and possible. The political parties, of course, have to look at it to see whether the new Europe that is envisaged will be a stronger Europe and whether it will make the obtaining of the realization of their traditional political objectives easier or more difficult.

Now on the immediate issue of Bremen, the majority view of the Socialist Group is that we should approach the Bremen proposals with hope and faith in our hearts, but with a very wary eye. But we can leave scepticism to certain central bankers and treasury officials and to the extreme monetarists with their dream of a pure and clean floating system. We cannot today reach a definitive conclusion about Bremen. The communiqué issued after the meeting with the annex

provided the barest minimum of information. So all the proposal simply consist of the guidelines for the expert committees who are now, as Mr Ortoli has told us, working on the detailed plan.

However enough is known about the Bremen initiative to classify it as one of the highest importance. The proposal is to instruct the finance ministers to draw up the guidelines of a European monetary system for the competent Community bodies to elaborate by the end of next month. The object of the system is to stabilize the currencies of Europe by creating an agreement for a stricter exchange relationship, for the establishment of a well-endowed pool of reserves and for the creation of a reserve currency based on the European Unit of Account and to be called the ECU. The communiqué speaks in a disturbingly offhand and rather perfunctory manner of the studies that would be undertaken of the action needed to strengthen the economies of the less prosperous Member States in the context of such a scheme. Indeed, I have heard people say that there was no economic side to it all. Well this was a result I think of an unsatisfactory communiqué. The English are supposed to be rather good at understatement, but the man who drafted the Bremen communiqué was a veritable master of *meiosis*.

Nevertheless, it does speak of the need to strengthen the economies of the less prosperous members in the context of such a scheme, and, so far as the Socialist Group is concerned, they can say that again and again and again, for that is the heart of the matter. The question is not whether something like a Bremen system is necessary; it is how it can be made to work. How can the danger be avoided that the weaker currencies would be forced to fall out of the system as they fell out of the snake? What can be done to strengthen the weak economies with the structural problems of their old-style and declining industries? What can be done in ways that are politically and socially acceptable to bring European inflation rates into closer convergence? Because if we cannot do that then the Bremen system must break down. We in the Socialist Group, feel that the effect of the proposals on unemployment will be the single most important criterion by which we judge them when the time comes. And we demand an assurance that the system does not contain a deflationary bias which could undercut the commitment to faster economic growth. Of course there is no doubt, as Mr Ortoli has argued this morning, that real advantages would flow if a zone of monetary stability could be attained. In particular investors, who cannot act with confidence when the currencies are as unstable as they are today, might be encouraged to go ahead faster.

But stability is only the precondition of expansion, it does not guarantee expansion in itself. Policies of fiscal conservatism and strict financial discipline carry

Lord Ardwick

risks, just as the opposite policies of inflation and happy-go-lucky expansion the risk of inducing recession.

(Interjection: the other way too.)

Both ways, they carry the risk. It is to be hoped that the economic studies now taking place are based on the Ortolí five-year programme, which has as its first aim the achievement of lasting convergence among the economies of Member States: this implied not merely countering inflation and achieving greater stability in exchange-rates but also a return to sustained growth to improve employment.

Mr Ortolí, as he said this morning, regards the coordination of short-term economic policies as a step towards the fuller control of demand. He calls, too, for a strategy of sectoral and structural change in industry. He applauds the Commission's positive influence on the iron-and-steel sector and he wants similar intervention in other industries. The next most important proposal he has is to reduce internal balances by action on social, industrial and energy policies, and he is adamant that although these requirements will be less, well below those of a Federal State, no progress can be made towards EMU without transferring larger resources to the Community.

It does look, however, reading between the lines of this sparse communiqué, as though the authors of Bremen have seen the need to avoid a repetition of the farce of the snake. We must never forget that three of the four major currencies of Europe have had to fall out of it and it would be absolutely disastrous if anything like that happened again. The proposal that the Community nations should pool 20 % of their reserves is an important indicator that they have learned at least one of the major lessons from the previous failure. The reserves would, of course, be threatened if one or two nations regarded them as a cackling for self-indulgent economic policies, because that would simply be fair picking for the speculators, but that is not the kind of thing which is likely to happen in the modern world. What the weaker nations need is help to pursue constructive economic policies without abandoning financial prudence. Of course, if external turbulence were to blow a member nation off course, then arrangements would presumably be made — and I am taking this again from what Mr Ortolí said this morning — to adopt with general consent a new parity outside the wider limits which are to be proposed for the three member nations outside the snake.

So, Mr President, in my group we look for strong assurances about the economic underpinning of the new monetary system. We want assurances about its effect

on growth, about its effect on employment, about its capacity for avoiding the fate of the snake.

Now when we come to the Bonn Summit communiqué, we are in a different climate entirely. The communiqué is full of the language of aspiration, full of the rhetoric of hope. The seven industrial powers agreed on nothing less than a comprehensive strategy covering growth, employment, inflation, international monetary policy, energy, trade and other issues which were of particular interest to the developing nations. But the seven wanted to make their strategy credible, and this was a problem, because they had said something like this fourteen months before in London and it never happened. What they had done in London was to make the political equivalent of a general confession, yet they continued to err, and to stray, and to leave undone the seven came separately to the penitent bench, and each delivered a testimony saying what he would do. These were very important obligations that they underook: let nobody think that I am cynical about it, and I am very glad too that President Jenkins himself takes such a positive view of Bonn.

I am also very grateful if I may say so here, for his remarks about the dollar. I have always been worried about those people who would like to conduct an assault upon the dollar. It is the kind of difficulty which might well lead over time into profound political troubles in the Western world and a division of the West which we certainly must not have.

Anyway, there we had them at Bonn: Canada declared its intent to increase output by up to 5%; the German delegation proposed measures for up to 1% of the gross national product, designed to achieve a higher rate of growth; President Giscard agreed to increase the deficit by about 5%; Italy has had a growth rate of 1.5, Japan a real growth target of 1.5; the UK spoke of its recent fiscal stimulus of about the same size and pledged to resist inflation, etc. The Americans were really back on the path of righteousness: they were going to restrict rising costs and prices, they were going to deal with their inflation and reduce their dependence on imported oil. This of course, against the background of ardent desire for trade liberalization and important progress in GATT.

So, Mr President, it looks promising. We must keep our fingers crossed. We have had hopeful moments before and our hopes have only been partly rewarded, but this time we hope we are on the road to somewhere, that the authors of the Bremen guidelines will come up with schemes which are universally acceptable inside the Community and that the Community will be able to do its part in ensuring world stability.

(Applause)

President. — I call Mr Notenboom to speak on behalf on the Christian Democratic Group (EPP).

Mr Notenboom. — (NL) Mr President, I should like to start by expressing my thanks to Mr Genscher, Mr Jenkins and Mr Ortoli. My thanks to Mr Ortoli in particular, for having answered the questions raised by our Group.

Our Group was looking forward with great interest to the reports on last July's European Council, particularly since it appeared to have been prepared rather secretly and not in a Community manner. I have to admit that this caused annoyance in some Member States, although it cannot be denied that agreement between France and the Federal Republic on monetary matters is of great significance. Agreement between these two Member States is undoubtedly of great significance, but this does not mean it is a Community achievement. However, the Community path was regained when the European Council in Bremen approved the extremely important decision to take a major step towards achieving greater monetary stability in the Community. This is something we welcome, and we are following the further development of these plans with close attention and concern. We are glad that this is now taking place entirely along Community channels and under the auspices of the Community institutions. This was referred to by Mr Jenkins, by Mr Ortoli, by the Council of Ministers of Finance and subsequently by the Monetary Committee, the Committee of the Presidents of the Central Banks and the Economic Policy Committee, in whose work the Commission is playing a full and active part. This brings us back to the institution whose job is to come up with initiatives. At this point, I should like to join the previous speaker in recalling the major impetus given last year in this respect by Mr Jenkins, while also drawing attention to the important proposals which Mr Ortoli subsequently made on behalf of the Commission in the field of monetary policy. I should like to say to the representatives of the Commission that we recognize the connection between their actions and what has now been achieved — even if the initial circumstances were somewhat strange.

That is why I congratulate the Commission today on what has been achieved in Bremen.

We attach such great importance to the fact that it has become more widely realized how frustrating inflation is for the creation of jobs, and how much the monetary instability is responsible for the uncertainty of businesses as to how much they will receive in their own currency for the products they export — and hence how much less prepared they are to invest, since they do not want to take any risks.

This is a major factor in the serious unemployment situation currently facing the Community — a situation which is causing so much human suffering, particularly among young people whose career is thereby interrupted or diverted.

Monetary instability is also one of the causes of low economic growth, with the result that some of the tasks we had set ourselves have not been performed. The objective is an equitable distribution of wealth between groups and regions, and this is being hindered by this instability. It also jeopardizes the success of the forthcoming enlargement of the Community and the establishment of equitable relations between the rich and poor countries of the world. All these objectives are being endangered by the extreme monetary instability — quite apart from the harm it does to our Common Agricultural Policy and the obstacles it places on our road towards economic and monetary union. We are glad that this situation is now appreciated much more clearly.

We are not going to ask today for the European Parliament to be added to the list of bodies Mr Ortoli has given as being involved in studying the details of this scheme, but we do have questions and doubts.

We have questions because it is not yet clear exactly what the new system is going to be like. The relative information is not yet available — and cannot yet be available. One particular query which we feel is important is that contained in our Group's question, presented by Mr Müller-Hermann. We are glad that the concern expressed in that question is shared by the Commission, and I hope that it is also shared by the Council.

And then there are a number of questions on the details of the proposed new exchange rate scheme and of the European Monetary Fund planned for a somewhat later date.

The Bremen communiqué states that the snake system will remain intact. I take this as being a case of 'Don't throw away your old shoes unless you have a new pair that fits'. Fortunately, the Bremen communiqué states explicitly that the Council may depart from this text. The effects of the system will naturally depend principally on the role given in it to a European currency unit. The definition of the central rate and the minimum and maximum rates is of extreme importance for the intervention commitment and the functioning of the system. Other factors we consider important are a symmetrical effect on large and small Member States and countries in surplus or deficit, the exchange rate policy with regard to third countries — more particularly as regards the US dollar — and the procedures for encouraging more coordinated development in the countries involved. Precisely because of

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the impossibility — or extreme difficulty — of changing the central rate, the system must include the necessary mechanism for the adjustment of national policies. The countries in the snake have learnt that their participation in the system sometimes forces them to take measures other than those they would have taken out of purely national considerations. This is good, it demonstrates Community spirit, and it encourages integration and the creation of a real Community. Another important factor is the compatibility of the new system with the IMF exchange rate procedures.

Mr President, let us remember that the cause of our European monetary instability does not lie exclusively in Europe. The massive creation of dollars and the large supply of dollars available as a result of America's trading deficit have recently led to a major flow into Deutschmarks, Swiss francs and Japanese yen. Within the snake, the Deutschmark pulled the other currencies upwards, sometimes unwillingly. The result of all this is that the Community is split in two, with the difference in exchange rate trends between the strong and weak currencies being partly a result of the weakening of the dollar. The change in the rate of the American dollar is therefore to some extent a European problem, and this important fact must not be forgotten in our efforts to find monetary solutions. Both Mr Müller-Hermann and Lord Ardwick spoke about the dollar. This relationship must not be one of confrontation but of mutual cooperation in full awareness of the fact that Europe must play a major role in the international monetary system. America cannot — and does not wish to — play any longer the role of locomotive which it has always played. Thus, while there must therefore be no anti-American policy, Europe will have to make a greater effort to join with America in trying to establish a sound international monetary system. In this way, what we hope we shall be successful in achieving will contribute towards improving relations not only within the Community, but also throughout the world.

What is of course extremely important — and what is currently being worked out by the experts — is the setting-up of the proposed European Monetary Fund. You will already have noticed that our Group is somewhat concerned that a mechanism for pooling reserves may turn into a new source of inflation on a par with the excessive international liquidity caused by the creation of too many Special Drawing Rights in the International Monetary Fund. This lesson must be borne in mind in the current preparations.

We do, however, welcome the political resolve expressed in Bremen, and we give it our full support. We support the intentions expressed by the Heads of Government and feel that the objective is of such

great importance that risks will have to be taken. This has happened with European policy in the past. However, we must take only unforeseeable risks. Risks which we know from experience will arise must be avoided as much as possible by means of a well thought-out system. Otherwise, we will know from the outset that our efforts are doomed to failure. That is not the kind of risk we must take — a smaller step would be preferable to that. However, risks which may arise because we cannot possibly foresee everything will just have to be accepted.

As I said before, I therefore think it is to be welcomed that the Community institutions are working on these problems and that, if necessary, they can depart from the strict text of the Bremen communiqué.

For we cannot remain blind to the fact that the rate of inflation in the Member States outside the snake is currently twice that in the countries within the snake. These are the facts as they stand, and the disparity in labour costs per unit product is more or less the same. Stable rates of exchange between these two groups of Member States are credible only if this disparity can be substantially reduced. If this is not done, there is a danger that expectations will be raised of frequent changes in exchange rates, and there will soon be speculation in advance of these expected changes. In that case the system is doomed to failure, and this is the reason for the question presented by Mr Müller-Hermann. We also consider it important that, after a possible transitional phase, the system should be applied equally strictly to all the countries involved, and that small countries should not have to assume stricter intervention commitments than larger countries. I am speaking not of weak or strong countries, but of small and large countries with regard to their influence on a possible basket parity.

Mr President, in our view the setting-up of a European Monetary Fund will make sense only in the context of a trend towards Economic and Monetary Union, and if it can play a useful role in the system of exchange rates. Otherwise it will be pointless.

We regard the introduction of a European monetary system — as referred to in very general terms by Mr Genscher and others — as a welcome step, and as one which may lead to improved monetary stability. The political resolve is an important factor in this respect, and I should like to say how much we appreciate what the Members of the Commission — Mr Jenkins and Mr Ortoli — have done to help promote this political resolve, not only through their documents and their speeches, but also through scores of visits to Members of Parliament, to conferences and to governments. The political resolve is thus of great significance, but solid and sensible technical planning is also important.

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Another important factor is the realization that progress in Europe is not promoted simply — or even, in my view, principally — by large transfers of resources. I am referring to simple transfers of resources which serve only to alleviate budget deficits without having any other integrating effect — but by measures, plans and systems which strengthen integration. Whenever the necessary discipline — and I agree with Mr Ortolí that it really is necessary — exceeds the socio-economic or political powers of a Member State, which has happened in the past and can happen again, it is mutual aid and European solidarity which will make this discipline possible. This solidarity, these transfers, this financial aid promote integration more than the transfers of resources alone; although undoubtedly necessary, they are often used only for national objectives and to reduce budget deficits. I am not saying that these simple transfers of resources are unnecessary, but it is the mutual financial aid which promotes integration, and there must therefore be the political will to muster the necessary discipline. If this is beyond the powers of a country at a particular time, European solidarity comes into play. It is very much worth making the effort, since — to use your own words, Mr Jenkins — the opportunity is now there for us to grasp. Without integration, Europe will never be able to fulfil the role we all wish for it. After all, we want to reduce the serious internal level of unemployment, we want to adapt our socio-economic structures to the new international relationships and to a new international division of labour, and we want the major enlargement of the Community to be a success. These are all internal objectives. Externally, we want to make a European contribution to a more stable world order and to achieving open and mutually acceptable relations with the developing countries.

These internal and external objectives can only be achieved if this plan is successful. In a previous detailed resolution, of which Mr Müller-Hermann was the first signatory, we tried to play a part in forming opinion on this point in this Parliament, since we felt at the time that it was our duty to do this in the light of the Commission's suggestions. We hope that it really was a constructive contribution, and we look forward with interest and hope to events in this field over the next few months. I hope that Parliament will also be able to play a political role in ensuring the success of the new plans.

(Applause)

IN THE CHAIR : MR DESCHAMPS

(Vice-President)

President. — I call Mr Pintat to speak on behalf of the Liberal and Democratic Group.

Mr Pintat. — *(F)* Mr President, Minister, ladies and gentlemen, the Liberal and Democratic Group has listened with great satisfaction to the clear and informative statement by Mr Genscher and that of the President of the Commission Mr Jenkins, as well as the important statement by Mr Ortolí. Although it is taking place two months after the Bremen and Bonn Summits, today's debate is still topical and gives us an opportunity to make a political judgment on these important events. It is all the more interesting because it is taking place just before the important monetary meetings planned for the end of September. Two months after the decisions taken in July, it is possible to make an assessment which takes into account events in the intervening period. We are pleased that the debate on the report of the President-in-Office of the Council deals with this subject, for, as all our political leaders have declared, economic questions today underlie all European politics, and without economic stability and without a common monetary policy there can be no political Europe. Our assessment of these two Summits is not identical. While we are entirely in agreement with the Bremen conclusions, for reasons which we will explain, we are much less optimistic with regard to the likely results of the Bonn Summit. The fact that gold prices in the last few days have gone above 200 dollars an ounce, in spite of concerted sales by the International Monetary Fund and the American Treasury, is of interest not only to the United States but to the whole world, since it once again constitutes a rude challenge to every currency. Indeed, this rise in gold prices shows, in its way, that what some continue, from force of habit, to call the international monetary system does not exist, while in effect the system of floating exchange rates is nothing more than a palliative allowing all the countries to wait and see. The unfortunate thing is that there is very little to be seen except fragmentary measures here and there which look very much like a currency war, itself evidence of the worldwide spread of the economic crisis and a resulting state approximating to economic war, while statesmen look on in embarrassed silence. The United States is unaware of the urgency of these monetary imperatives which the Europeans, on the contrary, have encountered all too often to their disadvantage. But the United States has in the last few months begun to realize the extent to which its policy of paying its debts with its own currency issued in industrial quantities, or to put it bluntly of exporting its inflation to its creditors, has had the result in practice of ruining the monetary conventions of Bretton Woods which the Americans had themselves advocated in July 1944 as a guarantee of future monetary stability and post war prosperity. It is clear, then, how constructive and valuable the Bremen conclusions are in this world context. It has often been said that Europe is at a crossroads: this expression certainly seems appropriate now. After lengthy hesitations, we have discovered the true path to union, namely monetary cooperation which, to be frank, has hitherto been rather a centrifugal force. We must therefore seize the opportunity which may not

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occur again. That is why my optimism has a definite object, and I am convinced that we have entered upon the right path. At Bremen, the Heads of Government did not confine themselves to drafting formulas, to exchanging views, but set a precise timetable. The proof of this is that the departments responsible for carrying out the project — a project which may be of historical significance — have already started work to enable the Council of Ministers to adopt an overall programme next month, with a view to the taking of practical decisions at the last European Council of the year. The time seems to have come, then, for a joint effort and a joint sacrifice to give shape to this regional monetary system sketched out at Bremen. The dollar crisis will not have been entirely negative if it turns out to have strengthened our will to give ourselves lasting protection against the monetary instability of other countries. We are in agreement on the main lines of this plan, which should be implemented from 1 January next, and which envisages the setting up of a European Monetary Fund to start operating in two years time and to be financed by 20 % of the national currency reserves of each of the Member States. For the transactions between central banks, and as reference unit, the European Currency Unit, the ECU, calculated on the basis of a basket of European currencies would be used; the 'snake' exchange mechanism would be retained and strengthened by its extension to all the European currencies. In this connection we hope that the British experts will be able to accept the keystone of the system, which is the setting up of a true European Monetary Fund based on the International Monetary Fund. May I draw a parallel with the plans for election of the European Parliament by direct universal suffrage. As early as 1960 our predecessors drew up a very ambitious convention, but nothing happened for 15 years; then, we took a more moderate and realistic course, and finally succeeded.

It is to be hoped that the creation of the European monetary system will be given a fair economic wind, for Community experience teaches us that it is not enough to have a good plan — one must produce it at the right moment. At the same time, the revival of growth decided on in principle at Bremen should enable the European economy to resume an optimum rhythm, and reabsorb unemployment without creating inflation.

If this growth is in fact achieved, the mistakes of the past must be avoided, that is to say that economic growth must not widen the rift between rich and poor regions in the Community. As rapporteur on enlargement, I think that we must also provide integrating structures for the three Mediterranean countries which have enthusiastically applied for membership. If the Regional Development Fund, the Social Fund and the Guidance Section of the EAGGF are not substantially

strengthened, this enthusiasm will rapidly change into bitter disillusionment with Europe. The Liberal and Democratic Group is in favour of growth, but not of uncontrolled growth which would be a destabilizing factor and would repeat the mistakes of the past, creating ever greater problems for balanced European integration, starting with monetary cooperation which is its keystone.

While I am well aware that it is for the Ministers of Finance and not for the President-in-Office of the Council to decide on the operating methods of the European monetary system, we would like to inform him of our wishes as to the financing of the Fund. In our view, the credibility of a future European monetary system depends on having an operating reserve of about 25 000 million units of account.

It is essential that this Fund be set up before the IMF meeting, which will take place in very special circumstances: it will be the first meeting since the entry into force of the Jamaica Agreements, in other words since a new monetary system was cobbled together after President Nixon had destroyed the structure created at Bretton Woods. The European Monetary Fund is in fact inspired by the concept of fixed exchange rates, as opposed to the floating exchange rates tolerated by the IMF. The European Monetary Fund will be in a very favourable position, for it will have reserves more or less equivalent to those of the IMF quota; it would be a highly credible provider of credit to the latter.

There would be an accounting currency which at least at European level, and no doubt in other international transactions, would complement SDR's, which are made unstable by the instability of the dollar, which makes up a third of the SDR basket.

Ireland has already come out in favour of this Fund; Switzerland sets great store by it; we hope that the United Kingdom, too, will soon be able to agree to the creation of this European Monetary Fund. We also think that from the first stage onwards, the significance of the future European currency will become very clear at international level, and that the European unit of account will not be restricted to a purely accounting function.

Finally, we hope that the questions still pending will be solved as soon as possible at expert level and that it will no longer be possible to use them as a pretext for vitiating decisions taken at the highest level. I refer in particular to the basis for calculating fluctuation of currencies within the European basket, and to the possibility of applying this agreement in a wider European context than that of the Nine, which is desirable if it is possible and wanted by those involved. As I stated in my introduction, the Liberals are not so satisfied by the Bonn Summit. Certainly, there was agreement on the need for renewed growth. For the first time, the participants managed to define real co-

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ordination of their economic policies, involving quantifiable commitments. But we are surprised that two of the commitments made on 11 July, on support for the dollar and limitations on American oil imports have not yet been honoured. The 15 % devaluation of the American currency over one year in relation to the average of European currencies, and particularly the record low reached by the dollar on 24 July, a week after the Bonn meeting, threatens the monetary and tariff plans. It is no use declaring publicly that free exchange rates are an essential prerequisite for the prosperity of the Western world, and carrying on very useful and intensive multilateral negotiations at Geneva in the framework of the Tokyo Round, if the effects of this are then vitiated by monetary measures.

Because of the fall in the value of the dollar, our industries may no longer be able to compete on the American market, and at the same time American products become even more competitive, to the detriment of European products. It is to be hoped, moreover, that President Carter's Administration will first and foremost succeed in getting its excellent energy conservation programme adopted. The energy sector is of particular importance. Oil prices in the United States, which are below world levels, are also a source of problems, for they encourage consumption and create tensions with regard to world supplies. Moreover, they are the main cause of the United States serious balance of payments deficit, which has now reached 30 000 million dollars. There will be no world wide stabilization of oil prices unless effective energy-saving measures are taken in the United States, which is by far the leading exporter in the world.

In the energy field we are also, in fact rather dissatisfied with the Bremen Summit, since there too the participants confined themselves to general statements, and gave the impression that a true Community energy policy might be abandoned in favour of mere coordination of national policies. As for the reduction in oil imports, even the figure of 500 000 000 tonnes which has long been spoken of as a desirable maximum for 1985, is no longer mentioned in the conclusions of the meeting.

Finally, as I said at the beginning of my speech, this September is a month of important monetary meetings at European and world level. After the Community's Monetary Committee and the Group of Ten, the General Assembly of the International Monetary Fund will take place in Washington on 24 September. It will be mainly concerned with finding a panacea for the threat posed by the 500 or 600 thousand million

dollars floating about the world. Hitherto, opposition to fluctuations in the value of the dollar was a sterile intellectual exercise, since a valid alternative was lacking. From now on, we are on the way to reforming the international payments mechanism. As Mr Jenkins rightly said just now, the setting up of a European monetary system is not an anti-dollar operation, but on the contrary an operation which would relieve the dollar of some of the responsibilities which have become too heavy for it to bear. It can only be a stabilizing factor, helping to defuse the crisis. Everything suggests that the next few months will be decisive in giving Europe a world role instead of a regional one. This would be a stabilizing factor for the world, at a particularly delicate moment when the famous spheres of influence established at Yalta look like being radically modified, and when destabilization helps to intensify economic chaos. That is why the Liberal and Democratic Group wishes the programme outlined at Bremen and the new impetus it provides — as another speaker rightly said earlier on — to be continued and even intensified.

(Applause)

President. — I call Sir Brandon Rhys Williams to speak on behalf of the European Conservative Group.

Sir Brandon Rhys Williams. — Mr President, I am happy to join in this debate on behalf of the Conservative Group and to welcome the initiative taken at Bremen. The Conservatives feel that what we must do if we are to make a success in following up this initiative is to follow a middle course. We must be neither apathetic, nor over-ambitious.

One thing is quite clear in the currency field: we cannot go on as we are, both because of what we owe to our own people and because of our duty to the developing world. When we look at the dangers of the world economic and political scene, it may well be that inactivity on currency problems could be the most risky course, and that we shall be looking after our interests best, if we try to make rapid progress towards a more stable economic system for the Community. But we should not be over-ambitious either, because we cannot afford to fail. Whatever it is that we do in following up the Bremen initiative has to be a success; and we shall not achieve a full economic and monetary union in the foreseeable future.

The Conservative Group is determined that we should aim to make steady progress to the creation of a more stable world currency system. We believe that the

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Community is well able to take the initiative. I realize that there are some people, including some Members, who sincerely hold that concertation of national policies to achieve any degree of cohesion of currency values involves an unacceptable surrender of national sovereignty. Some are motivated by a simplistic adherence to the academic ideal of a world free-floating system, which will never be realized in practice. Others believe that, in the interests of social objectives they wish to attain, it may be necessary or even desirable to manipulate the value of national currencies by political intervention. I do not believe that currency manipulation for ulterior motives by a single nation acting on its own can ever prove to be in the long-run interests of that nation or of the world economy as a whole. I believe that the Bremen initiative has the majority support of the Community's voters. The Council, the Commission, the Central Banks, the parliamentarians and all the currency experts have a duty to ensure that it succeeds. If we are not too ambitious, we can and will succeed.

Let us therefore aim to proceed to a form of preunion — a transitional arrangement which can be a satisfactory system in its own right, and may indeed last for years. By supporting it, each country could work towards its own objectives with a better chance of success. We must neither be too idealistic, nor cynically realistic. Naked nationalism in the short term will do nothing for the national interest in the longer term, and will merely hold back the success of the whole Community. Member States must enter into the new currency pact with a sincere determination to succeed and to respect the interests of other Member States as much as their own.

If we are seeking a middle course, we must avoid the academic attractions of a rigidly fixed system. We have to operate a multi-currency system, but we can do it on increasingly civilized lines. Much has been said about the attractions to the Member States now outside the snake of rejoining it, either immediately or in due course, but the European currency system has to be a multi-currency system, because the national democratic governments will not surrender all their fiscal, budgetary and monetary authority in the foreseeable future. The national paper currencies will remain. But if we wish to profit from mutual assistance between the States adhering to the European currency pact, then governments must be prepared to act according to certain rules. The principle condition of membership of the European currency pact must be an undertaking to act as far as possible in a predictable way. If we turn our minds back to the success of the sterling area as a currency union over many years, we will recall that it did not succeed because all the member states operated precisely similar interest-rate, tax or currency policies. But they acted in concertation with each other, and they acted with the aim of achieving stability as their principal objective.

If it is not necessary for Member States all to have the same tax, money-supply or interest-rate policies. What is needed for stability is that the exchange rates should be able to make consistent allowances for national differences of policies or circumstances which are known to exist.

It is useful to differentiate between a currency as a measure of value and as a store of value. Money can be used as an index or as a form of property. Here again, we must not be too ambitious. Gold had the advantage that it was universally recognized in both capacities — both as a store of value and as a measure of value. It had for centuries an enviable world-wide acceptability and a stability which no paper currency today can match. Yet the gold standard did not bring conditions of stability to the world economy — very far from it. The trade cycle caused immense uncertainty, waste and misery. By contrast, the gold-exchange standard, set up under the Bretton Woods agreement, which was effectively a dollar standard, proved far more fruitful for industrial as well as for developing countries. We must not forget the great achievements of the Bretton Woods era, but neither should we fail to learn from its eventual breakdown.

To return to a fixed-rate system or parity grid, which seems to be the vogue expression now, is simply not a practical possibility, even for countries as closely knit economically as Germany and France. If France were to join the snake, or another fixed rate system by another name, it would only be a matter of time before a parity change became inevitable. The instability of the system would remain, and would have been made worse by disappointed hope. Hypocritical statements of intention by governments or central bankers do not deceive the currency markets. We can achieve better results if we are not too ambitious, but put our very real advantages, particularly the degree of trust and goodwill between Members which certainly exists, to the best practical use. If we accept that national paper currencies will remain and that they will be managed by national governments under varying democratic pressures acting within different technological historical and natural constraints, the case for the gradual adoption of an alternative currency becomes extremely strong.

In effect, we are seeking to replace the gold standard with something new. In the first instance, we need to adopt an alternative currency as a measure of value only. We are not yet ready to create an alternative currency as a universal store of value, though I believe that has to come eventually. Perhaps if one was looking for a candidate among the commodity stores of value, the marginal cost of energy from place to place might eventually emerge as the store of value, and a measure of value of the most general acceptance. But here we are perhaps looking even as far ahead as the 21st century.

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In the meantime, what alternative, currency can we use as our measure of value? The dollar was used for many years under the gold-exchange standard, and still, in spite of its recent weakness, is the currency which is most widely in use in world trade. But the dollar is the currency of another country and it operates under democratic pressures. Recently, I think, we have all become convinced that it is too weak and too uncertain to be the alternative currency which we can continue to use in Western Europe. Then there are other candidates, the German mark or the Swiss franc. These suffer from the disadvantage of being too strong. There are always difficulties in adopting any one particular national currency because that national currency is inevitably subject to democratic pressures. If therefore we recognize the need to adopt a middle course, we have to find a compromise between the interests of lenders and borrowers. A currency basket with a reasonable and predictable composition; not so strong that those who have borrowed money and undertaken to repay in terms of the alternative currency then find themselves ruined and unable to meet their debts; nor so weak that lenders are unwilling to commit themselves, because they do not expect to be repaid at a reasonable rate. The European unit of account or something like it is ready to be pressed into service as a reference point for clearing debts and credits between Member States arising from current trade and the movement of capital for investment.

A Community agreement which repeated the success of the European Payments Union would be of great value and, I believe that this is something which it is within our power to create. But the European Payments Union did not have to contend with speculative capital movements on the scale of recent years. It is hard to be convinced that any European currency arrangement, however generous the fund set up to support it, could for long withstand the movement of capital of the kind we now have to contend with. To seek to limit the effect of speculative capital movements by direct controls is futile, and my group believes in fact we should aim rather to dismantle the remaining controls as quickly as we can. It is an inescapable conclusion that the Community's new currency system must make provision for speculative capital movements to be borne on the rate of exchange. This is a matter of greater importance in some financial centres than in others. It is of particular relevance to London with its tremendous worldwide capital market, which is particularly susceptible to sudden movements of sentiment and speculative pressures on exchange rates. This is one of the reasons why the Conservative Group would deprecate any system which sought consistently to defy market forces.

From this again it follows that we should offer better facilities for the parties involved in current trade deals

extending over some time, or undertaking long-term investments which necessarily involve a loss of liquidity, to obtain cover for their exchange risks at rates which assist the revival of economic activity. Last night we had an all too short discussion on the possibility of setting up a European export bank. It does surely stand to reason that, since the future markets for currencies are now inevitably restricted by the highly speculative atmosphere, we have to set up a lender of last resort of foreign currency futures, somewhere in the Community — central bankers or national monetary authorities or the Commission, I do not know who it should be — in order to extend the range of possibility for people engaged in long-term transactions and speaking of three, five and seven years and longer, to obtain the necessary security against exchange risks, without which capitalism at the international level is bound to break down. This will not necessarily involve a heavy subsidy for the currency futures markets, if Member States will also accept the duty to coordinate their policies in such a way as to promote stability through arbitrage and so remove the cause of the often well-founded predictions of frequent policy changes which have created the wild movements of market rates since the Smithsonian system broke down five years ago.

It is probably inevitable, but it is disappointing, that Parliament this morning has been given no indication of what conclusions are being formed by the officials following up the Bremen initiative. Inevitably therefore discussion has had to be of a general character. I am sure that the Committee on Economic and Monetary Affairs will hope that when President Jenkins visits us in the course of the next few days we may be vouchsafed more specific information. In the end, the voluntary concertation of national economic, fiscal and monetary policies by national governments and central banks, which is the essential precondition for the revival of confidence, employment, and investment, is a matter for political decision. Members of Parliament and ultimately the European electorate must be convinced of the necessity and the rightness of the detailed policy decisions that are now being worked out behind closed doors. This is a time for decision, but it is also a time for candour.

(Applause)

President. — I call Mr Sandri.

Mr Sandri. — *(I)* Mr President, the 19 minutes set aside for our Group will be shared in the usual equitable manner between myself and the representative of my French Communist comrades. I intend to use the nine minutes, or rather nine and a half minutes, at my disposal, not to examine the extremely complex questions which are before us, but to make a statement on behalf of the Italian Communists about the

Sandri

two events under discussion, which we regard as important and likely to lead to positive results.

The decision on a European monetary system seems to us to overshadow all the other decisions taken at Bremen and at Bonn, so our statement will be concerned with this aspect.

It was decided to attempt stabilization in the Community area, in the light of a few signs that the crisis is abating, although this abatement of the crisis applies only to some countries, and at a cost of which we are well aware. Yet these signs of a lessening of the crisis are found side by side with no less important signs that the crisis persists, for many countries of the Community, against the background of continuing international monetary turmoil. The President of the Council has spoken of the possibilities which emerged from the Bonn Summit; we would like to point out, without irony, that the first thing to emerge after the Bonn Summit — as Mr Pintat rightly observed — was the new destabilization of the international money market brought about by the successive falls in the value of the dollar.

Against this background of attenuated persistent crisis and continuing turmoil, decisions were taken which also have a bearing on the prospect of enlargement of the European Economic Community to include the three mediterranean countries, a prospect which we genuinely believe in and support, although we have no illusions about the additional difficulties it will create for the European monetary system. The Minister has explained the various ways of achieving such a monetary system, and the various elements of the process. We seem to have detected two possible approaches: a minimalist one, involving an attempt to contribute to a stabilization of the world monetary system, without which — as our colleague Mr Spinelli pointed out yesterday — any expansion of trade would be useless, as would any decision, even of a positive nature taken at the end of the Tokyo round of the GATT negotiations; and a maximalist approach which would be an attempt to advance effectively towards the unification of Europe through the monetary system.

We believe that this challenge — let us call it that — must be taken up. As far as we Italian Communists are concerned, we believe, albeit without illusions — as a Socialist Member has said — that the challenge must be taken up, convinced as we are that it obliges every Member State of the Community to draw the appropriate conclusions at national level. And what would be the point of our forming part of the present Italian majority, of the effort to which the Italian Communists are committed, if we did not seek at national level to make this attempt to rescue and renew our economy? We have no illusions about the significance of the European monetary system and the conclusions which must be drawn by Italy; but the

conclusions must also be drawn at European Community level.

It was already said yesterday — but allow me to repeat it — that the 1979 budget, the draft of which we have discussed, does not seem to cater adequately for the new elements which the Bremen Summit has introduced into the Community dialectic. This draft budget seems to us inadequate as a contribution to the realization, albeit gradual, of those aims. It has been said that European Monetary Union cannot and must not be an escapist device, an evasion of the issues, but will be possible only if financial resources are transferred to weaker countries and areas, and if we can bring about a return to fuller employment, industrial reconversion, a reduction of imbalances and that economic convergence of which Mr Ortoli has already spoken, rightly in our view. It seems to us that all these requirements are represented only sporadically and inadequately in the draft budget submitted to us, which, in our view, must be strengthened in substance and above all given different objectives.

Mr President, like the rest of Parliament we are aware that important economic and political deadlines are approaching — first and foremost, in the political field, the direct elections to the European Parliament. In this connection we welcome the report made to us by the President-in-Office of the Council, but we wish to see a greater harmonization of the Community's regional, social, agricultural, energy and other policies, so that this commitment may become effective in practice and be translated into political will. It seems to us that the Bremen commitments have not yet begun to act as an accelerator in the Community process.

We hope that the Community will act on these lines in the next few months, so that we do not find once again that our hopes are frustrated, but instead that a policy is being put into practice in accordance with the intention to improve the Community's guidelines and instruments, which we wish to see translated into reality.

(Applause)

President. — I call Mr Ansquer to speak on behalf of the European Progressive Democrats.

Mr Ansquer. — *(F)* Mr President, Minister, ladies and gentlemen, the Heads of State and Government and other statesmen have pointed out time and again that Economic and Monetary Union is one of the cornerstones of the Community edifice. Europe will stand or fall, depending on whether EMU does or does not come about, and so it is both essential and a matter of urgency that the plan for EMU be put into operation if we are to meet the 1980 deadline we set ourselves.

The Bremen and Bonn Summits have given us reason to believe that a decisive step forward can and must be

Ansquer

taken not only for Europe itself, but also for its partners — and I am thinking here in particular of the United States — for the West and for the developing countries. These meetings have brought out at one and the same time the political will which exists, the reservations that are still held and the pitfalls which have to be avoided. The worst solution of all would be to hastily knock together a system and see it battered by the harsh winds of economic reality and swept away in the torrent of international economic life. We must therefore set to work with determination and caution so as to avoid the kind of setback which might discredit the whole exercise once and for all.

At the same time, we must present the European man-in-the-street with a picture of a European economic and monetary union which will have a real effect on his day-to-day life. All too often, the have-nots suffer the worst effects of economic crises and monetary fluctuations, and public opinion is finding it more and more difficult to understand why the national governments and the European institutions have failed to get a grip on the movements of capital which fuel speculation and inflation.

Although the collapse of the international monetary system has led to a general state of anarchy and confirmed the present privileged position of the dollar, the European countries can no longer fulfil their allotted role of carrying the United States' balance of payments deficit. At the same time, we realize that a minimum level of monetary stability is essential if we are to tackle the immediate and medium-term economic problems facing us. Without at least minimal stability, nothing can be done. With it, solutions would be found to a lot of problems quite naturally, and there can be no doubt that Monetary Union presupposes the gradual harmonization of the Member States' economic policies.

We should therefore be thankful for the fact that, at Bremen, Europe moved towards the idea of a common monetary system, the essential objective being the establishment of a stable monetary zone and the intervention instrument being a European Monetary Fund which, simply by its very existence, can act as a kind of restraining force on erratic movements of capital.

My Group was glad to see that the decisions taken by the European Council were in line with its own proposals, and that the Bremen Summit recognized the need to reduce fluctuations in the rates of exchange and to pursue policies which would serve this end. We need more stringent rules to be applied to floating currencies and to the fluctuation margins of the rates of exchange to avoid falling into the same traps as we have in the past. The main shortcomings of the 'snake' were due to the fact that the mechanisms of the system were not sufficiently backed by Community directives on monetary and credit policy. If we

succeed in solving this problem, which really boils down to a matter of Community resources, the system will be effective and durable. It will have to be as strictly-ordered as the 'snake' in terms of exchange rate control and probably also in terms of fluctuation margins. Fortunately, however, provision has been made for temporary withdrawals from the system to avoid the need for outright defections. The central feature of the system — a basket of currencies — will be simple enough, and the pool of reserves available to the European Monetary Fund will be large enough to iron out fluctuations on the exchange markets.

Of course, we are sorry that our British friends are still hesitating about whether to make a truly European choice, especially as their partners seem determined to forge ahead with the scheme. This European choice will involve a commitment to solidarity among the Member States, but without requiring any renunciation of national sovereignty. Nor will it run counter to the interests of our partners — neither the United States, nor the socialist countries nor the developing countries. Our intention is not to get rid of the dollar but to learn to live with it. The new system is less fraught with hazards than it would have been in the past because the growing interdependence of the Member States means that short-term fluctuations in our countries' economic futures are tending to occur simultaneously. So the economic policies pursued by each of the Member States will tend in the future to diverge less and less. This kind of harmonization is a *sine qua non* because it would be impossible to forge a link between the currencies of countries with widely — and even diametrically — different wage cost trends, for example. We must realize that monetary stabilization is above all an indication of converging economic conditions.

For this reason, the overall approach is the only one that can be envisaged, and the external and internal problems must be perceived with the same degree of firmness. The development of genuinely common policies must go hand-in-hand with the pursuit of extremely open monetary policies so as not to give rise to speculation. The Franco-German monetary scheme which was examined by the European Council at Bremen, and the Bonn decisions — which are based on a concerted strategy — leave a number of important questions unanswered. When it comes to monetary matters, we cannot simply let things drag along, especially not in a glare of publicity.

The many points which have been left hanging in mid-air are more of a fundamental than of a simple technical nature. For instance, there is the question of the common denominator, in other words the reference term by which exchange rate fluctuations are to be measured, there is the operation of the European Monetary Fund and the credit mechanism, relations the currencies of countries very close to the European

Ansquer

Economic Community, such as Switzerland and Austria, relations with the International Monetary Fund and the measures to be taken in the case of modifications to the representative rates. We must find a balanced solution to all these problems, one which will enable parities to be changed more readily than is possible in the 'snake', but one which will obviate the need for over-frequent adjustments.

Mr President, ladies and gentlemen, these are the essential matters which form the terms of reference of several Community committees, whose task it is to prevent this system from being just another institutional contrivance. We can be sure that a successful European monetary zone will have an impact beyond the Community's frontiers and will become the symbol of an independent Europe and the true expression of and witness to the reality and vitality of Europe. In this way, the European Monetary Union will be a decisive step towards a genuine reform of the world monetary system. As far as we are concerned, it will be a means of consolidating the Community, which we are working unswervingly to build.

(Applause)

President. — I call Mrs Ewing.

Mrs Ewing. — Mr President, we have had what to me is a very complicated debate, as I do not profess to be one who understands the intricacies of world banking. We have had all these wonderful words used a great deal today — stability, growth, predictability — and we have had many pious hopes expressed that there will be less inflation and less unemployment under a more stable system. We have also had, it seems to me, conflicting theories advanced, and perhaps I shall get a little clarification of my problem at the end of the debate.

As I understand Mr Genscher's statement he is advancing something different from EMU, something short of, and not as drastic as, EMU. I would like to have this clarified. He indicated how the ECU's would come into existence, and I would like to ask whether we know at this stage if all the Member States are willing to go into this proposal of Mr Genscher's and how easy it will be for these Member States. Which Member States will find it most difficult? And what difficulties will they have? When we hear about deposits of US dollars and gold, then we realize right away that some Member States are going to be in considerably more difficult positions than others.

Sir Brandon Rhys Williams said he thought the average voter in the Community would be in favour of Mr Genscher's proposal. Well, I doubt very much if this is the case. I would say the average voter will not have a clue about Mr Genscher's proposal. On the other hand, the average voter has got used to hearing about Big Brother, the IMF; he has some rough understanding that there is this fund which from time to time the States borrow from, and can only borrow

from if they obey certain, often stringent, conditions. So I would like to have explained to me what relationship Mr Genscher's proposals will have with the existing arrangements Member States have with the IMF.

Mr Ortoli appears to me to be advancing something different: a straightforward aim at EMU very much along the lines of Mr Jenkins's speech in Florence in October 1977, Mr Ortoli seeking to achieve it on a five-year basis. I would like to put something on record here which I think should be known. When I go back to the Parliament in London of which I am a Member, and when I ask Ministers of Her Majesty's Government whether EMU is part of the policy of Her Majesty's Government, I am assured, and have been so constantly over the years, that it is not the policy of Her Majesty's Government I think that all the people listening to me here today, as many as are left, should bear this in mind. Is it the case, then, that the British representative at the summit meeting was prepared to go all the way with Mr Genscher's proposal? Is that now something that has been advanced, or do we all have to wait until we know more about it, which we are told we shall do on 31 October? Is the difficulty I find myself in partly because we are debating a matter on which we have not yet got all the facts?

I thought I understood the matter better when Lord Ardwick was on his feet, because he seemed to me to be explaining that Mr Genscher's proposals were really seeking stability short of EMU; but even there he did seem to suggest that there would be some transfer of financial decision-making from national governments to central banking institutions. Now if I am right in thinking that there will be such a transfer, I, as a backbencher, feel some concern, because it is obviously difficult in a multinational Parliament for a backbencher to feel that he or she has much control over the decisions we so often have to read about in the columns of the press, having had very little part in them ourselves, although we are all elected people the democratic arm, if you like, of the whole Community. So if we are to have the transfer of more decision-making to central banking and financial institutions, I immediately wonder how on earth I can exert any control whatsoever over that decision-making. Will it not be an even more remote position for persons such as myself, whether nominated, as I am at present, or elected following direct elections?

Lastly, Mr President, I shall just say this. The very subject of money amounts merely to the discussion of a commodity on the market place. Money is something which can be bought and sold. It is not an end, it is only the means to an end, it is only a tool; and when we talk about stabilizing it we are only really talking about stabilizing the jobs of people who are in industry and who have reason to concern themselves about summit decisions.

Ewing

There are, it seems to me, so many platitudes. If I could for a moment pick one or two, I would take one from Mr Jenkins's speech, where he admits that the legitimate needs of the weaker regions have to be met far more powerfully than at present is the case.

If I look at the document of Mr Tugendhat prior to the summit, he was encouraging, for example, about textile negotiations, because he thought that with the Community acting as one we had got a better deal for this industry. I might be prepared to go along with there, but I am extremely concerned about two other sectors, those of shipbuilding and steel, where Scotland, which to me is a nation, is virtually being asked to watch over the demise of these industries and where it is already being said quite openly that thousands and thousands of workers are going to be made redundant.

Then we are told it is a good thing if we aim at the same growth rate. That sounds excellent. Yet we read in *The Times* of Saturday, 26 August, that France's target of 4.5% which was discussed at the summit, has already had to be reduced to 3.5%.

Perhaps I am going to have all my problems clarified for me, Mr President, after 31 October, but I felt it right to put on record that, as I understand the policy of the British Government, of whose political party, of course, I am not a member, is not in favour of economic and monetary union. I would like to know whether it has expressed itself yet as being in favour of Mr Genscher's plan, and what relationship there is between all this and the IMF.

(Applause)

President. — I call Mr Haase, whom I would ask to be brief in view of the lateness of the hour.

Mr Haase. — (D) Mr President, thank you for giving me leave to speak. I shall be very brief. On behalf of the Socialist Group, I should like to say that we believe the agreement reached by the European Council, of which I take a rather more sanguine view than Lord Ardwick did, to be a step in the right direction.

The European Parliament should, however, try to persuade the Member States of the Community to face the fact that, contrary to what they often still hold to be true, this will not involve any loss of national sovereignty since such sovereignty no longer exists. We must, ladies and gentlemen, persuade them to trade in their 'national sovereignty' for European self-help, because national sovereignty has long since disappeared in an age in which internationally organized banking and finance circles speculate against the dollar to such an extent that the Americans have now been forced to set up a committee of investigation; it is an anachronism when we see how structural weaknesses in the economy appear and spread — and I am

thinking here of steel, shipyards, footwear and other sectors. These are no longer national questions. They go way beyond national frontiers, and so the re-establishment of sovereignty means overcoming all these difficulties and achieving control over these hitherto uncontrollable forces.

What do we mean by a stable monetary system? It means flexible rates of exchange with margins of fluctuation if possible for all the Member States, mutual exchange rate support and a common pool of reserves. I should like to point out that the European Parliament put forward a similar proposal a number of years ago, which gives us grounds for claiming that the idea is nothing new to this House at least. We just hope that it will now become reality.

Coordination of exchange rate policies means of course increased cooperation between the central banks, with prior consultation before currencies are supported or allowed to float to the complete surprise of the other Member States. It also means that there must be agreement in advance on the policies to be pursued in this sector and that simply giving notice of a *fait accompli* is not enough. It also clearly means cooperating with the US Government Administration and the Federal Reserve and agreeing among ourselves to work together with the Americans to stabilize the dollar.

Ladies and gentlemen, GATT will only be successful if we manage to stabilize the world's monetary system; unless we manage to achieve stability, the dollar will continue to fall faster than the developing countries can call for reduced customs tariffs from the industrialized countries. It means, though, that we here in Europe have a vested interest in cooperating with the Americans in this sphere.

Ladies and gentlemen, I think we would be setting a good example by saying that the relinquishing of sovereignty in this sphere means self-help and help for the whole of Europe. After all, you can't make an omelette without breaking eggs. It just cannot be done. Either the one or the other. You have to compromise!

What is the alternative? The alternative is simply that if we fail to stabilize our currencies, the upshot will be a trade slump, more protectionism, a further slow-down in trade within the Community — which, after all, accounts for almost 50% — and, ultimately, longer dole queues.

Ladies and gentlemen, we have a chance now in Europe and now is the time to take that chance. The European Parliament should do everything in its power to urge, exhort and help the Council to take the steps it has planned and thus increase our influence over the national parliaments. We must ensure that no obstacles are placed in the way of the progress we can now make within this European framework. If we agree on this point, there is nothing to stop us

Ewing

cooperating effectively with the Council and the Commission.

The Socialist Group feels that this is a good step in the right direction, that it will help us to make progress and that it will give us the chance to create more jobs. The first step taken in Bremen will enable Europe to make progress in the economic, financial and monetary spheres.

(Applause)

President. — I call Lord Castle on a point of order.

Lord Castle. — Mr President, my colleague has heeded your request that he should be brief. That means, I believe, that in consequence there has been a shortening of the amount of time allowed to the Socialist Group. Can I have your guidance in this? Is there still, as a result of the agreements which are normally made between the groups, some time to spare for spokesmen from this side?

President. — Lord Castle, the total time allowed to the Socialist Group has not been shortened at all; the purpose was simply to avoid too much of a delay in starting the lunch break.

The proceedings will now be suspended until 3.00 p.m.

The House will rise.

(The sitting was suspended at 1.15 p.m. and resumed at 3.00 p.m.)

IN THE CHAIR : MR COLOMBO

President

President. — The sitting is resumed.

7. Question Time

President. — I should like to inform you that the Christian Democratic Group (EPP) has withdrawn the request for urgent procedure which it submitted at yesterday's sitting in connection with Question No 8 to the Commission on the effects of the strike by French air traffic controllers and its compatibility with the Community's transport policy.

The next item on the agenda is the second part of Question Time (Doc. 294/78). We begin with the questions addressed to the Council.

I call Question No 33 by Mr L'Estrange :

Will the Council state whether, during the last 12 months, it has modified proposals of the Commission as a result of consideration of Opinions from the European Parliament?

Mr von Dohnanyi, President-in-Office of the Council. — *(D)* The Council has declared its inten-

tion, except in urgent cases and in accordance with the obligations incumbent on it of examining a Commission proposal submitted to the European Parliament for its opinion only after the opinion of the European Parliament has been received, provided this takes place within an appropriate period which, in certain cases, could be fixed by common accord.

Furthermore, to be more specific, I might draw your attention to two examples from recent years concerning environmental protection. Firstly there was the Directive of 6 April 1976 regarding the collection, regeneration or destruction of polychlorinated biphenyls which was dealt with as follows. The European Parliament requested that Article of the Directive proposed by the Commission should be modified to include a clause to the effect that the Commission should report every three years to the Council and the European Parliament on the application of the Directive. The Council adopted this modification. There was also the example of the Directive of 29 June 1978 on the harmonization of legislation on health protection for workers exposed to chlorvinyl monomers. The European Parliament proposed that the time limits for the application of the Directive should not exceed one year in the case of new plants. In this case too, the Council adopted the proposal.

Mr L'Estrange. — Since the President-in-Office of the Council has stated that he will take account of the recommendations of Parliament, I would like to ask : is he satisfied with the degree of cooperation that exists at the present time ; does he think that the cooperation is as great as the founding fathers envisaged ; and does he believe we will have any change after direct elections?

Mr von Dohnanyi. — *(D)* Nothing is perfect, but I think the cooperation shows that the views and wishes voiced in this Parliament certainly are taken into consideration by the Council.

Mr Dalyell. — At ten o'clock last night the House debated the question of a European Export Bank. No reasonable man could ask the President-in-Office to give a quick answer on a complex subject, but could we have an undertaking that the Council will communicate its views fairly soon one way or the other to Committee on Budgets of the Parliament on the desirability of setting up a European Export Bank?

Mr von Dohnanyi. — *(D)* The appropriate procedure will naturally be applied in this case and it goes without saying that the Council will take its decision as swiftly as this procedure permits.

President. — I call Question No 34 by Mrs Ewing :

Will the Council make a statement on the latest situation regarding negotiations towards achieving a common fisheries policy?

Mr von Dohnanyi, President-in-Office of the Council. — (D) The Council has already frequently reported to Parliament on the negotiations on fisheries policy. It is prepared to submit a new report if Parliament so desires and decides to include this matter on its agenda.

Mrs Ewing. — I find unsatisfactory a situation where we are able to learn nothing. Although this subject was debated recently in the Parliament, it is an ongoing matter. Fishing is being restricted by the unilateral action taken by the UK with the support of the Commission in the hope that, in the interests of all concerned, at least some of the various species of fish left in the fishpond round the British islands and Ireland will be conserved. Could I put the point to the Council that the real trouble here is a longstanding stalemate. The contribution to fishing made by the United Kingdom and by Ireland has not been recognized. The problem arose when the six cobbled together a policy before the accession of the UK, a policy which, after all, drove Norway to remain outside the Community. Perhaps one could also mention The Faroes in this context. Is it not time to recognize that a stalemate exists and that British fishermen are suffering as much as anyone from some of the self-imposed conservation measures? Would the best way to end the stalemate not be to rethink and allocate quotas commensurate with the contribution to the fishpond?

Mr von Dohnanyi. — (D) The Council is naturally endeavouring to find a solution to this problem on the basis of the existing legal agreements and in the light of the interests of all concerned. The interests of the British and Irish fishermen will naturally be taken into account in the same way as the interests of others must be taken into account on the basis of the existing agreements.

Mr L'Estrange. — Does the President-in-Office not believe that the reason for a certain nation's dragging its feet is that it does not want a settlement before its general election? Does he think that all nations are out of step but one nation?

(Laughter)

Mr von Dohnanyi. — (D) I cannot imagine this to be the case, as this is a Community problem.

Mr Seefeld. — (D) Hear, hear!

President. — Question No 35 by Mr Ryan will not be called as it deals with the same subject as the oral question (Doc. 283/78) which is to be debated at today's sitting. The questioner will have the right to speak in the debate on that question.

I call Question No 36 by Mr Ripamonti, for whom Mr Pisoni is deputizing:

From 1 January 1979 the Court of Justice will have its own independent interpretation service. Can the Council confirm that not all the official Community languages will be used by this service, specifying which languages and why?

Mr von Dohnanyi, President-in-Office of the Council. — (D) First of all, I should like to point out that the question raised by Mr Ripamonti regarding the languages to be used by the interpretation service at the Court of Justice is a matter for the internal administration of that institution, and is therefore not one which I can go into in detail here. According to the language provisions laid down in the procedures of the Court of Justice, the working language for every hearing is the language of — or chosen by — the defendant. The Court of Justice therefore works in that language and provides the necessary interpretation services.

Mr Pisoni. — (I) I have taken due note of this reply. However, we are in no position to ask the Court of Justice about this matter.

Furthermore, how are we to interpret the judgments of the Court and draw useful conclusions from them if, in addition to the fact that they use a specialized terminology, they are in a foreign language?

Moreover, given that the idea of reducing the number of official languages has been brought up elsewhere, I should be grateful if the Council would say whether it shares this idea.

Mr von Dohnanyi. — (D) I should like to stress once more, in reply to the supplementary question, that hearings are conducted and judgments written in the language of or chosen by the defendant. This means that there is no possibility of the person involved, who must be able to follow the hearing and understand the judgment, being confronted with a language he cannot understand. The Court works in the language of the defendant. Furthermore, I think that, in spite of the fact that the institutions are separate, I have described the situation in such a way as to give you an adequate picture of the situation. I have stuck to what I have been told and nevertheless answered your question.

(Laughter)

Mr Fletcher-Cooke. — When the President-in-Office says it is in the language of the defendant, surely he means it is in the languages — in the plural — of all the parties, whether they be plaintiff, defendant, co-defendant or any party that intervenes? It must be more than one, unless both plaintiff and defendant speak the same language. Secondly, although the language of the hearing or languages of hearing may be one or two, surely the results, the judgments, must be published in all the languages of the Community?

Mr von Dohnanyi. — (*D*) As regards the second part of this question, I should like to stress that this really is a matter for the Court itself. However, it may clarify matters if I point out that, obviously, the language of the plaintiff is used initially. I merely drew your attention to the fact that the language of the defendant is always used too, in order to guarantee that a defendant, against whom an action is brought in a different language, is not obliged to work in this other language used by the plaintiff. This is the situation, and I think it is basically satisfactory.

Mrs Dunwoody. — With greatest respect to the President-in-Office, it has not been answered at all, because this is a court to which the Commission are sending, with a positive delight, cases involving the greatest nonsense. In some instances there are four nations as defendants, witness the last case of taxation on alcohol. And it is very important that all the nonsense talked in this so-called European Court of Justice should be capable of being understood by the people who are going, after all, to be suffering from the decisions.

Mr von Dohnanyi. — (*D*) I can understand that the language used by the legal profession can frequently strike other parties involved as artificial. I assume, however, that the European Court of Justice makes its judgments on the basis of existing legislation and that for this reason it is certainly not acceptable to describe its work in these terms. For the rest, it is of course correct that the decisions taken should be capable of being understood by the people involved. If problems should arise in this respect, I should be very glad to take the matter up with the Court once more.

Mrs Kellett-Bowman. — Mr President, Mr Fletcher-Cooke has already asked precisely the questions I wished to ask, to which I regarded the Minister's answer as wholly unsatisfactory.

Mr von Dohnanyi. — (*D*) I am used to criticism, but I am tempted to ask that the question be put again so that I will be in the position to clarify the matter, since this is what I am here for. I therefore regret that the question has not been put a second time.

(*Laughter*)

President. — By way of exception, I call Mrs Kellett-Bowman to put the question.

Mrs Kellett-Bowman. — My question was the second one by Mr Fletcher-Cooke, regarding persons who are affected by the judgments and the language in which those judgments are in fact written afterwards. Because they must be referred to by other persons, and they must be aware of precisely what the judgment is.

Mr van Dohnanyi. — (*D*) I have been told that the language of the plaintiff, the language of the defendant and, during the hearing and for the translation of the judgments, all the relevant languages are used. This is all I know at the moment, and I think this should be adequate for present purposes. I hope I have now given a satisfactory answer.

Sir Derek Walker-Smith. — Having regard to the fact that the President-in-Office has said that his replies are necessarily in the nature of hearsay, would it not be advisable for honourable Members of this House, at any rate in the first instance, to seek their clarification and make their suggestions for improvement direct to Mr Van Houtte, the very experienced and always helpful registrar of the European Court of Justice?

Mr von Dohnanyi. — (*D*) The answer is yes.

Mr Masullo. — (*I*) It is true that this is strictly speaking a matter for the Court of Justice. However, the Court makes pronouncements on Community law and its judgments also affect the other institutions of the Community, including Parliament.

Since we, as Members of this Parliament, are not able to put questions to the Court of Justice, the first question I should like to put quite explicitly to the Council is whether or not it intends, in its own right, to take steps to draw the attention of the Court of Justice to the need for its judgments to be translated into all the official languages of the Community.

The second question I should like to put is whether a decision on the part of the Council not to make such an approach may reflect a certain stand — never adopted officially — on the problem of the languages of the Community.

Mr von Dohnanyi. — (*D*) Firstly, the languages used are those of the plaintiff and of the defendant. The judgment is translated into all the relevant languages. I have already said this. Secondly, I could perhaps make up for the formal reticence with which I have just spoken here regarding the situation in the Court of Justice by taking up the matter with the Court and subsequently reporting to you on the situation with its approval, so as to put an end to these problems.

Thirdly, I should like to stress that I answered the question in this way on account of this formal division of competencies and that I may be able to answer the question differently after I have had further consultations with the Court of Justice.

President. — I trust that this subject will be brought up again in a future question, so that the President-in-Office of the Council will be able to give us details regarding the steps taken to settle this problem.

President

I call Question No 37 by Mr Baas ;

The Council is at present considering a draft regulation under which, in a protocol annexed to the Mannheim Act, the Community as such would subscribe to the regulations governing shipping on the Rhine, designed in particular to deal with the situation arising from the opening of the Rhine-Main-Danube canal. Can the Council indicate whether a Community regulation on this matter is to be expected in the near future ?

Mr von Dohnanyi, *President-in-Office of the Council.* — (D) I am able to confirm what the honourable Member has said as regards the proposal for a Council Decision on the adoption by certain Community Member States of an additional protocol to the Revised Convention for the Navigation of the Rhine, known as the 'Mannheim Act', of 1868. This proposal, which was sent to the Council by the Commission on 24 October 1977, has been discussed in policy debates held by the Council at its 495th meeting on 20 and 21 December 1977 and its 521st meeting on 12 June 1978.

The Council's subordinate bodies are currently pursuing their work in the light of these debates, with a view to enabling the Council to take a decision on the proposal at its next meeting on transport questions. The Council has not so far received any Commission proposals for a Community regulation governing shipping on the Rhine.

Mr Baas. — (NL) May I ask whether two coastal States in particular are holding up a Community regulation, and is not the President-in-Office of the Council himself the most suitable person to encourage at least one of these Member States to adopt a different attitude, which is essential if we are to cope with the very difficult situation which will arise when the Rhine-Main-Danube canal is opened and we will have to take account of the ships from Eastern European States with their special tariffs, while at the same time the Community, in view of its responsibility, will have to prepare the measures necessary if we are to deal with this situation ?

Mr von Dohnanyi. — (D) The honourable Member will be aware that, with good reasons, the Council never gives details of progress in its discussion of a matter until it has arrived at a common position and I do not intend to depart from this custom in the present case. However, I can assure you that this Presidency and every other Presidency will naturally endeavour to establish a common position with all the Member States of the Community — particularly those directly involved in this matter — with a view to finding a Community solution.

President. — I call Question No 38 by Mr Cunningham :

Is the Council satisfied with the current operation of the official channels of communication between the Community and Malta ? What improvements does it propose for

them in connection with the renegotiation of the Association Agreement in 1979 ?

Mr von Dohnanyi, *President-in-Office of the Council.* — (D) At no time has either party ever questioned the working of these official channels of communication. On the contrary, the confidence of the Community and Malta in the working of the bodies set up under the Association Agreement has been such that the two parties have agreed to expand the tasks of these bodies following the significant development of the Association Agreement over the past few years as part of the Community's policy of an overall Mediterranean approach. The Community is convinced that the bodies set up by the Association Agreement are tried and tested enough to attain the objectives which the Community and Malta have set themselves in their close and friendly relations.

Mr Cunningham. — Yes, but does the Minister appreciate the difficulties for a very small country like Malta with a very tiny diplomatic service of being represented in the Community ? Does he know, for example, that the Maltese representative to the Community is an individual of German nationality who does the job part-time and is not even resident in Brussels ? And does he understand the difficulties of communication which arise from that fact ? Could he look into the possibility of making use of the German Embassy in Valetta to some extent informally during at least this period of the Presidency to ensure that there is no blockage in the communications between Malta and the institutions of the Community ?

Mr von Dohnanyi. — (D) We have not in fact experienced communication difficulties of this kind, as I have just stressed, although I am naturally aware of the facts you have just described. However, in recent years we have seen more than one example of the fact that Malta can be a diplomatic force to be reckoned with and have considerable influence on negotiations. To this extent, therefore, I cannot wholly go along with this view that Malta is limited in its diplomatic scope.

President. — I call Question No 39 by Mr Yeats :

What impetus does the Council intend to give to small and medium-sized enterprises in the Community, particularly in backward regions ?

Mr von Dohnanyi, *President-in-Office of the Council.* — (D) The Commission has so far submitted no proposal on this subject to the Council. However, the Council wishes to emphasize once again that it always pays special attention in its legal acts to the situation of small and medium-sized enterprises. The honourable Member is no doubt aware that the Commission as it stated in its last general report — has begun drafting a report on small and medium-sized enterprises which may be used as a basis for discussions on the elaboration of future measures in this sector.

von Dohnanyi

Mr Yeats. — The Council is apparently prepared to concede that it is in favour of some kind of action in favour of small and medium-sized enterprises, action indeed which is badly needed, but how can the President-in-Office reconcile this expression of goodwill with an apparent inability to do anything practical except to say that, if there should be a report from the Commission, this may perhaps form a basis for discussions? It is hardly a very satisfactory approach.

Mr von Dohnanyi. — (*D*) Under the Regional Fund and Social Fund there are a number of projects which are of particular interest to smaller enterprises. However, I fully agree that a general statement is not enough. Nevertheless, one must recognize that, on the one hand, an upswing in the Community economy as a whole, which will open up the market for small and medium-sized enterprises, is essential if these undertakings are to prosper, and that, on the other hand, the law on cartels and various other measures in this field provide the necessary legal basis for the prevention of undesirable concentrations. This is the Community's policy, and I think to this extent it is true to say that a great deal is already being done for small and medium-sized enterprises.

Lord Bruce of Donington. — Is the President-in-Office aware that there is nothing in the Treaties that prohibits the Council from exercising its own initiative in these matters? It does not require that the Commission should originate a proposal. Is he further aware that one of the ways in which he could deal with this matter, which relates specifically to the question of backward areas, is to make a far more specific provision within the Regional Fund regulations, which are now, we understand, under active consideration by the Council?

Mr von Dohnanyi. — (*D*) The Presidency is naturally familiar with the procedures forming the basis for the various measures I have already described and which benefit small and medium-sized enterprises. As regards what has just been said about the Regional Fund too, my previous remarks still apply. It would perhaps be possible, in connection with the Regional Fund, to formulate some of these questions more precisely, but on the other hand one must realize the problems which the details of implementation often give rise to. It strikes me that the measures taken so far in the short and medium-term economic field, combating unemployment, the Regional and Social Funds etc. have been very much in the interests of small and medium-sized enterprises.

Mr Normanton. — Would the President-in-Office not agree that the many ways in which the interests of small and medium-sized enterprises in all parts of the Community would be served would include restraints on the growth of bureaucracy, a reduction in the volume of paperwork which small firms are loaded

with, and a reduction in the incidence of taxation? Would he not agree that these are broad principles upon which the Council could give good guidance and direction to the Commission, and indeed to all Member States as well?

(*Laughter*)

Mr von Dohnanyi. — (*D*) There can be no doubt that many necessary or apparently necessary administrative measures can prove to be a hindrance in business practice. However, if, for example, it is proposed that greater use be made of the Regional Fund or Social Fund in the interests of small and medium-sized undertakings, one must realize that the selection of the beneficiaries in itself presupposes a bureaucracy to make this selection. One must therefore realize that any attempt to exempt certain groups of enterprise from a general measure on the grounds of type or size in fact has the effect of promoting the growth of bureaucracy rather than inhibiting it, and this dilemma has to be solved from case to case.

Mr Brown. — Could I draw the President-in-Office's attention to the fact that if he wants to give help to small and medium firms, he could begin with piano manufacturers? Is he aware that 1 600 pianos imported into West Germany from South Korea were dumped at very low prices in 1977, and that a further 600 were imported into West Germany in the first six months of 1978? If he wishes to give some help to small and medium European undertakings, will he begin with the piano industry and stop these cheap imports from South Korea?

(*Laughter*)

Mr von Dohnanyi. — (*D*) I have made my own personal contribution in this respect in that my daughter practices on a German piano.

(*Laughter*)

So as you see, I have tried to do my bit. However, the Community does in fact have a common trade policy covering these matters, and under this common trade policy it must adhere to the principles of free trade even when certain structural difficulties arise in particular cases.

Mrs Kellett-Bowman. — The President-in-Office said rather vaguely that many sections of the Regional and Social Funds were of assistance to small and medium-sized industries. Would he care to particularize and tell the assembled company what he proposes to do to emphasize the value of these particular sections?

Mr von Dohnanyi. — (*D*) I have already explained in reply to the question by Lord Bruce that we assume — and can in fact prove — that a number of the measures in question are of particular benefit to small and medium-sized enterprises. However, restricting

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the measures to undertakings of certain sizes would obviously again raise the problems mentioned by a previous questioner regarding paperwork. I merely wanted to point out this problem. We must be very careful if we are to avoid making the conditions for receiving aid more and more strict.

Mr Noè — (I) Does the Council intend to devote particular attention to craft industries, which have been a major preoccupation of this Parliament, following repeated requests for the problems specific to these industries to be examined separately from those of the small and medium-sized enterprises?

Mr von Dohnanyi. — (D) Mr President, I think this is increasingly a question of competency which cannot primarily be solved at Community level. A considerable proportion of these tasks are regional tasks in fields such as education and vocational training. Thus they are not directly connected with what the Community can do to promote an economic climate and structure favourable to the small and medium-sized enterprises.

President. — Question No 40 by Mr Albers has already been put in that he had an opportunity to speak on it in this morning's joint debate on Economic and Monetary Union.

I call Question No 41 by Mr De Clerq :

Owing to the attitude adopted by one country, the Member States of the Community have decided to suspend work on the Commission's proposals concerning fast breeder reactors, reprocessing and the management of radioactive waste.

Does this decision not conflict with the position adopted by the European Council at Bremen and at the western economic summit meeting in Bonn where the need to develop nuclear energy was reaffirmed?

Mr von Dohnanyi, President-in-Office of the Council. — (D) The suspension of the examination of these three proposals by the Council is only temporary. Such suspension will give an opportunity to all Member States and the Commission to re-assess their positions in regard to the proposals. It is the intention of the Presidency to take steps to have the examination of the proposals re-opened when it considers, in the light of contacts with the Member States and the Commission, that this would be opportune. In the meantime, the development of nuclear energy by Member States, in accordance with the general guidelines of the European Council of Bremen and the World Economic summit of Bonn, is in no way restricted by the temporary suspension of the examination of these particular proposals.

Mrs Ewing. — With regard to the suspension of the re-assessment of the management of radioactive waste, could I draw the attention of the Council to the Commission report which appeared earlier and which highlighted thirteen suitable granite sites for the disposal of waste which all happened to be situated in

Scotland, and could I ask the Council to take on board the very serious concern among Scots people that their country should in no way be used as a nuclear dustbin for any countries in the EEC which understandably wish to go on with a nuclear programme, for there is an elementary principle involved here that he who makes and creates radioactive waste should find his own method of disposing thereof?

Mr von Dohnanyi. — (D) The Council will certainly take account of these considerations in its decisions, but I should nevertheless like to stress quite explicitly to the honourable Member that the European Community was set up specifically for the purpose of establishing a Community which would be greater than the sum of the individual interests of the various Member States or even regions within these Member States. Naturally, no imbalance of the kind you have described here as a cause for concern should be allowed to arise, but the sheer size of the European Community also permits greater efficiency in certain major sectors of the economy, and the particular suitability of certain regions for certain economic activities presents an opportunity for greater productivity and greater prosperity in the Community.

I should therefore like to say that the honourable Member's viewpoint is understandable and that the Council will certainly take it into account in its deliberations. However, the Council cannot take a specific regional interest as the sole or major basis for decisions in any question involving the Community as such. The interests of the Community as a whole must always take precedence.

Mr Brown. — I accept that point from the President-in-Office, but how far does he consider that the individual Member States of the Community can solve these problems of nuclear technology alone? I am not only thinking of the advanced countries, the United Kingdom, France and Germany, but I am thinking too of countries such as Ireland and Luxembourg who are now going to 'go nuclear' in terms of power stations. How does the President-in-Office feel that these Member States can solve the problem of how to deal with their radioactive waste, if Community solutions are not found? Therefore, will the President-in-Office press upon his colleagues the overwhelming desire of this Parliament as expressed in the report of its Committee on Energy and Research for Community action in this field?

Mr von Dohnanyi. — (D) If I were to attempt to give a specific answer to this question, I would be contradicting what I said first, namely that because of certain developments it has been decided to devote some time to the careful examination of certain questions. Therefore I am afraid that I cannot give a specific answer to this question regarding possible solutions for the individual Member States, since this very problem is currently under consideration.

Mr Noè. — (I) To what extent has the Council taken account of the decisions and recommendations of this Parliament regarding these three problems raised by Mr De Clerq, with a view to rapidly filling the remaining gaps in our know-how in connection with fast breeder reactors and their problems?

Mr von Dohnanyi. — (D) As I said before in reply to another question, the Council naturally takes account in its decisions of the views expressed by this Parliament. However, I should like to repeat that the purpose of suspending work on these proposals is to give all the Member States and the Commission a chance to re-assess their attitudes to these proposals as swiftly as possible. We will endeavour to bring this process of examination to its conclusion as soon as possible.

Mr Osborn. — Will the Council of Energy Ministers consider the consequences of dragging their feet at this particular time, and in particular, will they consider the views of Dr Walter Marshall, head of the British Atomic Energy Authority, who in technical papers and letters to the press has pointed out that the fast-breeder reactor is the best way of consuming plutonium, one of the radioactive wastes that if not consumed, will embarrass environmentalists so much? Will it give this very careful consideration urgently?

Mr von Dohnanyi. — (D) This question appears to imply that this examination of the proposals in the Council could hold up developments in the individual Member State. This is not the case, since what is in fact taking place is a re-assessment at Community level. Existing national projects in the Member States will continue, so that — if you will forgive me — I cannot accept the implication that the Council is dragging its feet on this problem.

Mr van Aerssen. — (D) Since some projects, such as the fast breeder reactor in Kalkar, are financed not by national bodies, but by consortia, such as Germany, the Netherlands and Belgium, I should like to ask whether or not the Council is prepared to inform these consortia that it is not the intention of this so-called 'pause for thought' to hold matters up or shelve them, so that they will not lose interest in the project and drop out.

Mr von Dohnanyi. — (D) I do not think this is necessary, as there can be no question of any intention to call a halt to projects currently underway. I do not feel there is any need to state this explicitly once more.

President. — Question No 42 by Mr Nyborg will not be put since the same subject is to be dealt with in the oral question (Doc. 288/78) to be debated at this sitting. The questioner will have the right to speak in the debate on this question.

I call Question No 43 by Mr Schyns :

Following the negative results of the Council of Social Affairs Ministers of 29 June in Luxembourg, can the Council state when it intends to implement the modest proposals put forward by the Commission on this matter?

Is the Council really aware that delaying tactics inevitably have harmful psychological effects on thousands of young people in our Community?

Mr von Dohnanyi, President-in-Office of the Council — (D) Although it made it clear throughout lengthy discussions what importance it attached to this question, the Council was unable to reach overall agreement at its meeting on 29 June 1978 on aid to promote youth employment. The Council will deal with this question in such a way as to permit this aid to be forthcoming as from 1 January 1979, in accordance with the general policy outlined in the conclusions of the European Council on 6 and 7 July 1978.

Mr Schyns. — (F) I am sure it will come as no surprise to the President-in-Office of the Council if I tell him that I am not exactly satisfied with his answer, since the Ministers of Employment, should, in my view, pay all the more attention to this question of aid to promote youth employment if we want to encourage them to take an interest in next year's European elections, since this represents a unique opportunity. However, my supplementary question is as follows: Will this point be taken up again at the autumn meeting of the Ministers of Employment and the Ministers of Social Affairs so that you will finally reach some specific decision which will actually come into force by 1 January 1979, and so that we will get something more than a series of vague promises?

Mr von Dohnanyi. — (D) My answer to the last half of the question, Mr President, is that this point will indeed be included on the agenda, since the differences of opinion on various points did not concern objectives, but the anticipated effectiveness of the individual measures, and this question will and must be discussed very seriously, since there are no simple black or white, yes or no answers. One must always consider the effectiveness of measures before they are in fact taken, and I should certainly not like you to get the impression that one particular Member State or Minister of Employment is not striving to achieve our goal of eliminating youth employment as wholeheartedly as you yourselves.

Mr Lagorce. — (F) Mr President, I should like to raise a point of order. I no doubt should have done this before the discussion took place, but I did not wish to be accused of having tried to prevent it.

Since Mr Nyborg's question on unemployment was not called because it was felt that it could be covered by the debate forming item 192 of the agenda, how is it that Mr Schyns' question on aid for unemployed young people has fared differently?

President. — Mr Lagorce, both these procedures are admissible. As a rule, we have given the problem of unemployment general consideration and that of youth unemployment specific consideration. This is why the two questions have been treated differently.

Mr Power. — I trust we can construe the answer given to this particular question as an indication that it is felt that aid for unemployed young people merits top priority, and that the problem must not be shelved. I hope the same sense of urgency the President-in-Office felt when he answered the question will be conveyed to the ministers concerned, and can the President-in-Office assure me that those ministers will be told that any further delay by them, or by a particular minister, will only be construed by young people as unpardonable neglect, and that this is a human tragedy that merits top priority now?

Mr von Dohnanyi. — (D) I have already said that this view is shared by the ministers in question, but, as in the case of all consultations with this Parliament, I will naturally inform my colleague, the Minister of Employment, of the outcome of Question Time here today.

Mr L'Estrange. — Does the President-in-Office of the Council not realize that there are over six million people unemployed in the EEC at the present time, and that a very large percentage of those are school leavers? Does he not further realize that there is danger of a revolution if the question is not faced or if action is further delayed? Would he not agree that an imaginative initiative, indeed something like the Marshall Plan, is urgently needed to provide work for those young people, and will he inform the Council that it is urgent that they should reach agreement as quickly as possible?

Mr von Dohnanyi. — (D) The Council and the Ministers of Employment share the concern which has been voiced with such commitment once more here today. However, opinions differ as to the best way to achieve this objective, nor am I certain how I should understand the idea of a Marshall Plan in this context. I can assure you, however, that at all levels of responsibility within the Community and in the Nine individual Member States, the Council of Ministers regards the problem of youth unemployment in the Community as meriting top priority.

Mr Pisoni. — (I) I welcome the reassurances from the President-in-Office of the Council. Nevertheless, I should be grateful if you reconfirm one point. Is it true that the Member State has justified its opposition to the adoption of these minor measures on the grounds that it is not possible to provide aid to jobs which are not economically viable, i.e. that there must be an economic recovery before any steps can be taken? If this is what we are waiting for, I feel we will

have to wait many years, since there are currently no signs of an upswing which would provide jobs for young people coming into the labour market.

Mr von Dohnanyi. — (D) I should like once more to stress what I have already said. There were differences of opinion regarding the effectiveness of certain measures, but I intend, in this case too, to adhere to the principle of not reporting on the state of negotiations within the Council.

Mr Prescott. — Is the Minister aware that the Commission reports have shown us that the new jobs required in the next two five-year periods will increase from 0.9 million per year to 1.0 million per year, and that a 4% growth rate will be required in order just to stand still? In view of his German experience, does he honestly believe, according to the Bremen solution now being advocated, that you can achieve such growth rates without inflation, and are we not in danger of feeding the illusion that a zone of currency stability will solve our economic problems, as bankers believed gold standards would in the 1930s?

(Laughter)

Mr von Dohnanyi. — (D) I was intending to go into this question in my concluding remarks when the debate is continued this afternoon, since that would perhaps be a more suitable occasion. However, it is up to the President to decide whether or not I should answer this question now.

President. — Since Mr Prescott has brought up the question of growth rate, which, I feel, is a matter for the general debate, I think this question should be dealt with in that context.

I call Mr Prescott.

Mr Prescott. — A point of information, Mr President: I must put this on record as a Member. I cannot take part in the debate on the Bremen Summit. That is a matter of the political-group structure in this House and the timing. One is therefore almost bound to have to use questions. But I understand your difficulties and I accept your ruling.

President. — I shall be glad to put your statement on record — and add my own. The choice of speakers to take part in the debate depends not on me but on the political groups.

(Applause from some quarters)

We now proceed with the questions to the Foreign Ministers of the nine Member States of the European Community meeting in Political Cooperation.

I call Question No 47 by Sir Geoffrey de Freitas:

When did the Foreign Ministers last discuss what investments the Government of Argentina had carried out with the very large loans provided in recent years by the World Bank?

Mr von Dohnanyi, President-in-Office of the Foreign Ministers. — (D) The provision of loans to Argentina by the World Bank was not discussed under the heading of political cooperation, and I would draw your attention to the answer given last June to the question by Mrs Dahlerup on the same subject.

Sir Geoffrey de Freitas. — I am sorry the Minister answers in that way, because in dealing with the conditions attaching to a country like Argentina, which has no public parliamentary accounting system ...

(Protest)

It has a lot to do with it, because indirectly, it is our money, and it is surely the duty of the Foreign Ministers to see that they have some idea of how this money is spent. If they have not seized that point, will they please consider it, and I will put a question down in a couple of months time?

Mr Dohnanyi. — (D) I might perhaps draw the attention of the honourable Member to the fact that, according to its regulations, the World Bank decides to grant loans to member nations on the basis not of political, but of economic considerations. The question you have brought up here has indeed repeatedly arisen in another connection, and up to now, I think, all the discussions on this matter have resulted in agreement that it is best for political considerations to be left out of the regulations of the World Bank.

Mrs Karen Dahlerup. — (DK) I understood the President-in-Office of the Foreign Ministers to say that he was familiar with the question I put on 14 June this year to the then President-in-Office. For this reason, I will not go into it in detail, but I should be grateful if the current Presidency would agree that investment loans provided by the World Bank should be used for the purpose of improving the conditions for the people in the recipient country and that the World Bank should therefore look into the question of what the loans granted are actually being used for.

Mr von Dohnanyi. — (D) I have already explained that, as you were told in June, the Council of Ministers has not yet considered this question, and I have explained what general considerations should be taken into account. However, I do not think it would be either possible or useful — at any rate it would be difficult for me — to go beyond this and conduct a general debate on the attitudes of the World Bank member nations to this question.

President. — I call Question No 48 by Mrs Ewing:

Will the Foreign Ministers use all the influence at their disposal to secure the release of Herr Rudolf Hess from Spandau Prison?

Mr von Dohnanyi, President-in-Office of the Foreign Ministers. — (D) The question of the imprisonment of Rudolf Hess is exclusively a matter for the

four powers responsible for Berlin, and for Germany as a whole, and does not come under the heading of political cooperation between the Member States of the European Community.

Mrs Ewing. — I must say I am somewhat disappointed, as we are used to hearing that this Community can have influence on international affairs when it chooses, in particular, to speak with one voice. I would have thought that the old dictum of Scots law which applies when a person is thought to have suffered enough punishment, namely that a person has 'tholed his assize', must certainly apply to Rudolf Hess after at least 32 years, and I am certain that if the Foreign Ministers could rethink that answer and cooperate in speaking with one voice in condemning the continued imprisonment of Rudolf Hess, it would have an influence for good.

Mr von Dohnanyi. — (D) I have no intention of going back on anything I said regarding the responsibility of the four powers, but I should nevertheless like to add a personal comment. It is true that the three Western powers have, for humanitarian reasons and with the support of the Federal Republic, repeatedly attempted to secure the release of Rudolf Hess. It has not, however, proved possible to persuade the Soviet Union to agree to his release, but this in no way affects what I originally said regarding the responsibility of the four powers.

Mr Fitch. — Would the Minister not agree that the reasons why the Russians refuse to release Rudolph Hess is that they want to retain a foothold in the Western Zone of Berlin, and is this not yet another example of Soviet Russia's inhumanity?

(Applause from various quarters)

Mr von Dohnanyi. — (D) I do not think this is a suitable place to speculate on the motives underlying the political decisions of a third power, but I should like to stress that it is in our interests to regard the four-power status of Berlin as unalterable.

President. — I call Question No 49 by Mr Klepsch, for whom Mr Blumenfeld is deputizing:

What further measures are the Foreign Ministers considering in accordance with their declaration of 18 July to help to put an end to the deliberate violations of the Helsinki Final Act of which the Soviet Union is guilty by virtue of its trials of dissidents?

Mr von Dohnanyi, President-in-Office of the Foreign Ministers. — (D) In their declarations of 24 May and 18 July 1978, the Governments of the Member States of the European Community stated clearly and unambiguously their views on the prosecution and sentencing of dissidents in the Soviet Union

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who has exercised their basic right of freedom of speech and opinion.

In particular, the governments expressed their deep concern that in an number of cases, individuals have clearly been tried simply because they had spoken out in favour of the implementation of the Final Act of Helsinki in their country. The Governments of the Member States will continue in the future to state their view on these questions explicitly.

Mr Blumenfeld. — (D) Does the President-in-Office of the Foreign Ministers think that the Soviet Government, to which this question relates, will be particularly impressed by the content and longer-term validity of the declaration made by the Foreign Ministers if, after a declaration of this kind has been made, the delegations from the individual governments go to Moscow to conduct even more extensive economic, financial and credit negotiations with a view to promoting trade? Do you think this demonstrates that the declarations made by the Foreign Ministers are meant to be taken seriously?

Mr von Dohnanyi. — (D) I think the urgency of the matter to which I have referred is understood quite clearly, and the Foreign Ministers are therefore convinced that these declarations are the most effective way they can intervene on behalf of the persons involved.

Mr Scott-Hopkins. — Would not the Minister agree that he is not really doing very well on this, and that we have not really seen any change at all or any effective action being taken? Trade, cultural exchanges and the like are going on just as before, even the Olympic Games are going to be held in Moscow. Is there anything he thinks can be done, or are we just going to go on happily saying, 'Well, it is rather a nuisance, let Mr Carter deal with it, not us.'

Mr von Dohnanyi. — (D) The Governments of the nine Member States are attempting, through their stand on this question, both to help the individual persons involved and to promote the process of détente. In the light of these two considerations, the Foreign Ministers have adopted the position I have described, in the belief that this is in fact the most effective way of dealing with the problem.

Mr L'Estrange. — The President-in-Office has said that on 24 May and 18 July the governments of the Nine Member States expressed very clearly what they felt. Does he not agree that, despite all that, and despite the signing by the Russians of different agreements, they are continuing to trample human rights under foot, for example, by jailing Orlov and other dissidents? How can he believe that he is intervening in the most effective way if there have been no results and if he is not succeeding?

(Applause from certain quarters)

Mr von Dohnanyi. — (D) The Foreign Ministers of the nine Member States no doubt feel that a short

period of time is inadequate to assess results in this field, and if I may ask you to consider how the situation has changed over the last 10 years, you might perhaps agree that the method we have chosen — namely to adopt a clear position on the basic question, but to adjust this position in the light of successes in individual cases — is the most productive approach possible. This, at any rate, was the view of the Foreign Ministers of the Governments of the Member States in making the declaration I have referred to.

President. — I call Question No 50 by Mr Osborn :

What further discussions have the Foreign Ministers had with a view to establishing a peaceful settlement and a multi-racial Government in Rhodesia?

Mr von Dohnanyi, President-in-Office of the Foreign Ministers. — (D) The declared policy of the Nine Member States of the Community in seeking a negotiated settlement for Zimbabwe is to bring about as quickly as possible a peaceful transition to majority rule. With this aim in view, the Foreign Ministers are taking every opportunity of holding talks with all the groups involved and of stressing the need to make every effort to reduce the differences between them.

Mr Osborn. — Will the President-in-Office say what discussions are now taking place between the foreign ministers and whether they will be reviewing the effectiveness of sanctions in Rhodesia or elsewhere, which have been breached rather than observed by most countries, and why there was such support two or three months ago for the plight of Europeans in Kolwezi whereas the European foreign ministers stand idly by when Europeans in Rhodesia are shot out of the skies in Kariba and murdered in their farms and homesteads in Rhodesia?

Mr von Dohnanyi. — (D) The Governments of the nine Member States have done all they can to help prevent bloodshed on both sides, and we assume that, when the Foreign Ministers meet again tomorrow, they will return to this problem. However, the Foreign Ministers and the Governments are also convinced that the reasons for the recourse to violence in Zimbabwe may be found in the fact that the goal which has been clearly stated by all nine Member States, i.e. the right of the majority to autonomy and to participate in the democratic government of Zimbabwe, has not been achieved, and as long as this is the case, Mr Osborn, violence in Zimbabwe will, unfortunately, continue.

Mr Prescott. — Can the President-in-Office assure us that there will be discussions about the very serious and substantial allegations that EEC oil companies

Prescott

and others conspired together to break the Rhodesian sanctions laws, and continue to do so in clear contempt of national laws, governments and parliaments, including this House and the United Nations? Could he restate the Council's opinion on this matter and request an urgent joint European enquiry into a European conspiracy?

(Protests from certain quarters)

Mr von Dohnanyi. — *(D)* The Governments of the nine Member States regard the embargo against Rhodesia as an essential part of a policy designed to ensure a peaceful transition in that country, and I am sure that, for this reason alone, all questions concerning the embargo will be dealt with in due course.

Mr Cifarelli. — *(I)* In view of the fact that, on human rights, one cannot use different yardsticks for the weak and the strong, does the Council intend to promote a step-by-step solution or will it adopt a totally maximalist position in the face of all attempts to find a gradual solution?

Mr von Dohnanyi. — *(D)* The Governments of the nine Member States are committed to the goal of a peaceful-non-violent transition in Zimbabwe, and they are doing all they can to bring this about. This in itself precludes the adoption of a theoretical, maximalist position since the position adopted must offer the hope of a peaceful settlement.

Mr L'Estrange. — Since the President-in-Office has declared that it is the policy of the Nine in seeking a settlement to give support to a peaceful solution, does he think that it is right that terrorists should be able to shoot, bomb and massacre their way to the conference table, and can he give any guarantee that there will be free elections and a democratic government if the two terrorist groups, who seem indeed to have political friends in certain high places, succeed in getting power in Rhodesia?

(Applause from certain quarters on the right — protests from the left)

Mrs Dunwoody. — What about Ireland?

Mr Dohnanyi. — *(D)* I am unfortunately obliged to repeat once more what I have already said, namely, that the current violence in this region, in Zimbabwe, is due principally to the fact that a régime which is not acknowledged internationally is using violence and has prevented the necessary transition.

(Scattered Applause from the left — protests from the right)

All the nine Member States are convinced that this transition should have been made possible, but that this was not in fact done. I would add that this does not justify the use of violence. However, the only way

not justify the use of violence. However, the only way to prevent violence in Zimbabwe is to remove the root causes.

(Scattered applause from the left)

Peace and peaceful coexistence between the peoples in Rhodesia, in Zimbabwe will not be possible without a policy of transition to black majority rule.

(Applause from various quarters)

Mr Spicer. — May I say at the outset to the President-in-Office that I personally find his last remarks sadly disheartening? Many of us had hoped that we would see a more realistic approach from a new President-in-Office; but to say that the use of force in the past emanated in the first place from the then and now interim government of Rhodesia is a travesty of fact.

(Hear, hear!)

May I now ask you a question, Sir? In the process of your replies you made use of the expressions 'democracy', 'one man one vote', 'democratic rights', 'peaceful settlement.' There are not many people who are a party to the problems of Rhodesia, or Zimbabwe, who believe in one man one vote. There are some who believe in one man one vote once, and there are others like Mr Mugabe, who has said quite clearly he does not believe in one man one vote at all. Do you believe that he should be called to the conference table to arrive at a peaceful settlement when he has declared himself firmly against it?

Mr von Dohnanyi. — *(D)* I cannot quite understand this supplementary question, since I have already explicitly rejected maximalist solutions. We must seek solutions which are in line with the position I have just outlined.

Moreover, I did not state that the violence dated from a particular government or period. I referred to the original situation which was created more than 10 years ago and with which we still have to contend. The task facing the governments of the nine Member States is to help ensure that, despite the original situation, a peaceful transition is made possible. This is the policy being pursued by the nine Foreign Ministers. It is not a maximalist policy, it is a pragmatic policy which offers some hope of success.

(Applause from the left)

Mr Müller-Hermann. — *(D)* Must it not be a great disappointment to those black and white groups in Rhodesia who have agreed on a peaceful democratic transition, that the leading forces in the free western world, including the Community, have in effect abandoned them and aligned themselves with those forces which favour violence and whose leaders have declared that they are not prepared to accept democratic decisions?

(Applause from certain quarters on the right)

Mr von Dohnanyi. — (D) I would point out to the honourable Member that a proposal has already been put forward by the United Kingdom and the United States, which could certainly provide a basis for a peaceful transition. What has actually been achieved so far falls far short of this proposal, which has got as far as the United Nations. This suggests that the steps proposed up until now are inadequate to provide a pragmatic, realistic basis for a non-violent transition in Zimbabwe.

The best policy, Mr Müller-Hermann, may not in fact be what we think might be the best policy, but the policy which takes account of the interests of all concerned and provides a basis for a peaceful settlement. This is the kind of policy being pursued by the Nine, and as such it does not deserve the criticism levelled at it from your side of the House.

(Applause from certain quarters on the left)

Mr Blumenfeld. — (D) Is the President-in-Office of the Foreign Ministers prepared to draw the attention of the Foreign Ministers meeting in political cooperation to Parliament's anxiety about these matters once more at tomorrow's meeting, with a view to enabling Parliament to discuss the matter in detail in the Political Affairs Committee next week?

Mr von Dohnanyi. — (D) The Foreign Ministers and the governments fully share Parliament's anxiety. The governments have tried to help solve the Namibia situation, and they are trying to help find a solution in Rhodesia. We share this anxiety, but I should nevertheless like to express my thanks for your questions and comments. I shall report on this discussion to my colleagues in the Council of Foreign Ministers tomorrow.

President. — The second part of Question Time is closed.¹

8. Votes

President. — The next item is the vote on the motions for resolutions contained in the reports on which the debate is closed.

We shall begin with the motion for a resolution contained in the *Müller-Hermann report (Doc. 198/78): EEC-China trade agreement*.

I put to the vote the preamble and paragraphs 1 to 5. The preamble and paragraphs 1 to 5 are adopted.

On paragraph 6, I have Amendment No 1 tabled by Mr Scott-Hopkins, Lord Bessborough, Mr Spicer, Mr Corrie and Lord St Oswald on behalf of the European Conservative Group and adding the following text to the paragraph:

... and having regard in general to China's needs in each sector of the economy and to the need for working groups to assist the Joint Committee.

What is Mr Müller-Hermann's position?

Mr Müller-Hermann, rapporteur. — (D) I recommend that the amendment be adopted.

President. — I put Amendment No 1 to the vote. The amendment is adopted.

I put to the vote paragraph 6, thus amended.

Paragraph 6 is adopted.

I put to the vote paragraphs 7 to 10.

Paragraphs 7 to 10 are adopted.

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

The resolution is adopted¹.

I put to the vote the motion for a resolution contained in the *Bangemann report (Doc. 300/78): Implications of the European Council in Bremen for the 1979 budget*.

The resolution is adopted.¹

9. European Council in Bremen and Bonn Economic Summit (continued)

President. — We shall now continue the debate on the European Council in Bremen and the Bonn Economic Summit.

I call Mr Dewulf.

Mr Dewulf. — (NL) Mr President, I have received my Group's approval to put a highly specific question and perhaps to make a suggestion.

Each year, the nine Member States have to pay high bills for oil, and they will have to go on doing so for many years to come. The sums involved here in both the national balances of payments and the international monetary and payments traffic are enormous.

My question is why should not we — the nine Member States — consider having our oil imports invoiced in European units of account instead of dollars. Mr Ortoli said this morning that 'Le système monétaire peut engendrer la volonté politique'. I would like to turn that round and ask: Can the political will not help to create or strengthen what we are all aiming at, i.e. a monetary system? The advantage of this suggestion for us politicians is that the subject is particularly clearly defined. We know to the very last Deutschmark, lira or dollar exactly how much the nine Member States pay each year for their oil. We know exactly how enormous the sums involved at national and international level are. I would ask you to

¹ See Annex.

¹ OJ C 239 of 9. 10. 1979.

Dewulf

consider the tremendous internal and external monetary effect it would have if the Member States no longer paid for their oil in dollars but in European units of account.

Just think what the effect of such a decision would be. We do not need to go into the possible advantages and disadvantages of such a step in detail. Many of you will know for how long I have been trying to foster an understanding for the North-South Dialogue, the Euro-Arab Dialogue and other international conferences. It could have an extremely positive effect on the much needed internal monetary stability and on the equally vital international monetary stability. It goes without saying that, if the Nine were to consider such a political step, we could expect political concessions in return from the oil-producing countries — particularly the Arab oil-producing countries. Here again, I shall not go into details, but I am convinced that such a proposal would fall on fertile ground in the oil-producing countries, among others.

As I have already said, it is not necessary to go into the technical and other details of this suggestion. It might be asked 'Is the price for this political gesture not too high?'

I happened to read today, in a French newspaper, an article about investment by the oil-producing countries in the USA. The oil is invoiced in dollars, so most of the investment naturally goes to the United States. The figures involved are impressive and run into the tens of thousands of millions of dollars. Mr Whitman, Under-Secretary of State at the United States Treasury, is reported as saying about this placing of petrodollars in the USA: 'However, the United States would not be seriously affected if the oil-producing countries decided to get rid of their dollar assets.' This means that, if we were to pay our bills in European units of account, perhaps some of the European units of account might flow back into our treasuries or into investment projects in our countries.

The question was rather unorthodox, and the suggestion somewhat forthright, but I would be particularly interested to hear the reactions of the Presidents of the Council and Commission.

IN THE CHAIR : MR LÜCKER

(Vice-President)

President. — I call Mr Eberhard.

Mr Eberhard. — *(F)* Mr President, ladies and gentlemen, the aim of the Bremen and Bonn meetings was to try to overcome the effects of the deep and generalized crisis affecting the leading capitalist countries.

Thus, in Bremen, the Community countries agreed to progress towards new, more integrated monetary and financial mechanisms. Dare we hope that they will be effective? Dare we hope that they will make it possible to overcome the crisis? I doubt it. It is clear that the European Monetary Fund, the organization resulting from these negotiations, while purporting to reestablish an area of relative stability in Europe, will in fact set the seal on the Federal German Republic's domination over the Community countries with weaker currencies. Under pressure from that country, monetary integration will inevitably be accompanied by more extensive coordination of economic policies. Thus in France the Government has now launched upon a policy of freeing industrial prices, while the Prime Minister harangues the managers of firms, threatening to penalize them if they give way to wage claims, and has announced a draft budget placing greater burdens on wage earners.

It amounts in fact to a guarantee to the multinational corporations of new opportunities to increase their profits through an intensification of the austerity policy in each of the countries affected. The results of this policy are, unfortunately, all too well known. They comprise a worsening of all the difficulties of the workers and their families through a further increase in unemployment and further inflation.

According to some people, the new European monetary mechanisms aim to shelter the European economies from fluctuations in the value of the dollar, whose capacity to continue playing the leading role in the world economy is doubted by some. This either shows great naivety or an intention to deceive. Mr Jenkins was, in any case, very careful to make clear this morning that the proposed system is not anti-dollar, but quite the reverse. In this context it is significant that the initial contributions of Member States to the European Monetary Fund will be made not only in gold but also in dollars. American supremacy is not only real, but has been strengthened by the recent summit conferences. This was very clear after the Bonn meeting. Did not President Carter state, and I quote: 'The results go beyond what I had hoped for'? In effect, the United States will continue to play the decisive role in monetary matters, especially through the IMF where American currency, strengthened by the increase in quotas, was accepted at Bonn. The dollar will therefore continue to be the main international reserve and exchange currency, with all the advantages that entails for the United States.

We can also understand the satisfaction of that country, when we remember that the participants at the Bonn Summit approved the joint declaration signed at the GATT negotiations on 13 July. This declaration provides for a generalized reduction of 35% in customs duties, without prejudice to the various protectionist measures at the American and Japanese frontiers. No doubt this is what Mr Gens-

Eberhard

cher meant in his speech this morning by a strengthening of the open system of international trade.

On the basis of these decisions, the European countries were allocated their respective roles, especially the principal one. Thus the Federal Republic is to become the banker of Europe and the dominant power in the Community, through the creation of the European Monetary Fund.

Without going into the operating details of this organization, it is clear that the Deutschmark will rule the roost within it and that, in Chancellor Schmidt's phrase, taken up just now by Mr Ortoli, the participants will have to behave in a disciplined manner. Thus the promises of economic revival have not lasted long; the Summit which, it was said, would be devoted to overcoming the crisis and the unemployment problem will on the contrary result in a worsening of both. It quite simply sanctions the further unequal development of economies and the creation of hierarchies, of which the main beneficiaries will be the capitalist economies of America and Germany. An increase in unemployment, predicted by all the forecasting institutes, is the main result to be expected from the Bremen and Bonn Summits.

That said, we wish to reiterate our conviction that the interests of our peoples do not conflict. We all have much to gain from the establishment and strengthening of cooperation. The creation of long-term balanced and stable relationships, which are no longer governed by the multinational corporation's aims of immediate profit, can only serve the national interests of each of our peoples.

We must therefore organize sound cooperation in the monetary field on the basis of strong currencies, reflecting strong economies which continue to grow.

That is why this monetary cooperation presupposes economic revival and a resolute fight against unemployment and the closing down of whole sectors. We therefore propose the restimulation of popular consumption an economic as well as social necessity, for it is the basic motor of production.

It is the opposite which is being proposed to us. The system envisaged, which aims to reduce the contradictions resulting from the cut-throat competition of large-scale capital, will lead to new conflicts, so that the weaker countries will increasingly align themselves with the stronger ones. This is what Mr Genscher calls 'a strengthening of integration'.

No, the dynamism of international cooperation and trade — particularly within the Community — can be ensured in a lasting way only on the basis of the long-term interests of all countries. We point out once more that this is not the road being followed: that is

why the French Communists will continue to fight, alongside those who share their hopes for a new social and democratic Europe, the Europe of the peoples, a Europe freed from the domination of large-scale capital, a Europe which will then be able to establish new and fruitful relationships with all the countries of the world.

President. — I call Mr Brugha.

Mr Brugha. — Mr President, first of all I would like to compliment Mr Genscher on what I would describe as the frankness of his comments this morning. He does have this quality of expressing the problems in a realistic way. I found the same thing in his first address to this House on his assumption of the presidency.

Commissioner Jenkins, although he kept his statement short, did mention a couple of interesting items on which I would like to comment briefly. I agree with him entirely when he says you cannot just proclaim monetary stability: it requires discipline and the strengthening of weaker areas. I also found myself agreeing with him when he said that the Bremen proposals show resolution on the part of the leaders who attended that conference. That is not to say, of course, that the idea of a stable monetary zone is the new magic wand to solve all problems. However, in the few minutes available to me, and in a sense speaking on behalf of one of the smaller Member States with development problems, I propose to confine my remarks to the main proposal — which is still no more than a proposal — for the establishment of a stable European monetary zone.

In my view, economic and monetary union, in itself one of the chief aims of our Community, is a good distance off and we should not be hoping to realize such an aim in the near future, for several reasons. Firstly, such an aim requires a major degree of economic development in less developed regions of the Community. Secondly, additional time is required for adjustment of the Community economy and for the absorption of new members. By new members I mean, first of all some of those who became Member States in 1973. Additional adjustment is required in order to enable the economies of these States to come up to the Community standard.

Now because of foreseeable delay in economic and monetary union, it is now obvious to all of us, I am sure, that we can welcome the proposals put forward at Bremen. If the EMU is out of reach, then a stable European monetary zone is the next best aim. Perhaps, after reflection over the past couple of years, one might describe it as not so much the next best aim as a preliminary step towards the longer-term and

Brugha

it should be undertaken as such. However, if it is to be achieved, we must learn from the shortcomings that have become obvious, for example, with the snake, where the mechanism lacked strong Community directives on monetary and credit policy. If fluctuations are to be contained, escape clauses for short periods will be necessary and detailed consultations between the Member States involved and the Commission will be necessary. For this the stabilization fund must be sufficiently large to cater for foreign exchange fluctuations during the interim period. It would of course, be better if all Member States could participate in this new proposal, but even if there are absences, I believe that Ireland's long-term interest will be best served by involvement in such an economic and monetary zone. Our inflation is being considerably reduced and I believe our best hope of keeping ourselves in the single-figure league lies in closer integration with the Community in a stable monetary zone. Mr President, our involvement with inflationary currency in the past has cost Ireland an enormous amount of money, for a State of our size. Capital potentially valuable for investment has been lost. Nothing can be gained by lamenting the past but we do not want to see this repeated. I shall use the few minutes allotted to me to speak of Ireland which is an example of a Member State which needs the additional development.

Ireland's needs lie primarily in two essential areas. In the first place a stable monetary zone is essential now that current Irish policy has reduced inflation to single figures; we do not want to see what has been gained lost in another inflationary cycle. I believe we can deal with our problems in many areas. We do require greater capital input. I believe we can exercise the necessary discipline and that we can make considerable adjustments at local level in the provision of capital goods. But we also need time to develop a consciousness that recent wage increases have been real. This realization is essential to the development of confidence in any small community. I believe that this depends on the maintenance of the existing monetary stability.

Secondly, as the two Presidents have said, it is essential to bring about the transfer of resources, which is vital to raising the level of the less-developed economies. The only Community budgetary instruments which could act as resources transfer mechanisms are the EAGGF, Guidance Section and the Social and Regional Fund. In 1976 for example 741m u.a., or 10 % of the Community budget, were spent on resource transfer under the above headings. This clearly shows the absence, at that time at any rate, of a commitment, or indeed an effort, to reduce disparities, without which the weaker economies will not be able to stand the strain of eventual economic and mone-

tary union. In 1976 Ireland, for example, received 38m u.a. under the EAGGF Guidance Section and the Social and Regional Funds. I think all it is necessary to say is that this represented 3 % of Ireland's gross domestic product at that time.

The small scale of resource transfers resulting from the existing mechanism is simply not enough to achieve the aims that the Community has in mind. Another example is that, in Ireland's case, the *per capita* gross domestic product fell marginally by about 3-3½% between 1973 and 1977. Even during the same period some of the better-off regions enjoyed substantial improvements.

On the employment side, certain countries like Ireland are witnessing a rapid increase in the labour force. In Ireland's case it is 1 % per annum. Jobs have therefore to be created at the rate of 25 000 per annum, i.e. total employment must be increased by 2½%. Seen against the Community background of six million unemployed, this gives a clear picture of the magnitude of the problem. Ireland's economy like the economies of the rich Member States, needs a rapid increase in public investment in infrastructures, roads, telecommunications, etc. The present government's programme is directed essentially at job creation. We have to reorientate our public capital expenditure in order to increase allocation to infrastructure development. Shortfalls in this area must be made up by the Community.

I will conclude by saying that this involves the input of capital which is essential for the strengthening of the less-developed areas. I would like to stress that, in my country which has the largest percentage of young people in the Community under the age of 25, we are not looking for palliatives, dole or unemployment or pay-related benefits. What we want is capital input to enable us to strengthen our economy, pull ourselves up by our boot-laces. Finally I believe, Mr President, that if this proposal is adopted enthusiastically by the Council and the Commission, it will lead to the creation of an economic zone of stability which in turn will lead to a development and expansion of this idea in other parts of the world.

President. — I call Mr Lange.

Mr Lange. — (*D*) Mr President, I should like to add a few comments to those made by Mr Haase, but first of all I should like to express my surprise that for certain people Bremen — and perhaps Bonn as well — seem to have been a dark plot hatched by one Member State with outside help against seven or eight other Member States. I feel that even a Communist Member should not come out with such odd ideas in this House. I think it is stuff and nonsense.

Lange

The Federal Republic would not dream of doing what you are accusing it of. As a German Member of this Parliament, I really must make that clear. I find such accusations most inappropriate and would hope that the Communist Members will revise their own position more thoroughly than, to judge by their colleague's speech, they have apparently done so far.

As for the Bremen and Bonn meetings themselves, they have, of course, given rise to certain hopes, particularly with regard to economic policy and monetary policy — or I could turn it round and say monetary policy and economic policy to show that I have no desire to revive the argument which we had at the end of the 60s and beginning of the 70s between 'economists' and 'monetarists'. We made it very clear in this house at the time that our main concern was to take the requisite economic or monetary measures as dictated by developments. So this must be borne in mind. I feel that to this extent all the hopes which are placed in both the Bremen and Bonn conferences must be geared to formulating demands to be made to the institutions, and this means not only to the Community institutions but also — as regards both economic policy and measures concerning monetary policy — to the Member States. This means that we must concentrate our efforts on our own countries, since in every Member State we must foster the willingness to fulfil what has been agreed in Bremen and Bonn. In my view, Community measures cannot be regarded as the cure of all ills, since Community measures and Community actions can to some extent only be complementary to national actions.

I should like to take just one example. It is certainly regrettable that so many young people in the Community are unemployed. It is altogether regrettable that we have such high unemployment in the Community. Of course this is in turn linked with questions — and this was also recognized in Bremen and Bonn — which simply cannot be answered at national level, with difficulties which cannot be overcome nationally, which cannot even be overcome at Community level but must be overcome at world level because even as a Community we cannot get anywhere on our own, unless we want to end up in hopeless isolation, the natural consequence of which would be economic and social regression — something nobody wants.

We must therefore come to an understanding with other industrialized nations, and at the same time also with developing countries, on economic policy and the associated social implications for the individual countries and their populations.

My exhortation, if I may put it like that — although it may sound somewhat pompous — is that we ourselves should also be prepared to do what is required and to develop political resolve. This applies to the Members of Parliament, and of course also to those responsible in the governments of our Member States. It applies

not only to the Council, since we have already seen so many Council decisions which have not been followed up by the Member States even though all the Member States voted for them in the Council. It applies, for example, to the European Monetary Cooperation Fund. At the time we made an attempt — that was before enlargement — to create an instrument with which to harmonize monetary policy in the Community. Now it is being taken up again for other reasons. Our original aims were very modest, and we only said that we wanted the national central banks to pool 10 % of their currency reserves in this fund. The Bremen Summit proposed the far higher figure of 20 %.

The present justification for something which is necessary from the point of view of monetary policy is rather different from the previous ones, because today certain defensive reactions to the weakness of the dollar and suchlike are also involved. We would probably never have got these difficulties if only we had at the time, i.e. in the first half of this decade, made proper use of this instrument.

The second factor involved is short-term and medium-term financial aid. For the medium-term aid, and to a lesser extent for short-term aid, certain conditions were originally fixed, and I think that the European Council also thought of similar conditions in connection with the necessary economic measures intended to have a monetary effect also. So at the time all the Council Members voted for these things. But when the time came to commit themselves, with all the attendant difficulties, the countries refused to make use of this possibility because they had the — in my view strange — impression that this might in some way encroach upon their sovereignty, although all the Member States know that on their own they are unable to make any decisive economic and social progress and that the Community must act as a unit in cooperation with the other industrialized nations and the developing countries.

I therefore feel that this is absolutely essential and should like to say that we must develop on a national basis what I call the political resolve to achieve the aims set at Bremen. That is the main thing. And I think that all of us here must be aware — and basically we are, except that one or two people find it difficult to admit — that the nation states as nation states and absolutely sovereign institutions are completely played out. We have learned from experience, and I think that all of us have been through it, that it is simply no longer possible to achieve anything on a national scale alone.

But what will and must happen here in the Community is that relations between the Member States are based on equality, as in the past. Thus we do not wish to demand something which some people interpret as the dark plot of Bremen, as I said at the outset; that is

Lange

utterly wrong. I think that what is involved here for the Member States — and for the Community also — is not only short-term economic problems but also medium and longer-term economic and social problems where the Member States in particular are called upon, for example with regard to youth employment, to ensure that young people are properly educated and trained so that, in the face of the conditions which the world market necessarily imposes on the economies of the nine countries and the Community as a whole, qualified people are available and the livelihood of the individual thereby safeguarded. When I think of education and training provisions in individual Member States, I know that there is a great deal of leeway to be made up and that this cannot be achieved in a day but will be spread over a period of half a generation. But the countries must be willing to do it. And there is of course another factor, namely that there should really be complete freedom of movement within the Community for all who work in the Community and want to take part in the labour and economic process.

I therefore feel that we have every reason to welcome the outcome of the Bremen conference. We should not see in it a sort of diabolic plot but should recognize that on the whole we must give European and international answers and cannot overcome these difficulties with national answers alone. We are called upon to act at national level only insofar as we are part of this Community and have to satisfy the economic conditions which must be satisfied if we are to bring the parts of this European economy together again and to remove the imbalances within the individual countries, to which Mr Brugha made special reference. The Member States also have a decisive part to play in this by helping to remove these imbalances. They must have ideas of their own on how this can be achieved, and the Community can then be asked to follow up with its own measures. So it is perfectly clear that what we need in the Community in order to overcome these difficulties is what in Germany is called horizontal and vertical financial adjustment.

A financial adjustment of this kind is therefore necessary, and I hope that there is no longer anyone who will claim in future either that he is merely the Community paymaster or, on the other hand, that he is being ordered around by someone else. On no account must this be allowed to happen if the Community is to be further developed under the banner which it adopted at its inception.

President. — I call Mr Ryan.

Mr Ryan. — Mr President, before I address myself to the subject of the Bonn and Bremen conferences and European economic and monetary union in particular, I would like to take up a point that a few speakers have mentioned today. The atmosphere in which this

idea most recently surfaced was gently encouraged by what we know is the very sincere and enthusiastic dedication of both President Jenkins and Vice-President Ortoli to the promotion of European economic and monetary union. But the fact must be acknowledged that the run-up to the Bonn and Bremen conferences gave rise to a suspicion that there was a German and French conspiracy to present the other members of the Community with a *fait accompli* — this despite the fact that there had been numerous occasions in the past when the smaller members of the Community had been constrained to complain that some of their larger colleagues sometimes consulted with one another and made plans without involving their smaller colleagues. One hopes that there will not be a further repetition of this and I will leave the matter at that.

It is encouraging to hear so much enthusiastic support in the Parliament for the idea of economic and monetary union. It must not be seen as a technical move in the currency field. Artificial monetary mechanisms may achieve, as they have in the past, limited and temporary stability; but they will be useless and not sustainable if underlying economic conditions are in conflict with artificially-set currency values and monetary rules.

The economic make-up of Europe today will not support European economic and monetary union, and therefore radical changes are necessary. This is acknowledged in public statements that have already been made on the matter, but we have to ensure that actions match the statements made. Doubtless summit conferences of Heads of State and Government have their uses, but there have been far too many pious declarations from the European mount unaccompanied by actions to achieve stated goals. Faith without good works is dead and will always be dead. Hence we still have unemployment. Inflation is rampant. The gap between the richer and poorer regions grows. Industrial policy is insignificant. Several national budgets are inconsistent with stated Community economic policy. My natural charitable disposition prevents me from suspecting the Heads of State and Government of cynicism, but I do say, sir, that there is no use in Heads of State and Government making declarations at summit conferences and then failing to exercise their authority in their domestic environment to ensure national policies and Community policies to achieve the declarations which have been so nobly and openly made.

I add the same reprimand in relation to the Community budget. There is no point in publishing a Community budget which does not provide the funds necessary to achieve objectives which have been so generously stated. Why did the Bretton Woods exchange-rate system fail? Why have other measures to stabilize monetary systems failed? Because they

Ryan

gave insufficient weight to the inescapable fact that the value of a currency is not, and cannot be, determined in a vacuum, either by the owner of a currency, or by an international institution, or by a regional community, or by central bankers. Mr Ortolí this morning put his finger on the circumstances existing at the time of the Bretton Woods agreement, and the circumstance as they now appertain. We had no market at the time of Bretton Woods, we have a market now: and it is that very market, upon which our prosperity depends, which itself determines the value of currencies. It may be an imperfect market; it may respond erratically to human emotion, it may involve what some people regard as unreasonable speculation, but nevertheless it is the market-place. And in the final analysis, it is the market that determines the value of a currency. The factors that are taken into account are rates of inflation, balances of trade, level of foreign reserves, level of government borrowing, private and public investment and its nature, money supply, interest rate, and so forth. We must bear in mind that today the money markets of the world never close. When Frankfurt, Rome and London have gone to bed, New York is still in business. When New York goes to bed, the money changers are operating in Singapore or Tokyo and elsewhere. That is the world in which we live, that is the world for which we hope to devise a scheme to achieve and maintain a greater degree of stability. Complete stability we will never achieve, but a greater degree is possible.

In some places there is excitement bordering on euphoria at the prospect of a new European monetary zone. The guidelines set out in Bremen and Bonn are admirable, they are sound, they are interlocked. But in themselves they mean nothing, any more than the Ten Commandments inscribed on stone mean anything as long as they only remain on stone. What matters is the application of principles, and the principles outlined in Bonn and Bremen must be applied *in toto*. Eternal life is not guaranteed by receiving instructions in or learning lists of religious principles — salvation depends on observance of obligations. The technical problems some people regard as immense and not capable of being overcome, but I believe that is a false view. I believe that technical problems are less significant than political ones. Much more daunting is the political challenge which EMU will create in Member countries. Do not let there be any doubt about that.

I have been critical, Mr President, of the heads of States and Government, and of the Council of Ministers, because their actions do not match their words. But let us recognize that their inactivity reflects their understanding of what is politically feasible, politically acceptable, politically popular — and very few politicians, myself included, are without sin in this regard. But it would be dishonest to support the objective of European economic and monetary union unless support is matched by a readiness to exercise the discipline necessary to achieve and maintain it.

There are many technical questions I would like to put, but I think we can deal with them in committee and after hearing more of the specific details of what is proposed. But one matter which I would like to hear commented upon is Europe's position in the International Monetary Fund and the World Bank. Europe today has immense influence in those fora — beyond what might in fact be available today were those institutions about to be established for the first time. For instance, in the Committee of Twenty, Europe has complete control over four of the 20 constituencies, two of the other 20 constituencies are led by European nations, and two others are in constituencies which give them an insight into and influence over the problems of other parts of the world.

The International Monetary Fund welcomes regional monetary stabilization, and I am sure they are encouraged by the proposals which have been made in Europe. But these are technical problems. The ones that we must consider in this Parliamentary assembly are the political ones. I pose this question: are stable surplus countries disposed to make worthwhile transfers of resources to the weaker countries geared to greater European integration? If not, they should stop talking about European economic and monetary union. If they are disposed to make these transfers, their political leaders will need to work very hard to persuade their own citizens to agree to make the sacrifices that will have to be made and without which the transfers will not be made.

Our deficit countries with rampant inflation, countries which are borrowing excessively and spending beyond their resources on current consumption, must be ready to exercise self-discipline themselves, so that instabilities and distortions can be eliminated. If they are, well and good. But their political leaders will want to tell their people the truth: that many of their expectations cannot be fulfilled in the immediate future, and that the possibility of and the benefits which will flow from a European economic and monetary union, both internally and externally, demand that the Community and each Member of it live within their means.

Now living within the means of Europe need not, as some Members fear, lead to deflationary practices. Living within the means of Europe should not lead to restrictive policies. Europe has the means — though she is not using those means — to develop her economy at a much faster and more worthwhile rate. Europe has the means to expand investment, Europe has the means today to increase employment and to stimulate trade. A socially just, soundly based and wisely operated economic and monetary union can be an instrument to bring about closer harmonization

Ryan

and concerted action to cure many of Europe's economic ills. On that account, it is worthwhile, and we look forward to further development of the excellent proposals which have already been made.

President. — I call Mr Petersen.

Mr Petersen. — *(DK)* Mr President, I shall be very brief as I only have a few minutes at my disposal.

My reason for speaking is to say that I do not accept the premises underlying the statement made by the President-in-Office here today since I think the significance of the multinationals as a cause of monetary instability has been grossly underestimated — not that this surprises me, however, since it is in line with the all too familiar tendency to overlook some of the major factors determining the economic situation.

In my view, neither the report we have received nor, incidentally, the practice which has been followed for many years, represent in any way whatsoever genuine steps towards reducing the influence exercised in the monetary field — and not least in the monetary field — by the large multinationals which control an extremely large proportion of world trade and thereby an extremely large proportion of foreign exchange movements. I do not agree that parity adjustments should be left to some supranational authority or other. This is something which must be done at a clearly international level, not a regional level.

Moreover, as I said, I think it is deplorable, but from my point of view as a socialist not particularly surprising, that the real causes for the current monetary instability are being disregarded, and I doubt very much if the measures under discussion here today will lead to a solution of this problem. Furthermore, I feel that if these measures are put into practice, this will make it more difficult for individual countries who want to find the necessary will to take action against the foreign exchange movements of the multinationals and also make it difficult for them to implement measures of the kind. For this reason, I am against the proposal.

President. — I call Mr Noé.

Mr Noé. — *(I)* Mr President, President of the Council, ladies and gentlemen, after listening attentively to what the President-in-Office of the Council had to say yesterday on cooperation between the Community and the developing countries in the energy field, I feel that he forgot to cover a very important aspect to which I should like to draw Parliament's attention. As the President mentioned, such cooperation is especially desirable in the field of renewable energy since, as you know, there are hydroelectric resources which have not yet been tapped — think for example of the potential of the River Congo — which ought to be exploited with the technological aid of

the European countries. In the African countries it will be possible in certain sectors to use solar energy in the not-too-distant future. Look, for example, at the droughts which still make cereal production extremely uncertain: in some areas of Africa it is possible to install pumps driven by solar energy, far from energy production centres and thus in areas without energy transmission networks; these pumps would of course be used during daylight hours and would provide an invaluable service.

However, in my view we must bear something else in mind, to which the World Bank also referred at the beginning of August, namely that we must assist developing countries which are not members of OPEC in prospecting for traditional fuels — oil, gas, and coal — in which they are often by no means poor. This is of fundamental importance for two reasons: firstly, in order to develop by reducing the pockets of poverty on their territory, these countries will have to install a whole range of industries and machines which will inevitably consume more energy; secondly, the cost of oil, the main primary source of energy, is unfortunately bound to rise, thereby obliging these countries to make increasingly severe financial sacrifices which they are not in a position to bear and which are therefore likely to result in serious internal tensions. Then, on a world scale, this prospecting will have the effect of putting off as long as possible the moment when oil resources will have sunk to such a low level as to cause very serious tensions. For these two sets of reasons therefore, we should give priority to assisting these countries, whose geological features offer a reasonable chance of finding deposits of oil, natural gas and coal.

In the energy field, as you know, we are faced with a troubled period of transition which will probably last until the early decades of the next century, that is until it is possible to use inexhaustible sources such as fast breeder reactors or nuclear fusion. Let us bear in mind that if this period will be a troubled one for us, it will be even more troubled for the developing countries.

President. — I call Mr Brown.

Mr Brown. — Mr President, I should like to begin by adding my support for the general approval that has been given to the results achieved at Bremen and Bonn. As always there seems to be a fairly wide gap between the pious hopes and the actual achievements. But first of all may I say that I am rather disappointed to note that, whilst the Council reaffirmed its decision with respect to apartheid in South Africa, — I was very delighted to see it, and endorse it wholeheartedly — I was very surprised that there was no corresponding condemnation of other areas where human rights are being violated.

Brown

One thinks of course of the Soviet Union and the violation of human rights, particularly in the case of the Jews, dissidents and those seeking to establish free trade unions. Why did the Council not feel that it was equally important to recognize and accept that violations of human rights are taking place daily in the Soviet Union by underlining their determination to press for a change in the Soviet Union's policy? If it was reasonable to make a clear, unequivocal statement on South Africa it seems to me unreasonable that they should fail to make a similar statement with regard to the Soviet Union.

Let us underline it, Mr President. The loss of human rights is undoubtedly as important to a Jewish engineer in Moscow as it is to a black South African engineer in Pretoria. If in fact this Assembly is trying to make a distinction between human rights for some and human rights for others, then I am bound to say to them that they must rethink their view of human rights. I trust that the Council does not subscribe to the view which is in vogue in high places, that success in persuading the South Africans to change their heinous policy on apartheid is likely to be achieved by shouting our opposition from the roof tops, by demanding and vigorously taking action, by cutting off all trade with them and really demonstrating in Bremen that this is our position, whereas, when it comes to the Soviet Union it apparently takes the view that silence is the best policy: if we do not mention it it will somehow all come right in the end. And the poor Soviet Jewish engineer must languish in prison because we have decided to remain silent. I do hope that the Council does not subscribe to the hypocritical view that human rights are important in some areas, but not in others.

I would like now to turn to the energy situation. I note with some pride that the Bremen report completely endorses the energy policy which my colleagues and I in the Socialist Group published on 9 June 1978. In that policy document we accepted that the Community energy policy should not attempt to lay down a detailed policy for each Member State. However, it is to the advantage of every Member State to work together. A Community policy has more chance of success under those circumstances. Furthermore, the ideas we put forward in our policy pointed clearly to the need for planning and intervention, for Community legislation and financial aid, for Community research and coordination of effort. The energy crisis, in our view, underlined the need for a Socialist solution. With a Community Socialist approach the energy crisis could be tackled with optimism. Right action now should enable the Community's economic development to continue into the 21st century. But the major task is to reduce the Community's dependence on oil and natural gas.

The less these valuable fuels are wasted unnecessarily the longer they will last. But between now and the

end of this century the Community must concentrate on the following priorities. Energy saving measures must aim particularly at saving oil and gas. The rational use of energy should lead to great savings in oil and gas so that secure supplies can be provided where they are really needed for a long time to come. In particular, savings should be made in electricity production, nuclear energy should take over more of the base loads supply and control intermediate supplies with pump storage for peak demand. We recognize clearly that this cannot of course happen overnight, and oil and gas are certain to be used to a considerable extent for many years yet.

The same emphasis is necessary in the search for new and improved energy sources. And then an assessment of the result of the research efforts and of the trend in economic development and energy consumption will determine the priorities for the period thereafter.

Finally, our view was quite clear that cooperation must also be extended beyond the Community to our partners in the OECD, to our major energy suppliers and to the developing countries. Therefore the energy crisis is essentially a worldwide crisis which requires worldwide cooperation.

But you will recall, Mr President, the statement on the Bremen meeting:

The European Council emphasized that efforts to resolve long-term energy problems should be intensified at all levels. The primary objective is for all countries to reduce their dependence on oil imports, and in this connection the Community adopts the following objectives for 1985:

- to reduce the Community's dependence on imported energy to 50% ;

That is rather similar to the Socialist Group's view which I have just defined.

- to limit net oil imports by the Community ;
- to reduce to 0.8 the ratio between the rate of increase in energy consumption and the rate of increase in the gross domestic product. The Community emphasizes the need for other industrialized countries to set themselves similar objectives.

And then they made, I thought, a very profound point:

Particular importance is attached to the better use of the Community's energy resources, prospection efforts and the development of new sources of energy. The contribution of nuclear energy alongside other forms of energy is vital and a matter of urgency for the Community. It is also important that work should continue on ecological, safety and protection issues in order to take into account the particular need of some Member States to find a solution to certain specific problems linked with the introduction or implementation of nuclear programmes.

As I say, that all confirms the Socialist Group's position on energy policy, but it is on rare occasions that one can actually compare pious hopes with actual performance, and so let us take a look at the budget which we were talking of only yesterday, in particular

Brown

at the pious hope, as the Bremen statement was, of reducing the Community's dependence on imported energy. How did the Council help us? If we look at Item 3232: 'Aids for intra-Community trade in power-station coal', the one opportunity we had to replace the imported energy, what did they do? We had allocated 100 million units of account for that very purpose, and the Council decided to cut it all out. So, on the one hand we make it quite clear that we must by 1985 ensure we have a substitute, and on the other hand we make quite certain that we cut out the money that we had in order to do it.

And when it comes to limiting net oil imports, what have we done? We have reduced by two-thirds the amount of money for prospecting in the uranium sector. What have we achieved if, while trying to limit the oil imports by the Community, we ensure that we have no funds for prospecting? Yet, in that very paragraph that I read from, particular importance is attached to better use of Community energy resources, and prospecting efforts. As to the item for prospecting for uranium outside the Community, we delete that altogether, we do not even make it a token entry. Aid to uranium storage, another very important issue, is treated similarly.

In conclusion, Mr President, I can only plead that when the energy ministers meet at the next Council meeting they take up Mr Nørgaard's argument which he put to us before he retired as energy minister when he said that he was going to get action by the energy ministers. They must begin to compare the pious hopes expressed at Bremen with the actualities of the budget situation that we are now faced with.

President. — I call Mrs Dunwoody.

Mrs Dunwoody. — Mr President, I thank the President-in-Office for his very clear statement. I think Mr Genscher made it quite plain what some of the difficulties were in the whole question of creating a European monetary zone.

The thing that I find most worrying is that, whilst it is very clear in this statement how we intend to proceed towards a fixed parity system — although I know that there is a great deal of argument as to the means by which that should be achieved — there is left a whole grey area of how we shall achieve the massive transfer of resources that will be needed to bring about the change in the Community that will enable the states involved to proceed on an equitable basis. Because in fact, what we are talking about is not a monetary system operating in a vacuum, it is a political situation.

I believe that the Commission in the person of Mr Ortoli has made it very clear that it believes we cannot do one thing without the other. But what is missing in the statement from the Council is any real evidence that these two things are going to be achieved at one

and the same time. We say that we shall have exchange-rate terms at least as strict as the snake. We say that, for a limited period only, member countries not participating can opt for wider margins — although we do not say what they will be. We also say that any changes must be made with mutual consent. What we then go on to say, however, is that, not later than two years after this system has been set up, we shall still be having studies of the action to be taken to strengthen the economies of the less prosperous Member States.

Let me say one thing very plainly. It is national efforts that have changed the inflation rate in many of the Member States. It is the personal sacrifice of many of the workers of the Community, particularly in my own country, which has contributed to the change in our economic situation. It is national measures that have supported jobs and created special help for young people looking for work. Indeed, one of the sad things about this Parliament is that even though we are so aware of the problems of youth unemployment, we have still not been able to find a way to provide the resources that create new jobs and keep young people employed when they would otherwise be in considerable difficulty.

I have no time today to develop the arguments that I believe are tremendously important in this debate, but I would say one thing: Beware above all of creating a two-tier Community. If it is seen that some strong currencies are seeking to introduce, in other parts of the Community disciplines, monetary or otherwise, which will contribute to even more deflation, then the political dangers are not only real, they are urgent. There are many States which cannot absorb any more deflationary measures. Simply to say that we should seek a new discipline in a new, rigid system would be to create a political turmoil which could bid well to destroy many of the existing European institutions, and indeed, what degree of political cooperation there is at the present time in the Community. In other words, let us take care. Let us be aware of the political hazards, and let us not imagine that declarations of intent can change the very real problems between the rich and the poor States of the Community.

President. — I call Mr von Dohnanyi.

Mr von Dohnanyi, President-in-Office of the Council. — (D) Mr President, I should first of all like to thank Members for their many contributions, both the approbatory and, in particular, the critical ones. I should also like to present Mr Genscher's excuses to Parliament, since he has had to return to Bonn because of the preparations for the Foreign Ministers' meeting tomorrow morning.

The topics down for discussion at Bremen were wide-ranging. The report presented by Mr Genscher this morning touched on many of them. I should now

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propose to deal in detail with three of the areas covered by the discussion: monetary questions, energy policy and employment. I should like to begin, if I may, with a few words on the monetary question.

It seems to me that the discussion we have had here today is a perfect example of how Parliament, Commission and Council can engage in timely cooperation. The discussion in the Council is still going on. The debate here has provided opportunities for feedback to the deliberations in the Council, and I consider this to be a very fruitful procedure.

As an initial comment, I should like to say that in my view the outcome shows a great deal of basic agreement on aims. With very few exceptions, the aim of greater uniformity, greater coordination, and greater, closer interdependence of the currencies is one which has been supported in this House today by all the groups and, in fact, all the speakers also. Before drawing my main personal conclusions from the debate, I should like to reply to two specific points.

Mr Notenboom made a critical comment to the effect that prior to the preliminaries to the discussion in the European Council smaller-scale preliminary talks took place on a bilateral basis. I think it must be understood that the technical difficulty and far-reaching implications of this planned European monetary union to consolidate exchange rates mean that for the moment this is surely the only way in which progress can be made. Many bilateral talks, acquaintance with the views of others, technical adjustments, etc. are needed before anything can be brought to maturity which can then lead to practical results through a common procedure. I therefore think that the procedure is correct and should not be criticized, since everyone has at some stage been involved in it bilaterally.

As for the second remark, Mrs Ewing asked whether Mr Genscher really reported to the House what was decided in Bremen, and she asked in particular whether all the Member States were now prepared to agree to it. I think it must be added here that there are of course still differences of opinion both in individual questions and with regard to the date and the procedure. That is the reason why attempts are being made in the various institutions to find a common basis for the European Council in December. The answer is therefore yes, there are still differences of opinion; and yes, the Presidency and the other Member States are making every effort to remove these differences by means of talks and discussions in order to establish a uniform position for the European Council.

And now for my conclusions. Mr President, I cannot go into the technical details here but should like to raise a few points which seem to me important. My first conclusion is that the aim is to create regional,

i.e. European, stabilization as a contribution to a world-wide stabilization, so that it would be completely mistaken to see in this regional stabilization some sort of move towards an anti-dollar or anti-American position. This would be to miss the point. The opposite is true: regional stabilization will make it possible to achieve greater stability in the world monetary system and in the world economy.

As for my second conclusion, it has been stated here time and time again that we must adopt a pragmatic approach. Ladies and gentlemen, I cannot stress this enough. It has been said that we should be neither too idealistic nor too hesitant. That is also right. And it has also been said — and I should like to stress this — that we must learn from experience and should not reintroduce past experiences as new risks into a new system, since any failures would lead to long-term disappointments. We are familiar with this from other domains. Therefore it is essential to proceed pragmatically with the prospect of real success.

My third conclusion is that this pragmatic approach cannot mean that the necessary step can be divided up into a number of small individual steps. At a particular stage this step acquires qualitative significance. Quantity, as it were, turns into quality. There is a real qualitative change, and it cannot be denied that such a change also involves a certain risk. Various risks have been pinpointed. Some speakers spoke more about the concern that the strong currencies might suffer from inflation, while others spoke more about the danger that weaker currencies might be adversely affected by competition from the strong currencies, which would have repercussions on economic development in the Community's weaker regions. We must know these risks in order to avoid them. But no one would deny that a step of this kind involves such risks. However, the art of political decision-making consists in allowing for these risks and taking the right steps with the right sense of proportion.

My fourth conclusion is that when exchange rates at least as fixed as in the snake are reintroduced, such a system must have — as Mr Genscher said this morning — sufficient flexibility to enable it to go on absorbing the differences which still exist.

Fifthly, the pooling of a part of the national reserves must be sufficient to create that measure of confidence in the new system which in this case also depends to a certain extent on the size of the quantitative leap. Figures were mentioned, but I do not wish to comment on them. Mr Genscher also quoted percentages this morning. The main aim will be to find a way which in the judgement of all those involved will make this quantitative leap possible, and to create the necessary confidence.

My sixth point is that of course this step in the field of monetary policy cannot be taken in isolation from other questions of economic and structural policy.

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My seventh conclusion is that the economic policies of the Member States in the context of this plan must, as Vice-President Ortoli said this morning, be brought more into line with each other. But I also wish to take up what Mr Lange said when he stressed that it cannot be up to the Community alone to eliminate certain problems which exist in the Member States, but that to a considerable extent these are national responsibilities, just as in the Member States, or in some of them in any case, decentralization means that there are even regional responsibilities for certain problems of structural policy which cannot be successfully overcome even at national level.

As my eighth point, I should like to stress that it will be necessary not only to bring the effects of economic policies into line with each other, but also to achieve greater coordination in structural policy. The Council sees considerable danger in an escalation of the tendency of the Member States of the Community to try to outdo each other in granting subsidies, a trend which cannot serve the aim which our monetary measures are intended to pursue. It will therefore be essential for details of subsidies granted in the various, particularly difficult areas of structural policy to be submitted and for the Community to try to develop a Community structural policy in the important areas.

My ninth conclusion concerns the transfer of resources. I should like to point out to Mrs Dunwoody that both in the Regional Fund and in the Social Fund we have achieved not inconsiderable increases. But I think that I am not only speaking for myself, although at this point it is only for myself that I wish to speak, when I say that the extent to which resources have been transferred in the Community hitherto will not suffice to overcome the regional differences which we have. We shall have to do more. But presumably we shall only be able to do more if this policy is so well geared to achieving the aim set that successes, and tangible ones at that, are possible and can be proved.

These are the nine conclusions which I should like to put on record before going on to deal briefly with the question of energy policy. There is no doubt that the Community must increase its efforts to achieve a Community energy policy. This has also been shown by the conclusions drawn from the Bremen conference. The main aim in this field will be to make the information on development policy and research policy in the individual Member States easier to interpret so that we have a common basis for Community action, much of which will supplement national projects already under way.

Lastly a word on the important field of employment. Mr President, ladies and gentlemen, unemployment is certainly the biggest problem facing the Community today, and it would be a great illusion to think that our worst worries in this respect are over. Structures will continue to change throughout the world at a

considerable rate in the years to come. Structural changes in the Community will take place under the influence of technical and social factors. As a result of these structural changes we shall be faced with great difficulties in the field of employment policy. I had an opportunity earlier to say something on youth unemployment and on the special projects which were discussed in Bremen, because a uniform decision could not be reached on these matters on 28 June. There is no need for me to repeat what I said then.

I should like to stress that the main aim with regard to general employment policy will be to establish the correct balance between national responsibility and what the Community can do. If my information is correct, when the Commission submits its report on the 1978 economic situation and the prospects for 1979, it will give details of the measures which have been carried out or are planned by the individual Member States. This will enable us to compare the measures and their success, and the Commission — if I understand correctly, Mr Jenkins — will possibly also propose changes in these national policies which from a Community point of view may appear expedient. At its meeting in Bremen on 6 and 7 July the European Council agreed that a common approach must have the main aim of achieving higher economic growth and thereby combating unemployment in Europe by means of increased growth. As part of this common approach, all the Member States have undertaken to adopt, according to the room for manoeuvre in their respective economic policies, the necessary measures, which, however, will again be based on different situations. But the Presidency obviously expects every Member State to make an effort to implement fully the measures and guidelines adopted in Bremen.

I should like to finish, if I may, by saying a few words on human rights, a subject raised once again by Mr Brown. I would consider it very regrettable if anyone, especially the European Parliament, had the impression that not all the governments of the nine Member States are interested in all they can for those concerned through public discussion on this question of human rights. But I would urge you simply to think about or compare which human rights policies have helped the most people over the last ten years, which policies have led to the release of prisoners, which policies have enabled people who want to leave their country and are faced with exit restrictions to do so, and which policies were the most successful for those who are directly affected. This remark is not aimed at anyone personally. But, ladies and gentlemen, we must see to it that human rights are not exploited by any of us as a vehicle, as an instrument for freeing oneself of possible accusations, for justifying oneself before history. As free Europeans, our main responsibility is to obtain personal freedom for the maximum possible number of other people in

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the world. Boasting in our freedom about what we *would* do, thereby possibly destroying existing opportunities for helping individuals, may well be a source of personal satisfaction in individual cases but is not in keeping with the responsibility which we have towards other people, political prisoners and those persecuted for political reasons all over the world.

(Applause)

President. — I call Mr Jenkins.

Mr Jenkins, President of the Commission. — We are at the end of a long debate, and Herr von Dohnanyi has replied succinctly but covering a large number of points. I shall endeavour to be as brief as possible, and indeed I think I can be a little briefer even than he was. I think that, for two reasons, it has been, in some ways, a remarkable debate. First, although we have had 19 speeches — not including the Council or the Commission — the great majority of these speeches concentrated upon the monetary system outlined at Bremen. I think that that was natural and right because, although there are other important issues which were mentioned by speakers and which indeed were discussed at Bremen this was the central issue to emerge, and it shows a good sense of priority on the part of the House that it seized upon it as the central issue at the present time.

Secondly, I think the debate can be said to have been remarkable for the almost overwhelming degree of support which has been given to the Bremen initiative. Of course, there has not been complete unanimity. I would always be a little suspicious of complete unanimity in any assembly of this sort. I would think that there was something wrong with the proposals, that they did not mean anything, if everybody supported them. But there has been well over 80 % support. Of those who have dealt mainly with the monetary question, I think only three were against the initiative. Some of the others, naturally and rightly, expressed doubts, caution, the need not to see monetary affairs in isolation. I agree with that. If we look at the monetary problem in isolation from the economic problem, we run the risk of constructing a house of cards which is destined to fall. But I do not believe for a moment that this need happen while it is certainly true that if we are going to make a success of this monetary scheme, if we are going to enable the weaker countries to come in and to stay in, then they will need support, they will need help, they will need transfers of resources, they will need strengthening of their infrastructure, in addition to purely monetary support. I also think that if we reject and turn our back on this opportunity to go forward, particularly on the monetary front, but on other fronts too, and if Europe falls back into a state of inertia in which no way forward is visible, then there will be little hope of advance on the non-monetary front, the transfer of

resources for the buttressing of infrastructures. If we miss this opportunity we shall have little cause for optimism in these areas.

Now it is difficult for me to reply to all the speakers in any degree of detail, though there have been some notably constructive contributions. We are indebted to Lord Ardwick for his report on this matter, which we saw some months ago. He, if I may say so, put the position regarding economic and monetary union particularly well. He said this scheme would take us to the point where one might be in a position to jump, but it would still leave us with the ability to decide whether to jump or not. But it would put us in a position in which to jump, which seemed a long way off a year ago.

There is of course, I would say to Mr Brugha, no opposition between this scheme and economic and monetary union. It does not take us the whole way there. It takes a substantial step in that direction, and still leaves us the choice, but there is no opposition. Indeed, the Bremen plan is imbued with the desire not necessarily to commit everybody to economic and monetary union, but to move us in this direction, and to achieve certain other important objectives as well.

I thought Mr Notenboom put the position in relation to the dollar, as indeed Mr Müller-Hermann had before, in terms which very strongly command my agreement. I was also grateful for the support we had from Mr Pintat and from Mr Ansquer.

Sir Brandon Rhys Williams I thought made some very interesting reflective points looking at the background to this — the difference between the gold standard and the gold-exchange standard, the basis of Bretton Woods, why it worked, why it did not work at the end — which I think brought us very useful background to our consideration of these matters.

Two speakers, both as it happens German Social Democrats, Mr Haase and Mr Lange, raised and dealt with the issue of sovereignty. They pointed out that this may be opposed because some people are unwilling to give up a little sovereignty, although in fact, there is no real sovereignty in this field. I agree very strongly with that. There is certainly no absolute sovereignty or any approach to absolute sovereignty for any European country in the monetary field, in the field of exchange rates. If those who come from the Federal Republic, which has, after all, the strongest economy, say that, and say it forcefully, how strongly must it apply all round.

Mr Dewulf raised a specific question about the use of the ECU in relation to oil transactions. I would not wish to speculate about that, except to paraphrase a remark which Charles Stewart Parnell made when he said: 'Let no man set a limit to the march of a nation'. I would say: Let no man set a limit to the march of the ECU, but let us first put it on the road and see that it is able to walk and able to make a little

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progress in the right direction, and then consider these important issues.

Mrs Dunwoody raised a question right at the end. I agree with her — which is perhaps not always too usual in this House — when she said how much she would regret the development of a two-tier Community. We would all regret the development of a two-tier Community. That is why, I believe, we are nearly all of us dedicated to creating conditions in which all the Member States of the Community can and will want to come into this system, and having come in, because of the conditions created, will be able to stay in and make a real success of it.

(Applause)

President. — The debate is closed.

10. Agenda

President. — I call Lord Reay on a procedural motion.

Lord Reay. — Mr President, I have down a report (Doc. 128/78), the last item on today's agenda, on the internal procedures of the European Parliament. My earlier report (Doc. 148/78) on inter-institutional relations was referred back to the Political Affairs Committee by a vote of Parliament this morning. Since the two reports are complementary, I feel that the same procedure should apply to each.

I would therefore ask you in my capacity as rapporteur for the report on the internal procedures to be referred to the Political Affairs Committee, which can then decide what should become of it.

President. — Pursuant to Rule 26 (2) of the Rules of Procedure, the request for reference to committee must be granted as it has been made by the rapporteur himself.

11. Employment situation in the Community

President. — The next item is the oral questions with debate (Docs 288/78 and 289/78) by Mr Pisani, Mr Hoffmann, Mrs Dahlerup, Mr Albers, Mr Dinesen, Mr Glinne, Mr Dankert, Lord Ardwick and Mr Laurain on behalf of the Socialist Group to the Council and the Commission :

Subject: The employment situation in the European Community

The undersigned

1. Wish to express not only their grave concern at the present employment situation in the various countries of the Community, particularly as it affects young people and women, but also the anxiety they feel about medium and longterm employment prospects;
2. Ask the Council/Commission whether it does not consider it necessary and urgent

(a) to study the employment levels and structures that Member States are likely to have reached in 1985 (or to make available studies already made) having regard to :

- the Community's avowed determination to continue its policy of openness towards the rest of the world,
- the development of international industrial competition,
- the frequent need to cut back employment in sectors destined for restructuring,
- the employment prospects in all the possible growth sectors against a background of different hypotheses of growth ;

(b) to work out and propose — in view of the serious tensions that are unfortunately to be expected — a new concerted employment policy and, indeed, a new definition of full employment, bearing in mind the profound implications that a new policy and a new definition can have for economic, social and cultural life as a whole ;

3. Stress the serious and in some respects revolutionary nature of the situations to which world and technological developments may well give rise ;

4. Request that a wide-ranging debate be held in the European Parliament by the end of the year that will take a comprehensive view of employment trends and of possible strategies, so that in this way the Tripartite activities can be put into a medium and long-term perspective.

Mr Pisani. — *(F)* Mr President, the Bremen communiqué states the following :

The Council confirms its view that improving the employment situation by means of increased growth is a crucial objective of the Community. It welcomes the decision to hold another conference with both sides of industry to consider the relationship between investment, employment and competition, work sharing and employment in the services sector.

This communiqué, to which we have devoted most of today's debates, calls for a number of comments. My first comment is based more on impression than on definite fact, while the others are the result of an objective analysis of the text. It is my feeling that employment was not the European Council's main, fundamental priority. Indeed, the discussions centred around economic and monetary problems, and full employment was never seen as an end in itself. Moreover, the text indicates that the aim is not to resolve the problem but to 'improve' the situation. In other words — and I feel this is an important point — it is not intended ultimately to return to the economic situation which existed in Europe for twenty years, but to alleviate the present crisis.

The third point which I should like to mention in connection with the communiqué is the affirmation of joint and possibly Community responsibility. The problem of restoring full employment, or at least of improving the employment situation is regarded as a

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matter of joint responsibility, or at least of concerted action.

In addition, a very worthwhile reference was made to the tripartite conference. This is a procedure which I think will have to assume increasing importance in the future. However, the communiqué, and therefore the Bremen Conference itself, are to be criticized for not treating the question realistically. A rapid glance through the document could give the impression that growth was in itself sufficient to resolve the problem. The attitude still seems to be that after an economic crisis — even though it may last a long time — an upswing in the economy will provide a solution to the problems of employment. But I think we should ask ourselves whether even economic progress will enable us to restore full employment. We should, however, no longer take it for granted that growth invariably results in full employment.

The reason for this is firstly that there are forms of growth which destroy jobs. We need only look at those sectors in which production has been generated or stimulated for the most part by investment and in which increased production has been accompanied by a rise in unemployment. So we cannot argue that growth in itself, with no other factors considered, is a guarantee of full employment.

Secondly, we know that all growth — and this applies possibly just as much or more to France as to other countries — leads to increased imports of raw materials and energy supplies, and that growth which exceeds a given annual level upsets the economic balance and results in inflation, which in turn gives rise to underemployment.

Growth, moreover, is not a phenomenon which can be considered in isolation. European economic growth has to be seen in the context of the international division of labour, and there can be no doubt that in trying, however cautiously, to establish such a division, we jeopardize our domestic employment. Thus, to assert that growth alone will enable us to overcome the problem and restore equilibrium seems unrealistic. It is essential to ask ourselves, together with management and workers, what significance balanced employment might have in an economy which has restored equilibrium but which has not solved the problem of full employment. This question assumes a completely different dimension when we realize that it goes hand in hand with the questions asked by workers themselves on the significance of work, on the place of work in their lives, and on the social and cultural problems associated with work.

The employment crisis is not what it appears at present, though I feel that it poses a structural threat, and I think we should do our utmost to resolve it — I shall describe the measures I propose — but we should ask ourselves certain questions which so far have not been answered. I believe — and this is the

first step — that we can no longer rely on growth alone to sort out our problems. We should ask ourselves these questions for environmental reasons and for reasons of personal preference. Although growth was not selective up to 1970, if it is restored by our efforts it should become selective.

Secondly, I think it is time we recognized fully the social need for jobs which Bertrand and Jouvenel describe as 'amenity' jobs, i.e. non-productive jobs in the social sphere which make it possible to organize relations and day-to-day life more pleasant, and we should make an effort to develop amenities in the public sector. We should devote more attention to controlling the tensions which are bound to arise as a result of world developments, our own growth and the international division of labour.

I should like to comment on what was said a moment ago concerning the Bremen Conference and our desire to help restore equilibrium in the world and to remain open to the world economy. Every one of us is in favour of this, but all of us in the Socialist Group maintain that, unless we take certain precautions, regional and sectoral tensions, as well as tensions about jobs, will reach such a pitch that it will soon be impossible to oppose the reintroduction of protectionism. Taking precautions, however, doesn't mean that we should shut our door to the world market. These precautions are necessary for keeping our economies open to the world economy. If other sectors are threatened in addition to textiles, the iron and steel industry and shipbuilding, how could we fight pressures to cut ourselves off while large numbers of workers and regions are in difficulty.

It should be stated very firmly that GATT, the aim of which was to promote trade and market fluidity, is outdated, and that a new form of GATT which would make it possible to negotiate policies should be set up. In future, the growth of the underdeveloped countries and the structural development of the industrialized countries will be negotiated on a global basis. Without this concertation, the crises would soon become insuperable. We are facing harsh realities, and although I hesitate to say it, it seems a fair comment that work is from now a rare commodity. The first curse laid upon mankind, 'Thou shalt earn thy bread by the sweat of thy brow' may be being replaced by the threat that those who want to work may not all be able to find a job. It all comes down to structures.

Jobs are thus in short supply, and I believe that the task of politicians will in future be to distribute work, but they will have to re-define full employment and restructure society's time. We are entering the age of leisure, and one of the questions raised by employment trends — forgive me for being so brief — is how we can prepare society for this leisure. I wanted to talk about a dozen problems, but I shall mention only one: while employed persons are sure to benefit

Pisani

fully from the cut in working hours to 35 or 32 hours a week, what will happen to farmers, craftsmen and tradesmen? Will the self-employed have to pay for their freedom by working twice as long as wage and salary earners?

Mr Vredeling, Mr President, in raising this question I am not attempting to solve the problem, but to draw attention to it and suggest that at the Tripartite Conference, in addition to the immediate problems requiring immediate solutions, a working party should be set up to deal with the entire sphere of problems facing a society in which work is a rare commodity and leisure is widely available.

IN THE CHAIR : MR MEINTZ

Vice-President

President. — I call Mr von Dohnanyi.

Mr von Dohnanyi, President-in-Office of the Council. — (D) Mr President, I should like to begin on a personal note. I have just heard that the impressive speech delivered by Mr Pisani was his maiden speech before this Parliament. However, I should like to emphasize on behalf of the Council that Mr Pisani has for many years been cooperating with us in our work for Europe, and that we are grateful for the lucid and forthright way in which he has drawn attention to this crucial Community problem.

I feel almost inclined — again on a personal note — to discuss the basic issues raised by Mr Pisani and to try and shed some light on the general cultural factors at play, but I think this has been done very many times already, and anyway it is no longer our job to ask questions but to answer them. We hear the questions often, but our task now is to reconcile the conflicting answers. While it is true, for instance, that jobs have become scarce, there are many activities which should be engaged in but which we cannot afford — this is only one of the paradoxes which we have to face. Let me, however, turn now to my reply.

Firstly, I feel that it is being unfair to the Bremen conference if we fail to recognize that employment was treated as a central issue. By holding the Bremen conference the Community was also preparing for the Bonn summit, the aim of which was to make full employment possible once again by coordinating the policies of the industrialized nations. In this sense I believe that employment was in fact a central issue, even though the public may subsequently have been more concerned with other problems.

The Council therefore shares the concern of the Members who tabled this question concerning the current employment situation and prospects. At the end of July there were 5.9 million unemployed in the Community as against 5.8 million at the same time last year. Thus, 5.5% of the Community's working population are out of a job. Unemployment figures for women have once again risen more sharply than for

men, and unemployment among young people, which had declined steadily from January to April, has since been rising once more.

The Council does not have any official forecasts on trends in employment and in the structure of the Community's labour market for 1985. At present the Commission is carrying out surveys in this area. So far only one study, carried out on behalf of the Commission in 1976 is available: this examines employment prospects up to 1980. It is not easy to predict trends in employment and the labour market, especially when the relevant studies cover a longish period, for example up to the mid 1980's and when a large number of structural imponderables have to be considered. However, in reply to the question I would emphasize that it is necessary and worthwhile to continue studies already begun in this area and also, if possible, to embark upon new studies.

At the instigation of the European Council, the Council's activities in the economic and social field have for some months been directed towards the elaboration of a global strategy, within the framework of which Community know-how and options should be mobilized and action by Member States more closely coordinated in order to secure for the Community new conditions of growth, stability and lower unemployment.

Of course, Mr Pisani's introductory remarks on the kind of growth we require must also be borne in mind. Obviously, not all forms of growth increase the demand for raw materials and energy. Tourism, for example, offers a wide number of growth areas which require no additional raw materials and very little additional energy.

As Mr Genscher stated this morning when elucidating the results of the Bremen conference, the Heads of State and of Government called upon the Council of Ministers of Labour and Social Affairs to adopt measures to combat youth unemployment by means of the European Social Fund. This afternoon I answered a question on this point during Question Time. The Council will do its utmost to ensure that the measures can take effect by 1 January 1979. However, there will be no hope of success without active cooperation from both sides of industry which, together with the governments and the Community institutions, have clearly-defined responsibilities in this area.

As early as December 1976, the Council of Ministers of Education approved a three-year action programme for improving the transition from school to job. The purpose of this is to make young people better prepared for working life by means of studies and projects and thereby to reduce youth unemployment. Thus, while the Council is aware that a higher growth rate is essential if we are to reduce unemployment, it does not ignore the view that it is not enough merely to stimulate the overall situation and that selective measures should be applied.

von Dohnanyi

At its meeting in December 1976 the European Council therefore asked the Commission for information on the Community's growth sectors.

This information was in the Council's hands by the time of the Bremen conference. In its report the Commission made no secret of the fact that it is very difficult to determine growth sectors with any certainty. Experience in the Community and in the Member States has shown how wide of the mark sectoral forecasts of this kind can be. However, the Council is sure to endorse the Commission's view that the Community's innovation potential in sectors with particularly favourable growth prospects should be strengthened and developed.

When you state, as you did just now, Mr Pisani, that certain forms of growth can destroy jobs, I feel that for the sake of clarity we should add that, throughout history, growth has always eliminated certain jobs and has created others in different sectors. The question is whether it will be possible in future to increase productivity by creating new jobs in certain traditional areas of production.

Mr President, the employment situation and the way it is developing are being closely followed both by the Council and by the Standing Committee on Employment. Indeed, employment problems formed the central topic of discussion at the last two Tripartite Conferences held on 24 June 1976 and 27 June 1977. The European Parliament was kept regularly informed by the Commission on the preparatory discussions for these Conferences and has received all the relevant documents. A delegation from the European Parliament also attended the Conferences. The questions of the link between employment and investment, the international environment, growth, the redistribution of work and the creation of jobs in the tertiary sector, including the public sector, will be discussed again on the basis of a synopsis at a forthcoming Tripartite Conference.

In accordance with the wishes expressed by the European Council in Bremen, this is scheduled for November 1978. It would be very useful if, on the basis of the results of the Conference, the European Parliament could then hold another wide-ranging debate on labour market trends and possible measures.

(Applause)

President. — I call Mr Vredeling.

Mr Vredeling, Vice-President of the Commission. — *(NL)* Mr President, I understand that Mr Pisani's speech was his maiden speech in the European Parliament. Mr Pisani and I have known each other in a quite different capacity, and I am delighted to meet him now in the European Parliament and to observe that he has remained true to his belief in Europe.

Given the tenor of his remarks, and since I have no desire to repeat myself, I shall depart from my

prepared speech and take up a number of points raised by Mr Pisani. I am in wholehearted agreement with a number of things he said. Since I now have direct responsibility for employment matters in the Commission it would be very easy for me to argue that if we now return to the economic growth rates of the 50's and 60's and if we all put our shoulders to the wheel, if the trade unions keep their wage demands down to reasonable levels, everything will come right again of its own accord. Some politicians do indeed give way to this temptation.

In my view, however, this argument is no longer valid. The proposals made by the European Commission are evidence enough that it is no longer true.

When we were still in the abnormal situation of very high rates of economic growth, we all — and I do not exclude myself — succumbed, in fact, to the belief that it was perfectly normal to have full employment, and that this state of affairs would continue.

Events have shown that this was not the case, and I believe that the situation of enormous economic growth accompanied by full employment, which characterized our Western society, was so extraordinary that we must abandon all expectation of ever seeing that situation repeated or of regarding it as normal.

Mr Pisani asked if we were certain that, if there was to be a recovery or increase in economic growth, the employment problems facing us would therefore automatically be solved.

The answer is that we are not. We can have no such certainty with the classical methods of economic or social policy which we have applied in the past, and we shall therefore simply have to get used to the fact that we must use other instruments to ensure a return to a reasonable level of full employment, which may indeed have to be defined rather differently than in the past.

Mr Pisani remarked that certain technical advances destroy jobs. Mr von Dohnanyi pointed out that this has been true ever since the invention of the axe. The fact that jobs are eliminated is not in itself remarkable, the remarkable element in the times in which we live, or rather the problem of the uncertainty which we now face, is whether in the light of the steady trend towards automation and the utilization of the latest techniques, the employment which is created by these new means can really be regarded as full employment when compared with the jobs which have been lost.

I agree with Mr Pisani that the doctrine of economic growth does not in itself guarantee full employment. But I should like immediately to add a nuance with which I think Mr Pisani will be in agreement. We must be careful not to adopt the opposite attitude and think that we can solve the problem, as is sometimes claimed, with an economic growth rate of zero or 1%.

Vredeling

I do not believe that we shall be able to find jobs for our growing population and the new categories coming onto the labour market with a zero growth rate, that is a situation of complete stagnation or a very modest economic growth. In my view we shall always require economic growth to ensure a reasonable level of employment. Nonetheless, I do believe that the existing uncertainty, which is acknowledged by all, means that the argument that a recovery in economic growth is essential to ensure full employment is open to question.

Mr Pisani drew attention to the important problem facing us, namely the division of labour at a world level, a factor which we have admittedly hitherto discussed in theoretical terms when talking about development policy, but with which we are now genuinely face to face. Now that the textile industry, the footwear industry and, to some extent, the steel industry are moving from the countries which traditionally produce these goods to new countries, especially developing countries, you will understand what the problem is. The redistribution of jobs at world level raises the question of whether full employment as we have known it until now can continue to exist.

It is the same problem, but on a much greater scale, as that which we face in our own economies where we move industries of the kind I have just mentioned from one region to another. Then it is an example of the endeavour which I have often heard advocated in the European Parliament, to wit that the work should be brought to the people who are to do it. The same thing happens at world level when, for instance, the footwear industry in the developing countries begins to develop. All one is doing is bringing the work to the workers. As such, the reallocation of work at world level is an evolution which we should understand and encourage, despite the enormous problems which it creates for our Western European countries and our own society. In general, however, we in this Community, judged against the world reality, belong — and I have no hesitation in saying it — to the happy few.

Mr Pisani is, of course, perfectly right in saying that these problems have to be discussed with both sides of industry. Mr von Dohnanyi pointed out that all these subjects will be dealt with at the tripartite conference which seems likely to be held at the beginning of November. They will be discussed on that occasion with the representatives of the governments and with the top-level representatives of the employers and of labour.

At world level, the question of work-sharing, i.e. the redistribution of work in the world, to which Mr Pisani made reference, is automatically a subject of discussion. The question was whether we should also tackle this matter vigorously in our society. Well, the European Commission has done just that. We have

formulated the problem in a document which we have sent to the Standing Committee on Employment. As part of the preparations for the tripartite conference we have had an extremely interesting and fascinating debate on this matter with representatives of management and labour, and with the Ministers of Labour and Social Affairs. We all know that nowadays this type of problem is in the centre of the spotlight.

I know of no country in our Community where the problem of working hours is not under discussion, where the question of early retirement is not under discussion, where the problem of longer holidays is not under discussion or where the question of sabbatical years, that is, the creation of opportunities for people to familiarize themselves with the latest knowledge in their fields, is not under discussion. All these things are being discussed, and because they are all being discussed in all of our Member States, I believe that it is absolutely essential that they should be talked about at Community level too. This is why the Commission is doing just that, not only in general terms but also specifically, for example in its sectoral approach. In the social chapter of the proposal which we have prepared, and which is now before the ECSC Consultative Committee, work-sharing is an essential element. The Consultative Committee will shortly be examining our proposal, and after this I hope it will be possible to forward this document officially to the Council.

We plan to do the same in respect of the shipbuilding sector and other sectors which are encountering economic problems. Naturally, economic growth is one of the official objectives of the Community, and I believe that such growth is absolutely necessary if we are to get out of the wood. But the question we must ask ourselves is whether we can continue to regard the product of this economic growth in the same light as we have done hitherto.

In the past we have more or less left the product of economic growth to the free play of the economic forces. What percentage was devoted to consumption or investment, and how was this done?

There was little need for us to devote much attention to these questions owing to our high rate of economic growth. But now, with six million unemployed in our Community, we require an economic growth rate of around 4 — 4.5% if we are to keep employment at the present rate and not see unemployment increase. If, in addition, we note that economic growth in some of our Member States is not even 2%, we must admit that it is absolutely vital to look carefully at how we intend to utilize the fruits of economic growth. We are then faced, as in the ECSC, with problem areas such as shipbuilding and textiles, where we have to decide where and how we ought to stimulate our investments. The Commission is working on this, with respect to sectors which are displaying signs of

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growth, particularly from the point of view of employment.

We are only at the beginning of this process. I do not claim that the Commission has a clear and final answer to the problem raised by Mr Pisani here this evening. But we are searching along the lines which I have just sketched, and the problem we face is easily formulated: what is the role of the public sector in all this?

There is much talk about this. Consequently it is politically a difficult matter. While on the one hand, there is a willingness to accept public intervention, on the other there is fear for the consequences. I was very impressed during a recent trip to the United States by the job creation programme which I saw there. This programme is being developed for young persons below 25 years of age, principally for minority groups, specifically coloured people and other groups on the fringes of society. I tell you frankly that I feel that the Community need not be ashamed to follow the example of the United States in this field.

However, this programme in the United States is financed to the tune of 80% from public funds. You are aware that in our proposal to the Council we have proposed a 50/50 breakdown, that is that half should be channelled via the private sector, by means of premiums to enterprises, and the other half via the public sector.

The Council of Ministers of Labour and Social Affairs was unable to reach agreement on this at its June meeting. We know that the European Council in Bremen called on these Ministers to come to an accord. The Commission is now endeavouring, in cooperation with the President of the Council, to ensure that this accord is reached. The next meeting of the Council of Ministers of Labour and Social Affairs will take place on 27 November. I hope that this Council will accept our proposal, in general outline if not in detail. We are doing our utmost to achieve this because it is extremely important and because youth unemployment is so worrying.

Our social policy ensures that when difficulties arise in an enterprise the employees are not dismissed immediately but are retained. This policy, in itself socially justified, means that newcomers to the labour market, particularly young people and women, frequently find the road to jobs in these enterprises closed to them. In other words, there is a quite inequitable burden on young people and women. For this reason the Commission has proposed special programmes to create jobs for young people. I should like to add one remark here. We must increasingly bear in mind, even at the international level, that we are not only concerned with economic developments, or merely with a customs union without obstacles to trade, but that we must jointly devote attention in our

international trade to minimum standards for equitable social conditions. In our trade dealings throughout the world we encounter situations where there can be no doubt that the most elementary standards of social conduct are being trampled underfoot. In my view we must not confine our attention to standards derived from trade policy or balance of payments difficulties or dumping practices; we must also pay heed to conduct of this sort. I think that we should raise these matters in our future trade discussions. We must prevent people from reacting to socially completely unjustifiable situations in a manner which has undesirable consequences. What I am getting at here is a kind of thoughtless protectionism, which can only lead to a worsening of the situation for us all.

Mr Pisani raised many matters to which neither he nor I have an answer. In my opinion, our official approach to the solution of economic problems is still too traditionalist. We still start from the assumption, in my view wrongly, that if the economic situation improves, and if world trade revives, the problems will go away of their own accord. I agree with Mr Pisani that this is very doubtful, and that, at least in the coming decades, we shall have to take account of factors which we have hitherto not considered in the context of employment.

On the other hand, I do not know whether the solution is to be found in a new definition of what unemployment actually is. I do not imagine that this would be of much help to an unemployed person. One of the factors we have to face is certainly that of the increase in leisure time, with this major difference that the reduction in working hours, for instance the switch from a 48 to a 40 hour week, and the free Saturday, were all consequences of economic growth! They were a sign of wealth. We never used them as a means of redistributing the workload, or finding new jobs. That is the new element in the present situation. We must now utilize the process of work-sharing as an instrument in ensuring a fairer allocation of work among those who wish to work. It remains true that the large majority of men and women want to work. The categories of persons who want to find work are increasing. Think for a moment of the large reservoir of women in our Community who wish to find paid employment, and not simply to work without payment in the home, who want in other words to have an active role in society. The question of numbers is becoming much more serious than we sometimes realize, given the enormous potential becoming available to the labour market.

I hope that these remarks represent an adequate attempt to reply to the problems raised by Mr Pisani. You will note that I have refrained this time from talking about the statistics, our official proposals or our good intentions.

President. — I call Mr Pisoni to speak on behalf of the Christian-Democratic Group (EPP).

Mr Pisoni. — (I) Mr President, I think some conclusions can be drawn from what Mr Pisani said and from the answers of the President-in-Office of the Council and of Mr Vredeling.

Conclusions can be drawn, firstly, about the reality of the problem, of which we were already aware, about the concern which the problem arouses, and also about the fact that it is difficult to solve, since no-one here has suggested a strategy for confronting it, let alone solving it. Unfortunately we are still at the stage of research and of proposals, and not at the stage of solutions.

What is certain is that the problem cannot be solved unless there is sustained economic growth. It is possible that economic expansion may not solve the problem — we might even achieve an annual growth rate of 5% without succeeding in solving it — but it is clear that if we do not achieve faster growth the problem will remain. There are two reasons for this: firstly, the number of jobs will not increase and there will therefore be no employment opportunities for young people and the six million at present unemployed; secondly, in the absence of such growth we will not be able to implement measures to create jobs in the social services — in the sectors mentioned by Mr Pisani — because these cost money, and if there is no economic expansion we will not have the resources necessary for creating these new opportunities. This, in my view, is the problem of which we must take note. Therefore, in order to get to the roots of the problem, we must have economic growth.

But, as I said just now, it cannot be assumed that economic expansion will solve everything, nor can we sit back and wait for such expansion to occur, because we have no idea whether and to what extent our economies will be able to show an upturn. Thus we cannot postpone dealing with the problem until some more favourable time when we may have achieved a 5% growth rate; we must tackle it immediately. This being so, it is obvious that tackling it immediately requires not only imagination, but also — and above all — courage. Let us clearly acknowledge that, as long as we approach these problems in a half-hearted way, we will never succeed in solving them. What is the courageous action required? It is the achievement of a better division of labour and wages. There is no other way out. To try to avoid the problem is the same as not wanting to tackle it. We must bring about a better, fairer division of labour and wages. This is the only road to follow, otherwise we shall be putting off solving the problem indefinitely.

This applies even more if we look at the problem from an angle which is not purely national or purely European. When the Commission speaks of the international redistribution of labour, it is referring, among

other things to the problems of the developing countries and the opportunities which Europe must allow these countries. It is true that, up to a few years ago, Europe offered jobs to workers from the Third World, thus encouraging the emigration with which we are all familiar, but today she is no longer able to accept migrant workers; it is equally true that today we must allow workers in the developing countries the opportunity to produce more and to sell us their products. This is the problem involved in the redistribution of labour. It can be solved only by leaving opportunities for others. It is well known that the textile sector is in a state of crisis, as are the iron and steel industry, shipbuilding, footwear, and other sectors; but they can never recover, because that would mean abandoning the developing countries once more to an essentially agricultural economy. Even if we wished to, we could no longer do so, if only because of the presence in all those countries of the multinational concerns the products which they export to us.

We must therefore be extremely realistic in dealing with this problem: a number of sacrifices and wide-scale redistribution are necessary. I support the proposals which the Commission has already submitted to the Council of Ministers and regret that the latter has not accepted them. It is true that one can always look for a better solution, but this must not be taken as an excuse for avoiding the problem; it's all right calling for better measures, but first make use of the existing ones.

Apart from this proposal by the Commission, other proposals, submitted by the Tripartite Conference, are under discussion. They relate to the shorter working week, noonlighting, people with more than one job, extension of holidays, and raising of the school-leaving age. Their implementation would, however, lead to the sharing of one job among a larger number of persons, and therefore the labour cost per unit of production would be higher. All this will have an adverse effect on our industries, particularly those in the economically weaker countries, making them uncompetitive and thus leading to inflationary effects or the loss of jobs.

The only way out of this vicious circle is a courageous redistribution of labour. In Europe there are nearly ten million clandestine immigrants doing the jobs European citizens regard as too menial; it has become impossible to find persons willing to work in construction, service industries and the more menial trades, while large sectors of the craft industries are closing down through lack of workers. What must we do to restore the dignity of these trades? They are not badly paid, although they are considered menial; education has made people turn away from these occupations, which should be endowed with a new dignity, since they could absorb the thousands, or indeed millions, of people who have abandoned them for the moment.

President. — I call Mr Cifarelli to speak on behalf of the Liberal and Democratic Group.

Mr Cifarelli. — (1) Mr President, ladies and gentlemen, let me first of all thank the authors of this question for raising a number of important points, with which we agree, and for giving us the opportunity of having an interesting debate.

We gather from what was said by Mr von Dohnanyi and Mr Vredeling that studies and proposals are in the pipeline. Now far be it for us to complain that studies are in progress — on the contrary, we are delighted, provided that they do not yield merely data on ideas which have still to become reality, but instead give us some hard facts about actual measures and point the way to bold decisions.

The time has come for an end to all the speechifying, the words of woe, the cries of 'Everyone freeze and don't touch a thing' and the plans that never get beyond any actual assessment of the problems.

In each for our countries the idea is to increase foreign trade — i.e. the aim is to export our excess production and the consequences of our own unemployment problems. It is just one of the symptoms of our contemporary madness.

Our group wants to highlight two crucial points which we feel cannot be ignored. The first is that the world, and especially Europe, cannot contemplate any real economic revival unless it decides to reconsider a particular assumption. Economic benefits for people with business initiative or who create jobs are in no way a crime. The crime lies in keeping capital, savings and wealth from new endeavours. We have to shake off a certain way of thinking which has been the scourge of the free economies no less than of the State-trading ones. We know, for example, that there are many, many question marks over the Yugoslav system of worker control.

The second crucial point stems from the fact that we in the Community, in a free and democratic Western Europe, seem to be in a state of siege. On the one side we are under pressure from the countries with a highly developed technology, particularly the United States and Japan. On another side there are the suppliers of raw materials who constantly have us where they want us — leaving aside for the moment the rights or wrongs of their case. And lastly, we are under pressure from countries where production costs are minimal. In the face of all this, we delude ourselves with the old stories which are trotted out at tripartite conferences or at other supposedly social or union conferences where we never really face up to the facts. What is the point of cutting the working week if this means that costs have to go up because the wages are still the same? What is the point of cutting labour costs if it is going to lead to moonlighting?

I welcome what the Italian Prime Minister said recently at the international fair in Bari. He said what

no one else has the courage to stand up and say, simply that we must get used to the idea of a lower standard of living. In today's world, where raw materials cost the earth and where, for various reasons, armaments are a drain on resources, it is impossible to claim that everything will go on as before. Unless we are bold enough to consider the consequences, we are on the road to ruin.

But economic realities are like the movement of the heavens. They cannot be changed by the words, the decisions or the good will of governments and parliaments. If we fail to take certain steps, the result will be inflation which will seriously undermine stability. This is why I feel today's debate ought to deal with this situation.

Of course, Europe under siege does not mean that we have to retreat into protectionism, nor does it mean that we have to turn our backs on the third world. And I am not saying this out of charity or any basic desire for justice in the world, but because it is in our interest and because I want to encourage our partners, those we are dealing with, in a more equitable world.

Lastly, I should like to hark back to one of the points which Mr Pisoni raised so plainly and so boldly. In all our countries we have tried to encourage the inviolable idea of spreading education, learning and culture, but in the end we have only distributed certificates to people who cannot find a job. We have not spread learning but merely the handing out of certificates.

Take the case of Italy where, if there is an open competition for a job in any public department, you almost have to call out the tanks to keep back the hordes of applicants. But you can search in vain for someone to water your olive trees or if you are looking for a crew for the fishing boats that sail from the ports in Sicily. Italy has thousands of frustrated people with secondary qualifications — and who will perhaps be leading the revolution tomorrow — but no one who is willing at an educated level to do a dozen other jobs, which all have their dignity, in a modern and progressive nation?

These are the thoughts which I felt I had to express on behalf of the Liberal and Democratic Group, which is a group which believes in private initiative, pluralism in society and in the economic structure, initiative and the creation of more equitable social justice.

President. — I call Mrs Kellett-Bowman to speak on behalf of the European Conservative Group.

Mrs Kellett-Bowman. — Mr President, we discuss unemployment with quite depressing regularity and it goes on getting steadily worse whatever we say. In my own country, we are enduring levels unknown since the thirties, which none of us ever dreamt would return. Now only this lunchtime, I opened my local

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paper and saw the heading, 'Trade slump hits the North-West': exports are falling, stocks of finished goods are building up in factories and investment is on the decline. But, it went on to say that there is also a shortage of skilled labour in the North-West. That is why some of the cures that are put forward so often could well aggravate the disease, because, as many Members have said, there are so many paradoxes in our unemployment situation. There is desperate unemployment amongst the unskilled and the young, and this goes hand in hand with very serious bottlenecks and labour shortages in all too many industries, as Mr Cifarelli has just remarked. This we must constantly bear in mind when proposing solutions. In every country, more young people are coming into the labour market than there are old people leaving it.

In our own country, the labour force is increasing by roughly 150 000 a year and this is tempting many people to advocate a reduction in the age of retirement. Now on the face of it, this should cut unemployment, but in practice I believe that the reverse will probably be the case, because with a squeezing of differentials between the skilled and the unskilled brought about by our incomes policy, fewer and fewer people are bothering to train for skilled jobs, and this tendency is accentuated by a tax and social security system which destroys incentive. Thus, if too many elderly skilled workers retire early, there could be a very serious skill shortage, and more people would be out of work than would in fact be out of work without early retirement schemes.

If early retirement is not the answer, what is? One word about growth which seems to be in bad repute this afternoon. Whilst it is true that growth of itself may not create full employment, nevertheless it is infinitely easier to restructure industry at a time of expansion, rather than one of contraction. Some very interesting studies have been recently conducted in the United Kingdom into why firms, even when they have got full order books, are not taking on more workers. One of the main reasons advanced is that the mass of very complicated legislation which has been introduced with the object of protecting the worker is in fact positively deterring firms from taking on more workers. Unfortunately, this complicated legislation is a greater deterrent to small and medium-sized firms than to large ones. But it is exactly those small firms which could absorb the unemployed, for we know that the large firms do not so readily lay off workers, so when times improve they can more readily increase production without taking on any extra labour whatever. The small firms, on the other hand, cannot meet increased orders without taking on extra labour, and at the present time firms are turning away orders rather than take on extra staff. The so-called Employment Protection Act has in fact destroyed more jobs than any other single piece of legislation in the United Kingdom, and I personally believe that if small firms were to be exempted from its provisions many more firms would take on extra staff. If every

small firm took on one more worker, the queue of unemployed would melt very rapidly and virtually disappear.

Taxation and social policy, too, play a very large part in jacking up unemployment. At a time this spring when other Community countries were reducing social security contributions to try and persuade firms to take on more labour, the British Chancellor actually proposed to increase them by 2%, a jobs tax of the worse possible kind.

Moreover, in the United Kingdom we have the ridiculous situation that the net take-home pay of many unskilled workers is less than they would get from social security. I vividly remember when, in November 1976, Sir Brandon Rhys Williams brought before the Committee on Social Affairs, Employment and Education a motion for a resolution, point 9 of which read: 'We must make certain that in no country a worker is better off not working than working'. Now, Mr Albers raised a point of order. He said that there must be a mistake in the Dutch translation. Well, unfortunately, Mr President, it was not a wrong translation. There are a million people in the United Kingdom today who would be better off if their breadwinner, instead of working, went on social security. Indeed, a worker actually pays tax on a level of earnings below the social security level. But of course this is a matter which only national governments can alter.

There are ways, however, in which the Community can help. It is often said that those most at risk of unemployment are the young unskilled workers and that therefore we should concentrate on helping them to a basic level of competence. I believe that this is only partially correct. Unless and until we train enough young people in skilled trades so that they can take the place of skilled workers who are retiring, we shall never restore prosperity to the Community and absorb the less skilled and unskilled who now swell the dole queues. I believe that the Community should offer substantial incentives to any boy or girl who is willing to undergo full apprenticeship or full-time training. I do not mean just the brief courses which are offered in some Community countries at the present time, because, in the United Kingdom at least, when they have completed these courses they are not accepted by the unions as skilled men, so to a large extent the training is wasted. Nor is much account taken of training in the job-creation projects. Work experience schemes are undoubtedly an improvement on these, but even here no extra jobs are actually created. It is only a question of who gets the actual job that is going. Real solid full-scale training is essential if we are to expand industry — as expand it we must if we are to survive. But, having trained our people, it is essential that we should have modern, well-equipped factories for them to go to. Here, at least in the UK, the extraordinarily penal rates of tax are the stumbling-block. It must be made worthwhile

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once more not only to acquire a skill but also to invest. I must say, Mr President, we would like to follow the example of Germany and in fact cut the tax-rates so that we can provide more jobs for our people.

President. — I call Mr Porcu to speak on behalf of the Communist and Allies Group.

Mr Porcu. — (*F*) Mr President, ladies and gentlemen, redundancies, destruction of jobs and unemployment cannot be explained by mischance, the mere vicissitudes of bad management or the results of blind fate. They result from a definite overall policy which must be attacked in order to change it. Indeed, no lasting solution can be found to the unemployment problem by joining in the management of the crisis or by suggesting placebos such as a redistribution of working time. I am distressed to see our French Socialist colleagues following the latter path ever since they abandoned the joint programme of the Left.

To find a valid and lasting solution to the unemployment problem it is necessary first and foremost to bring about renewed economic growth. Industrial production must first be increased in each of the countries. There can be no effective solution to the unemployment problem which does not encourage industrial expansion. Such expansion is all the more important in that it is a precondition of the real independence of each of our countries, and of close and effective cooperation among the different Member States as well as with third countries. An upswing in production must of course be based on household consumption, which means that the purchasing power of the workers and their families must be increased. There are many social needs in our countries, such as housing, infrastructure etc., which have yet to be satisfied, and we propose the creation of large public works to meet these needs. This new economic growth, based no longer on the profit motive but on the satisfaction of social needs in each of our countries, does not of course exclude international trade. On the contrary, this must be developed, and cooperation with all countries diversified on the basis of mutual interest. Of course I am aware that this is radically opposed to present practice, which stakes nearly everything on the conquest of the external markets. To produce more and meet the needs is not sufficient. The aim must be to improve working conditions, by reducing the working week without a cut in wages and without detriment to social benefits, while preventing employers from reducing the standard of living. This is why the French Communists demand that the working week in France be limited to 40 hours without a cut in wages. Wherever conditions permit, we demand an even shorter working week: 38, 37 or 35 hours for industries such as mining and iron and steel, plus the creation of a fifth shift, with

the working week for shift work not exceeding 33.5 hours. We demand a fifth week of paid holidays, and the lowering of the retirement age to 60 or 55 years for some industries — particularly those which are making massive cuts in staff — and to 50 years for women. We demand the slowing of excessively fast production rhythms and the improvement of industrial safety. Finally, the fresh air of democracy must be let into the factories. The reign of the employer by divine right must end. There must be an end to the practice which gives a few men the absolute power to decide in the secrecy of the boardroom, on the fate of thousands of workers, and of whole towns and regions. We demand that powers be given to workers and their elected representatives in the factories.

Those, Mr President, ladies and gentlemen, are the Communists' proposals, which you will find summarized in the motion for a resolution which we are submitting to you for a vote. We know that the approval of this House for our motion will not guarantee the implementation of our proposals. It will be necessary for the workers to unite in their struggle, in each factory and each country affected, and whenever it is necessary, by organizing joint action sector by sector, coordinated at international level.

This is why, on the initiative of the Communist Parties of the Federal Republic of Germany, the Netherlands, Belgium, France and Luxembourg, the steelworkers of these countries will take part in a joint demonstration at Thionville in France against the disastrous consequences of the Commission's play for the iron and steel industry.

(Applause)

President. — I call Mr Halvgaard.

Mr Halvgaard. — (*DK*) Mr President, the employment situation in the Community is causing more and more concern, and it is thus natural that there should be a major debate on this problem in Parliament in the near future, since this problem is one which affects all the Member States. The very fact of an extended period of unemployment and the absence of the rhythm of a normal working day which this entails, lead to major psychological and physical stresses on the unemployed person and his family.

According to the United Nations Declaration on Human Rights, everyone has a right to work. For this reason, each country is under a great responsibility to conduct a policy which does not impede any initiative, be it conventional or unconventional, which might create new jobs. It is therefore pleasing to note that it has been proposed in West Germany that income tax should be reduced, since this is, in my view, a step in the right direction in combating unemployment. We must simply export ourselves out of our difficulties, and we can only do this by being

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competitive on the world market. However, the extremely high wage costs in the Community put export undertakings at a disadvantage in competing with other countries. Cutbacks and rationalization in public administration would permit a saving of public money which in turn, would allow a reduction in income tax and hence an increase in take-home pay, thus obviating the need for wage increases in the immediate future. This would re-establish our competitive position on the world market and result in an upswing in employment and greater incentive for investment without an increase in the inflation rate and without monetary instability, and thus would create a reasonable supply of jobs in the Community.

Furthermore, it is probably true to say that the stringent trade union rules and the public administration of the problems of the labour market in most countries are also obsolete, having become bogged down in red tape and ineffective. If we remove or relax a whole series of restrictions, this will make it much more attractive for industry to invest and create new jobs. It is of crucial importance for society that we do not waste the potential which the unemployed labour force represents. The attitude that persons of working age must have worked before they can receive assistance is one which has unfortunately become increasingly undermined over recent years, and there is an urgent need for it to become re-established.

We cannot introduce or continue with legislation which means that the difference between a working wage and unemployment benefit is too small. Misguided unemployment and social legislation can invite abuses and encourage people to take advantage of financial aid rather than making a real effort to find a job. It inevitably leads to tensions between groups of the population if, for example, an unemployed married couple receiving aid has a much higher income than the average wage-earning family or self-employed person. Measures have been taken in certain countries in the light of this fact, and it is vital that we familiarize ourselves with these measures and how they operated in practice in each individual case. It is unfortunate and deplorable that the unemployment problem should continue to be regarded as unsolved in the Community. It is a problem which must also be regarded in a wider perspective, in the light of, for example, the situation *vis-à-vis* the developing countries and in the light of the security policy of Western Europe. For this reason, a debate on this subject here in Parliament must have priority over any other Community issue.

President. — I call Mr Ryan.

Mr Ryan. — Mr President, there is not much need to say a great deal on this subject, because any person with sincere regard for his fellows is deeply moved by the plight of the unemployed. What we need is action and not more words. But there are one or two aspects of the unemployment problem and of the Commu-

nity's efforts to solve it to which I would like to draw attention.

The first one is the contribution made by the Community's budget. I want to contrast that with the funds the Community is devoting to other sectors. I preface my remarks with the observation that in my view not a penny too much is being spent on agriculture. I would draw attention to the contrast between what is spent on agriculture and what is spent on those sectors which must be relied upon to provide employment opportunities.

The Community has just a little more than a million people employed in agriculture. We have six million unemployed, most of them very young people. We spend over 80% of the Community budget on looking after the sector which engages one million people, while the remainder — and it is very little indeed — is spent on a variety of items in providing a cure for the problem of unemployment. In particular, all too little is spent on the industry and services sectors which alone can provide the cure. This is a serious imbalance, and that is putting it very mildly. It ought to challenge everybody associated with the Community to have a look at the priorities and to correct this gross and ridiculous imbalance by devoting far more of the resources of Europe to the industry and services sectors than is at present being allocated by the Community. The Community's budget represents — I trust I am giving the most recent figures — only 2.4% of the total national budgets of Community Member States, or less than 1% of the Community's gross domestic product. Of that quite small fraction of the resources of Europe a ridiculously small proportion is applied to the industry and services sectors, the sole places in which we can provide employment for the unemployed.

What the Community has done by way of relief for the unemployed in recent years has been primarily cosmetic — well-intentioned undoubtedly, and of potential benefit if and when a significant upturn in the European economy and world economy takes place. But some of these well-intentioned operations are themselves running into a cul-de-sac. We have now reached the stage in some member countries where young people have received not merely Community-aided training in one particular skill or activity, but training in a number, because on their completion of training in one particular vocation or profession employment has not been available, and so to fill in their idle time, they have been referred to other courses. Hundreds have spent 18 to 20 months undergoing various crash-courses for occupations which are not available to them, and they are engaged in that process because the Community is bearing half the cost and the national government the balance. We may well end up with the most highly educated and best-trained unemployed force in the world. I do not think that that will increase contentment. It will probably have the reverse effect.

Ryan

I would suggest that the principal remedy for unemployment must be the generation of greater confidence in areas of investment. I agree with those speakers who have suggested that taxation relief is one of the most effective ways of encouraging investors to put their money to productive uses.

There are other areas where the Community has produced well-intentioned policies which have been damaging in the area of employment. I had the gravest of doubts about employment subsidies to preserve employment. Unfortunately, the Community has given its nod of approval to a number of practices which have promoted inefficiencies, have delayed very necessary reorganization and modernization of industry, have multiplied difficulties and have transferred the problem of unemployment from the less well-off regions to better-off regions. Such policies are foolish and they have done considerable harm. Likewise, I was in serious doubt about the real effectiveness of employment subsidies to promote employment, and experience has proved those who doubted with me to be right. I do not say this to make a personal boast in any way, I am simply recording a fact. Examination of the people in respect of whom promotion employment subsidies have been paid establishes that over 90% of them would have been employed in any event, and they were employed not as a consequence of misspent public money, but as a consequence of sensible business decisions based upon business and economic opportunities unrelated to subsidies.

The Community has done laudible work in encouraging Member States to introduce socially inspired legislation. Employment protection acts, unfair dismissal legislation and so forth are examples of this kind of legislation. But I agree totally with the view, because I have heard this expressed by employers and union leaders alike, that much of this legislation is now a deterrent to steps which otherwise would be taken to increase the number of people being employed. If the cost of work includes the cost of a lot of the legislation which the Community has imposed in recent years, then the cost is too high.

With these thoughts, Mr President, I conclude but I would, in view of the motion for a resolution from the Socialist Group, like to wind up with this point. We should be foolish from our own point of view to think for one moment that by transferring resources or opening up our markets to the Third World, we would damage the prospects of increasing employment in Europe. On the contrary, it is by expanding the consuming capacity of the Third World and by transferring real resources to them that Europe has the best opportunity of getting those expanded markets upon which alone it can depend for real, fruitful and sustained employment.

President. — I call Mr Pistillo.

Mr Pistillo. — *(I)* Mr President, ladies and gentlemen, it has already been stated that we have frequently dealt with the unemployment problem here in Parliament. It was high on the agenda at the summits in London and Copenhagen and at the latest meetings. There is no one who disputes the fact that unemployment is the most serious problem that the Community has had to face over the last few years, especially since the development of a wide-ranging crisis, with the features we all know, in the economies of our countries. However, while it is true that there has been a lot of talk about the subject broached in the question by Mr Pisani and other Members, it is also true to say that there has been no progress on the matter of unemployment. The most recent figures, just out, show that unemployment, particularly youth unemployment, has increased in every single Member State. One wonders what the basis was for all the forecasts indicating full employment by 1980 — since they have all been proved wrong. The fact of the matter is that there was superficial talk about the likelihood of full employment because we were obviously counting on a fairly rapid revival of the economy, as we thought it had an in-built momentum which it in fact did not have.

This is where the crux of the matter lies in our view. The question we ourselves, and Parliament, is whether we still believe that this serious and vital problem can be solved, simply by relying on a revival of private initiative. In our humble opinion, if we go on believing that, then we are well on the way to a big disappointment and absolute social disaster. We, in the Italian Communist Party, reiterate that the very essence of the problem, which is the need for planning, both at national and at Community level. This is where we feel that the situation has to be tackled and concrete solutions sought. In Italy — where unemployment is the most serious and the most pressing problem we have to face — there is an effort, albeit somewhat laborious, to take selective action in a programme which channels as much of our resources as possible to the areas which are hardest hit by unemployment, particularly the south of Italy. It is our view that this policy should be expanded and extended to the other Member States and to the Community as a whole.

The time at my disposal, Mr President, is certainly not enough to allow me to go into the various aspects of the unemployment problem, and so in winding up I shall call on the Council and the Commission to see to it that the basic groundwork for the next tripartite conference is along these lines. Otherwise, we are going to get a repeat of last year's tripartite conference, which attracted criticism from all sides and which — as Mr Vredeling well knows — achieved nothing. The people and the voters of Europe, who are preparing to elect the new European Parliament,

Ryan

have every right to know what is being done at Community level to combat unemployment. It is all very well to carry on with the studies and the proposals referred to in the question we are debating, but let us above all consider changing the approach which has been followed until now.

President. — I call Mr Eberhard.

Mr Eberhard. — (*F*) Mr President, ladies and gentlemen, those who put down the Oral Question which gave rise to today's debate would like a wide-ranging debate on employment problems to be held in Parliament by the end of the year. We agree, and we will speak at greater length in that debate than in today's. Mr Porcu's speech has illustrated what will be our approach: you may be sure that it will not involve agreeing entirely with Mr Vredeling on whether we live in a Community of the rich — to use his own phrase — or indeed resigning ourselves to a reduction in the workers' purchasing power as suggested by the representative of the Liberal and Democratic Group. We shall take part in it because such a debate will enable us once more to voice in this House the anger of all the victims of an industrial redeployment policy carried out for the sole profit of the multinationals, something which Mr Pisani strangely overlooked.

As early as last July, I warned the House of the threat of closure hanging over the shipbuilding and ship-repairing industries in France. Unfortunately our fears have proved to be justified, since in the last few days the winding-up of the *Établissements Terrin* in Marseilles has been announced, involving the dismissal of its workers, management staff and technicians.

In another field, Mr Porcu persuaded Parliament to hold a debate on the iron and steel industry. How right he was, for we have since learned that this industry is threatened not only in eastern France, but also in Normandy (at Caen to be exact), where the *Société Métallurgique de Normandie* is threatened with total closure or absorption by the *Sacilor* trust, in accordance with the general objectives for steel drawn up by the Commission in June 1978, which provide for a heavy drop in the production capacity of the Community iron and steel industry. And yet this undertaking was described by the French Prime Minister himself only two months ago as being well-run.

In these circumstances, how can one expect the 6 110 workers affected to wait patiently until 1985, as suggested by our Socialist colleagues' document, for this House to be in a position to assess the likely employment level and structure for the Community countries, when it is a Commission Directive which threatens to deprive them of their jobs? As far as we are concerned, we maintain that their jobs must be defended immediately. What those concerned want is to work and live in their country in normal condi-

tions. That is the point of the motion for a resolution we have put down, but we also say that the best way to achieve this is to actively oppose the multinationals' decisions to close factories, and this is what we are doing alongside the workers threatened by these decisions.

(Applause)

President. — I call Mr Schyns.

Mr Schyns. — (*D*) Mr President, President-in-Office of the Council, Mr Vredeling, I feel that the subject of unemployment is becoming rather stale and that there is nothing of any real importance left for the remaining speakers to comment on. However, without wishing to repeat what has already been said, I should like to draw attention to a number of points.

Our unemployed are regarded in many quarters as parasites, and I think it is our first duty to try to dispel this illusion. Many heads of households really are in dire straits if they do not have a proper job. For this reason I would underline that we cannot afford to maintain six million unemployed workers — at least, this is the Commissioner's forecast — on welfare. Whether we like it or not we must take steps to ensure that the available work is distributed fairly among potential workers. It is unacceptable that some people should work and pay social contributions while others have no choice but to live off public charity and the work of others.

However, I would also point out that we need to take a close look at the Community's budget. I have here a few figures: the Community's proposed appropriations for the Social and Regional Funds for 1979 add up to about 2 350 000 000 units of account. The estimates for agriculture, on the other hand, come to about 9 000 million u.a. I feel that there is something wrong here and that we should do our utmost to ensure that more funds are earmarked for the social and regional policies if unemployment is to be reduced.

I should like to point out to the Commissioner that there can be no European Economic Community without a firm social basis. We cannot accept further discussion on the free movement of goods unless more progress is achieved on the social front.

The Commissioner referred a moment ago to the redistribution of work at international level. This sounds all very fine, but Community workers just don't understand this sort of talk. They merely ask why we sell our technology, as well as entire factories, outside the Community. This only adds to the problem of unemployment in our own countries. This is the psychological aspect of the problem we have to face, and it is not enough merely to make fine speeches in this House or in our national parliaments. We must really come to grips with the problem and not just make what I would call empty promises.

Schyns

The situation has reached such a stage that in our newspapers and at various meetings it is suggested that foreign workers or — as they are more politely called — guest workers should be sent home, even to other EEC countries, to ensure that there are enough jobs for the nationals of the country concerned. Sadly, this is the situation which we have reached today, and I would emphasize to my communist friends that such suggestions are even being made in trade union circles. This is a sad fact: I am a trade union man myself, and I deeply deplore such attitudes.

I would therefore ask the Commissioner what concrete proposals he intends to make at the Tripartite Conference on 17 November. Reference has been made to a reduction in working hours, to the possibility of increasing annual holidays and of retraining, and I was very interested to hear of the most encouraging results of reduced working hours and retraining observed on a study trip to the United States.

I would be very glad if the Commissioner and the President-in-Office of the Council could tell me what concrete proposals the Commission and Council intend to put to management and workers on 17 November to ensure that, with the agreements of both sides of industry — for without this nothing can be achieved — the problem of unemployment can be tackled positively: for although, as has been pointed out, we cannot return to full employment, we can at least redistribute work in a way which is fair to all Community workers.

President. — I call Mr Soury.

Mr Soury. — (*F*) Mr President, the presentation of this debate was very unbalanced, for we noticed that, both in the Oral Question and in Mr Vredeling's reply to Mr Pisani, the role of the multinationals was conspicuous by its absence. I should therefore like to make two observations to show that all regions, both rural and industrial, suffer indiscriminately from their influence.

I represent a rural constituency — Poitou-Charente — whose industrial sector was made up of small and medium-sized undertakings, and whose agricultural sector was made up of small and medium-sized farms. This region therefore suffers the full force of both aspects of the crisis — industrial and agricultural.

These two factors produced a very serious economic decline, and in Poitou-Charente as a whole there are now 30 000 unemployed, which represents 10 % of wage-earners and 5.5 % of the total working population. What was needed for economic development in Poitou-Charente was jobs to keep workers leaving agriculture in their own areas, but in fact the flight from the land has been and remains massive. So I want to say here that some aspects of Community policy have direct and serious consequences for our rural economy.

For instance, the draft regulations on milk, sheepmeat and wine would, if applied, result — as has already occurred for pork — in thousands of small-scale agricultural producers being put out of business, with irreversible consequences in these regions. Of course it matters little to the multinationals if regional imbalances are worsened, since they find cheaper sources of food products in New Zealand, Spain, Greece, the United States and elsewhere than in Poitou-Charente, Aquitaine and Limousin — just as it matters little to them if whole industrial sectors are closed down as a result of their dividing up production sectors amongst themselves on a world scale. Thus the paper industry, through the notorious restructuring programme, has lost several hundred jobs in my département, and one thing leads to another: now the Cordebar factory in Angoulême, which produced mainly machines for making cardboard, is threatened in its turn. The current cutbacks in the leather, hide and tanning industry are adversely affecting the footwear industry, which was a traditional local industry in the past. The same is true of the difficulties now encountered in the textiles sector.

At Châtelleraut, in the département of Vienne, I visited the Galus factory, virtually the only one in France producing material for dentistry, an excellently equipped factory whose production has steadily increased over the last few years, and which has now been forced to close merely because a large bank which put capital into this firm is transferring it elsewhere. Too bad, but France will obtain its material for dentistry from abroad.

That is how things are, and that is how rural areas are being plunged into an economic void. It is the multinationals which dominate these regions, as they dominate the industrial regions. In this connection Mr Ansart, who is taking part today in discussions at the Ministry of Labour in Paris as part of a delegation from our party, has informed me of the industrial situation in the Nord region, which, together with the creation of rural deserts which I have just mentioned, provided an important insight into the state into which the major concerns are plunging our economy.

In the Valenciennes area alone there are 11 000 unemployed. On 20 June the whole region, from the trade unions to the Chamber of Commerce, demonstrated against this deplorable state of affairs, and it is still continuing. It is proposed to do away with 2 000 jobs at Usinor-Denain and 1 000 jobs elsewhere. The elimination of jobs in the iron and steel industry leads to the closure of its small and medium-sized suppliers: statistics show that, in the Nord region, 10 000 jobs per year are eliminated in this way. Towns as large as Roubaix or Tourcoing, and in fact the whole Lys valley, are going to become economic deserts if the decline in the textile industry is not halted. The Nord region is concerned about the threat

Soury

of closure hanging over the textile industry, coming after the shutdown of the coal mining industry.

To sum up, Mr President: from Poitou-Charente to the Nord our regions are suffering from the same malaise, created by the domination of the large multinationals and nothing can really be achieved unless we attach this domination, which is as terrible today as the feudal domination in France before 1789.

(Applause)

President. — I call Mr von Dohnanyi.

Mr von Dohnanyi, President-in-Office of the Council. — (D) Mr President, I shall be very brief and begin by thanking the House for its suggestions to the Council and for its critical comments. There is no doubt that we are concerned here with a problem of crucial importance. It has been said that we will need a great deal of courage to overcome the difficulties, and I am sure that this is right. But there is one point which I should like to take up because it came up a great deal in the discussion, namely the frequent references to multinational undertakings by the Members of the Communist Group.

Ladies and gentlemen, it is obviously necessary to analyse the causes of unemployment calmly and objectively, and it is therefore necessary to examine the problem of multinational concerns in this context. I just think, if I may be allowed to use such a strong expression, that it is utter nonsense to lay most of the blame for unemployment on the multinational concerns. Take Japanese competition as an example. For all of us Europeans, Japanese competition is a considerable problem. But everyone knows that it is out of the question for us to participate in Japanese undertakings. These are not multinational but national undertakings which are successful in export markets. Take our textile industry. The difficulties we are experiencing in this area are mainly the result — this point was mentioned earlier by Mr Schyns — of technologies being transferred to low-wage areas, where even the smallest undertakings export successfully. How can these — I ask you quite objectively — be called multinational concerns? The same thing basically applies to the steel industry. In most areas the steel industry is national and not multinational. We must be aware of this fact. There is hardly any international participation any longer. It is exports, for example those of Japanese steel companies, which cause the difficulty. If the Members who mentioned multinational concerns meant successful export undertakings, that is another definition, and one with which I would agree. It is the word multinational that is really out of place here.

My reason for saying this, ladies and gentlemen, is that we shall most certainly not overcome our problems if we keep looking for scapegoats, but they can only be solved if we really analyse where the causes are. If, for example, small firms in the commer-

cial sector go to the wall, this is not because of multinational concerns but because of the concentrated purchasing power of the capital of large undertakings, which are however not multinational. They may be French firms — that has nothing at all to do with multinational — which are able to use their large capital to buy and sell more cheaply and at better conditions, thereby forcing small traders out of business through competition. This is open to discussion, but I feel that any such discussion should be about the actual factors involved instead of setting up some scapegoat, which will only make it more difficult for us all to find out the real truth, on which light has been cast from many sides in this very varied debate.

The fact is that in this connection there is not just one cause not just one determining factor, but a whole series of factors.

And this, Mr President, leads me finally to stress that the main thing in this field is that, in addition to the responsibility of the Community the responsibility of each and every Member State must be recognized. The causes of unemployment in the Federal Republic of Germany are different from those in the United Kingdom — or at least differently weighted — or in Italy or in France. Only if we understand these differences and act accordingly will we succeed in combating unemployment in Europe.

I thank the House for the varied debate, or rather the varied part of the debate, and ask your indulgence for my frank replies to points in which I detected oversimplification. I made it quite plain what we should think of such simplifications in politics.

(Applause)

President. — I have received from Mr Porcu, Mr Ansart, Mr Bordu, Mr Eberhard and Mr Soury a motion for a resolution (Doc. 303/78) with request for an immediate vote, pursuant to Rule 47 (5) of the Rules of Procedure, to wind up the debate on the oral question to the Commission on the employment situation in the Community.

I shall consult Parliament on this request at the beginning of tomorrow's sitting.

The debate is closed.

12. *Single place of work of the European Parliament*

President. — The next item is the oral question with debate (Doc. 277/78) by Mr Hamilton, Mr Brown, Mr Edwards, Mr Hughes and Mr Price to the Council:

Subject: Single place of work of the European Parliament. In view of the approach of direct elections, and the need to rationalize the work of the European Parliament and thus to save Community taxpayers' money, will the Council draw up a report making recommendations as to a single place of work for the European Parliament, discuss it with Parliament under an appropriate collaborative procedure, and forward it to the Governments of the Member States for their decision?

I call Mr Brown.

Mr Brown. — Mr President, I wish to inform the House that my colleague expresses his sincere regret at being unable to be present this evening to open this debate. He was prevented from being here by pressing engagements in his constituency which it was completely impossible for him to put aside.

In opening the debate on this oral question I would like to say to the House that in any well run business or organization it is accepted that having to travel to different areas for the purpose of holding meetings and making decisions is time consuming, extremely costly and above all detrimental to the quality of the decisions taken. Why we should think that this principle is less applicable to the European Parliament? After all we represent one of the biggest businesses of all. We have 250 million people, we are custodians of their hopes, their ideals and their aspirations and yet we have given ourselves as parliamentarians the role of peripatetic itinerants. Surely no one can justify this situation.

Our question is designed to focus attention on the need for a single place of work for the European Parliament. The present arrangements are time consuming. It is becoming increasingly difficult for Members to be sure that all their reference documents and research papers are in the right place at the right moment. Time and again matters are being raised that require reference to information arising at a previous meeting at a different place. Hence one cannot immediately research the matter, one is searching all the time trying to remember, trying to identify, whereas ideally one should be able to refer to documentation, to go to our filing cabinet, to go to our computer terminals and get the information one wants. This is just not possible. Members are prevented from keeping a close watch on affairs and following them through on a logical, dynamic basis.

It does not only affect parliamentarians. The same applies to the secretariat. They cannot possibly store all the relevant data in all the outposts simultaneously. A secretary who really wants to help may have to say, I am sorry, but what you want is somewhere else; I can give you an idea of what I think it is but I cannot produce a document in order to help you. Obviously they can anticipate a great deal of the possibilities, but of course this is time-wasting too. Instead of getting on with their day-to-day work, they are busy trying to anticipate points that may be raised or questions that might be asked of them, in order that they can carry the necessary documents with them and not be found wanting if asked by a parliamentarian for information. They want to cover all eventualities, and that in itself is particularly time-wasting.

Similarly, journalists and publicity agents find the safari singularly unattractive. This in turn affects the reporting of our affairs. This, not unnaturally in my view, is one of the reasons why the 250 million

people in our Europe are so unattracted to the European Parliament, why so little is heard of it, why discussions are not going on on a day-to-day basis — because we are not receiving satisfactory exposure.

I said it was extremely costly. According to the Secretary-General's estimate, the extra budgetary cost due to the absence of a single place of work in 1975 was 3.75m u.a. That represented 9.3% of the budget of Parliament. That was in 1975. In 1977, the extra expenditure was 7m EUA, or 10.6% of the budget of Parliament. I do not know how we as parliamentarians can justify that sheer waste of money — because it is sheer waste of money, and in British terms it represents £4.6 million. Can anybody imagine pouring £4.6 million down the drain? I should like to try to identify some of the extra activity that this represents. Extra costs arise from our being peripatetic in extra staff, in missions by officials, extra rent, extra transport costs, extra facilities and technical equipment at the three places of work. I therefore submit, Mr President, that it is an impossibility to justify this total waste of taxpayers' money merely for the luxury of being a travelling circus.

I will not now seek to identify which of the outposts I think should become the single seat. There is enough fighting going on about that, but there are clearly very good arguments for Luxembourg being the seat, and no doubt many arguments against it. There are many arguments for Strasbourg, although I am bound to say that today I received a note from my own group, reminding me of the visit to Strasbourg for the next part-session, commencing on 9 October. The note to me says: 'I am afraid that the flight from Heathrow to Strasbourg on the morning of Monday, 9 October is already full', I understand that most of the tickets have been taken up by an organization in Strasbourg. I cannot therefore get there unless I go to a lot of hassle by either driving my car, or flying to Basle and doing the long drive from Basle to Strasbourg. So I am bound to say that if I was asked at this very moment whether I thought Strasbourg was a good location, I would have to say that I had some doubts. But I do not intend to enter the argument about that, or indeed about Brussels. Brussels obviously has very powerful arguments in its favour, but it has some against it.

But there is one addition I should like to canvass. This is a fourth scenario, a new possibility. There does exist not far from my own constituency in London, 5 000 acres of land in Docklands that is ripe wholly and solely for redevelopment. I would commend it only by saying that it has excellent sea routes and connections to the mainland, and excellent railway facilities. When the Commission finally get round to supporting the Channel Tunnel, it will then be possible to go through that tunnel by highspeed train, at something approaching 100 mph. You could be in Paris within minutes. I can therefore say I think it has

Brown

all the hallmarks of a useful site. I merely canvass that as an additional place that one might look at.

The intention behind our question is to ask the Council to examine the situation urgently. What has been going on till now cannot in our view, continue. We ask them to look at it now and to come up with an intelligent decision on how we can resolve this absurdity. I am told from time to time that we are bound by the Decision of 8 April 1965, Article 1 of which stipulates that Luxembourg, Brussels and Strasbourg shall remain the provisional places of work. As I understand it — and I checked before the debate this evening — the word 'provisional' has the same meaning in all the Community languages. We have therefore no linguistic problems.

Since this is only provisional, there is no reason for people to argue that it cannot be reviewed. The time has come, as I have said, for a decision to be made. It is not to be made in an emotional way, we do not want emotional orgasms now, we do not want people to do their thing. We are a large, efficient organization. The objective must be to determine where the best, the most efficient, the most effective and economical site that will serve our Europe can be found that we hope the Council will do urgently.

President. — I call Mr von Dohnanyi.

Mr von Dohnanyi, President-in-Office of the Council. — (D) Mr President, the 1958 decision concerning the provisional places of work of the Community institutions was the result of an agreement between the Member States based on various political, historical and economic factors. This agreement was confirmed by the decision of the representatives of the Member States in 1965.

I should like to repeat here the point which was clearly spelt out by my predecessor, Mr Simonet, in a letter to the President of the European Parliament. He wrote :

The Governments of the Member States see no occasion to modify either in law or in fact the provisions currently in force as regards the provisional places of work of the European Parliament.

Moreover, the President of the European Parliament, Mr Colombo, pointed out in two letters to the President of the Council, and in public statements made before the Parliament at its sittings on 19 January and 13 February 1978, that the Parliament had no intention of challenging the existing provisions concerning the provisional places of work, but that its sole concern was to ensure that the European Parliament elected by direct universal suffrage was capable of discharging its mandate under the best possible conditions in all the places where the present Parliament was already carrying on its activities.

The Council therefore considers that there is no need to prepare a report of the kind requested by the honourable Members.

President. — I call Mr Bouquerel.

Mr Bouquerel. — (F) Mr President, allow a French Member of the House to offer his opinion during this brief debate on the seat of the European Parliament. I merely want to say that I feel that the question is a little premature, as this House is due to be replaced next year by a directly elected Parliament, whose task it will be to take a properly informed decision. I also want to say, on behalf of the French Members, that we have fully appreciated the efforts of the French and Luxembourg Governments to provide the most suitable facilities for Parliament. We are also aware that the two Governments are currently working hard to improve the running of parliamentary business. Personally, I hope that the talks between the French and Luxembourg Governments will continue, so that there will be as little delay as possible in finding a fair solution which satisfies the requirements for the proper conduct of parliamentary business, after we have had the direct elections.

President. — I call Mr Dalyell.

Mr Dalyell. — Can I ask just one question of fact without entering into the argument? The London *Times* of 8 September quoted Mr Barre as saying that even more than in the past Strasbourg had to affirm its European vocation.

The *Times* goes on to quote Mr Barre as saying he was astonished to hear people doubt this vocation and call for the centralizing of the Community in Brussels. Could this Parliament, before the argument proceeds any further, find out from Mr Barre precisely what he meant and if he was accurately reported?

(Laughter)

President. — I call Mr Brown.

Mr Brown. — Mr President, as an author of this oral question I only want to say this. I do regret that the President-in-Office did not really address himself to the point made. I must say that seven million u.a. is a lot of money to go down the drain and when he and his colleagues in Bremen decided to cut out all the money that was to be spent on energy sources on the basis that we had to save money it does seem rather odd that two hours later he can take the view that seven million down the drain does not matter very much.

Secondly, may I say to him that the fact that he has reiterated what his predecessor said who reiterated in turn what his predecessor said, who had interpreted in turn what his predecessor said does not actually make it right. The Treaty is exactly as I quoted it. Luxem-

Brown

bourg, Brussels, and Strasbourg shall remain the provisional places. And in German, the equivalent of 'provisional', I understand, means exactly what it means in English, that is, not permanent. Therefore if it is proving to be inefficient, ineffective and costly to run things in this peripatetic way, then it must be the responsibility of the President-in-Office and his colleagues to re-examine the possibility of saving the tax-payers' money. I do urge him, in quiet of his room this evening, to reflect on whether he ought not to have another look at this to see whether we can not only improve our own efficiency but at the same time save the tax-payers some of this money.

President. — The debate is closed.

13. *Directive on bird conservation*

President. — The next item on the agenda is the oral question with debate by Mr Jahn, Mr van Aerssen, Mr Schyns, Mr Verhaegen and Mr McDonald to the Council (Doc. 278/78):

Subject: Imminent prospect of the Commission's proposal for a directive on bird conservation not being adopted

The failure of the Council of Environment Ministers on 12 December 1977 to reach agreement on the proposal from the Commission for a directive on bird conservation was repeated at its meeting of 30 May 1978. This means that implementation of the urgently needed measures on bird protection provided for in the directive will be further delayed if not jeopardized altogether, even though the European Parliament called on the Council in its resolution of 14 June 1977¹ to adopt the directive and bring it into effect as soon as possible, and at all events, in conformity with the obligation it entered into in the 1973 environmental action programme, within nine months of it having been submitted, i.e. by September 1977 at the latest.

In view of this regrettable state of affairs the Council is asked to answer the following questions:

1. Is it true that the deliberations in the Council of Environment Ministers of 12 December 1977 closed with only two French reservations, viz.
 - (a) the demand that the skylark and the corn bunting be included in the list of game species (Annex II),
 - (b) the refusal to authorize trade in more than 10 species of bird (Annex III)?
2. Is there any accuracy in press reports that at the meeting of 30 May eight Member States put to France a far-reaching compromise proposal, the contents of which can be summarized as follows:
 - (a) the lark may be hunted with a rifle in France and Italy;

- (b) trade in 7 bird species must be authorized throughout the Community;
- (c) in the case of 26 other species, the Member States may, on certain conditions and providing they observe a monitoring procedure involving the Commission, deviate from the general ban on trade, in respect of their own territory;
- (d) the Commission will carry out studies into the biological status of 9 of the 26 species concerned and, in the light of the findings, the Council, acting on a proposal from the Commission, will take appropriate measures to prohibit trade in these species?

3. Is the Council aware that the directive is an important milestone for bird conservation throughout the Community, particularly when it is remembered that it contains major improvements, on which agreement was reached in the Council, viz.:

- a basis for Community action to protect bird habitats,
- establishment of common principles for hunting and, in particular, reduction of the number of game species from the present figure of 120 to 72,
- reduction of the number of species authorized for trade from the present figure of 120 to 33,
- outright ban on the use of all non-selective methods of killing and capture, i.e. means of large-scale capture and extermination,
- the beginnings of coordination of research into bird species?

4. How does it feel it can account for the failure, due to secondary problems to adopt a directive that settles such important basic questions or, alternatively, the delay in its adoption due to comparatively minor differences of opinion?

5. Is it prepared to give appropriate instructions to the Permanent Representatives Committee to ensure early adoption of the directive on the basis of a reasonable compromise?

6. In view of the serious delays so far, is it ready, in conformity with the request of the European Parliament, to reduce the period for the incorporation of the directive into national law to one year from the date of notification of the directive, it being imperative that swift action be taken to protect those species of bird threatened with extermination or further decimation?

7. If not, can it give valid reasons for retaining the comparatively long period of two years?

I see that both the questioner and his deputy had to leave.

Do you wish to speak, Mr von Dohnanyi?

Mr von Dohnanyi, President-in-Office of the Council. — (D) Mr President, as the two honourable Members responsible for this question are unable to be here, owing to reasons for which I am sure they are not to blame, it would perhaps be better if I gave a written answer to this question or else replied to it at a later date.

¹ OJ No C 163 of 11. 7. 1977, p. 28.

President. — I have two Members on the list of speakers. Do you wish to speak, Mr Bouquerel ?

Mr Bouquerel. — (F) Given the circumstances, I do not wish to speak.

President. — Mrs Squarcialupi ?

Mrs Squarcialupi. — (F) I do not wish to speak either, Mr President.

President. — The answer will therefore be published in the report of proceedings.¹

14. Elimination of border controls

President. — The next item on the agenda is the oral question with debate (Doc. 283/78) by Sir Geoffrey de Freitas, Mr Hansen, Mr Lange, Lord Bruce of Donington, Mr Seefeld and Mr Sieglerschmidt to the Council :

Subject : Elimination of border controls

1. Does the Council share our view that border controls of all kinds at the internal frontiers of the Community are at least as strict now as they were when the Community was first set up ?
2. Would the Council be good enough to outline the criteria for these controls, which affect the movement of both persons and of goods or capital, and explain why they survive ten years after the implementation of the customs union among the original six Member States and at the end of the transitional period following the accession of the three new Member States ?
3. Would the Council list the specific measures to be taken to eliminate these controls, or at least to significantly reduce their number ?

I call Sir Geoffrey de Freitas.

Sir Geoffrey de Freitas. — Mr President, I have found that one of the few aims of the Community which is almost generally accepted is the desirability of a large internal market of the size of that of the United States. In July the Council gave a very disappointing reply to questions asking what our governments have done to remove the internal barriers to the movement of goods within the Community. Some of us felt that it was our duty to give the Council an opportunity to put a better case, because their record could obviously not really be as bad as it sounded. Now what are the facts ? What technical administrative barriers are there, and why ? Why are our industries and our consumers deprived of the advantage of this large internal market ?

In July Mr Nyborg went as far as to claim that where customs restrictions had been abolished the staff of the customs service had been given new tasks in the collection of facts and figures which resulted in the same delays at customs barriers. I ask the Council : is

this so ? And if so, why ? In the United Kingdom the European Parliament is under attack because it has fallen down on the one purpose of the Community which is almost generally accepted, that is the simplification of frontier formalities. Surely the Council could give us something to boast about in the campaign for direct elections to the European Parliament. It was interesting, but no more than interesting, to be told in July that a hundred of our proposals in this field had been adopted by the Council. The important figure is not how many have been adopted, but how many have been received and filed away. What is the figure ? Commissioner Davignon argued that the Council had failed to show any sense of urgency. After the Commission had held long discussions with experts from the Member States and had then obtained opinions from our Parliament and the Economic and Social Committee, it presented the documents to the Council in the expectation that the political debate would begin. But Commissioner Davignon could give three examples of delay by the Council. First, the delay over customs reforms, on which the proposal with our Parliament's opinion has been with the Council since March 1973 — that is five years. Then, the delay over free circulation, the corresponding date being May 1974 — four years. Third, the delay over tax exemption on small consignments, dating from February 1975 — still no decision. If these dates are accurate there is something very wrong.

I could understand that the entry of Denmark, Ireland and the United Kingdom might have delayed progress. If that is the reason, I would like to hear it. But what I am much more keen on hearing, and what it is much more important that we should hear, is what the Council will do to speed up these decisions. Is it true that, as the Commissioner alleges, the working parties in this field which are set up by the Council happen to be the least active of such groups ? If so, why is this ?

The next six months are very important. At the June election the electors must be offered evidence that this Parliament and this Community generally are serious about frontier controls. In this Parliament we know we are serious about creating a large internal market comparable to that of the United States and to the advantage of our industries and our consumers.

What I ask for, Mr President, is the evidence that the Council is as serious as we are.

President. — I call Mr von Dohnanyi.

Mr von Dohnanyi, President-in-Office of the Council. — (D) Mr President, I should first like to indicate what has been done since my reply here in July to Mr Nyborg's question, to which reference has already been made. I replied to the question at the

¹ See annex.

von Dohnanyi

end of the debate on that occasion by saying that the Presidency would take a particularly careful look at these problems. This has been done in the meantime, and I should prefer it — although I am not going to make a point of it — if we could have another debate on this question at the end of the six-month period, because one or two of the problems could in fact perhaps be tackled during this time, and even resolved. We are paying serious attention to this point and, as I said, July's debate has been followed up by the Presidency.

There is a variety of reasons for the barriers. The Commission stated in its report that in most cases they are not customs barriers. In his excellent report on the development of the customs union and the internal market Mr Nyborg produced a table, supplied by the Commission, of the formalities and controls involved in crossing borders: formalities concerning customs clearance of goods, fiscal formalities, 'agricultural' formalities, the various formalities concerning public health (medical and plant health checks and so on), consumer protection (quality control and measuring instruments), statistics and the application of specific regulations governing trade in certain goods, for example, the verification of the origin or destination of certain products.

As regards fiscal matters, the formalities at the Community's internal frontiers consist in the imposition of VAT and excise duty on imported goods, unless they qualify for the exemptions from duty currently in force. It will presumably not be possible to do away with such formalities definitively until the objective of eliminating tax frontiers has been attained: this is the subject of priority consultations aimed at harmonizing such taxes.

As regards trade in agricultural products and food-stuffs, there are several reasons why there continue to be formalities and controls. However, in certain specific sectors connected with animal and plant production the rules introduced have extended the various indispensable formalities already in existence in the Member States to cover the entire Community. Furthermore, currency fluctuations in recent years have made it necessary to levy or to grant monetary compensatory amounts at frontiers on the main agricultural products, and this again requires the collection of both quantitative and qualitative statistical information.

Lastly, among the formalities to be completed at frontiers are those known as police formalities. The essential objective of abolishing passport controls within the Community is dependent on prior harmonization of domestic laws, rules and policies regarding entry and residence. It will not be possible to abolish passport controls within the Community unless the same guarantees can be provided as those offered by the systems currently in force, which means guarantees

which can be agreed on the basis of a compromise solution among the Member States.

Mr President, I should be grateful if this matter were not debated at too great a length here this evening, as there is nothing more I can say at this point. I do want to stress, however, that we take a serious view of the subject and that the German Presidency is striving to achieve some progress in this respect. I am working closely with Mr Davignon and we have drawn up a list of what progress would be feasible within a given time. I can make no promises but I can say that, under the stimulus of Parliament's debate here in July, we are doing our utmost.

President. — I call Mr Ryan who tabled a question on this subject for Question Time.

Mr Ryan. — Mr President, I raised this question particularly in the light of the imminent direct elections.

With a view to increasing public appreciation of the common interests of European peoples, and to expedite the clearance of EEC citizens through passport controls, will the Council urge that separate channels for EEC citizens be provided at major points of passenger entry into Member States such as are provided at London Heathrow Airport?

I would prefer, Mr President, to see passports within the Community abolished altogether but I appreciate that there are many difficulties in that area. Some of them are outside the direct competence of the Community, since they fall under what the Community recognizes as within the police jurisdiction in Member States. Member States, and police forces in particular, are very slow to surrender their powers. However, the provision of separate channels at major points of entry should at least make it possible to expedite the clearance of EEC citizens, thereby not merely easing the burden of the weary traveller, but also helping to convince the people of Europe that they have something in common.

The European Treaties guarantee our citizens freedom of movement within the Community. But the absence of efficient passport clearance facilities at major points of entry, in practice, causes lengthy delays to our citizens as they go about their lawful business and pleasure. I think it will be agreed that to succeed, the Community needs widespread public support. But if the simple courtesy of a speedy passage at points of entry into member countries is denied to travel-weary passengers, they may have some doubts about the effectiveness and relevance of the Community in relation to their ordinary needs.

What I find difficult to understand is that hundreds and thousands of people can frequently travel unmoles- ted and uninterfered with and uninspected by sea and by train, but those who have the misfortune to travel by air are invariably subjected to tedious passport controls as they enter or leave the country they

Ryan

are visiting. I do not want to argue from the particular to the general. I tabled this question months ago, but my conviction of the justice of what I am saying is now certainly much stronger, because on my way to this city yesterday, I was subjected to four passport controls, three of them in countries to which I had not arranged to go, and where my only desire was to get out of them as quickly as I could. Not that I had any objection to the countries; but due to the inefficiency of European air-services, I found myself on three occasions in places I had no wish to be, although I had booked my trip to Luxembourg nearly a fortnight in advance.

The ultimate example of the ridiculous extremes to which undue passport control and police procedures can be carried is possibly the border crossing between West and East Berlin. It takes the German Democratic Republic's efficient police force 1¾ hours to examine the passports of twenty innocent bus passengers. This is an extreme example of the love of police forces for passports. The European Community should avoid it.

The Commission has reflected the wishes of Parliament and in fact has indicated its own wishes in this regard on a number of occasions. In 1973 and 1975, having declared that it was in favour of reducing passport controls, the Commission expressed the wish to go further and propose legislation abolishing passport controls altogether. The Commission stated that it would consider making appropriate proposals to the Council for the revision of Directive 64/221/EEC after some experience had been gained of the application of the Directive by the three new Member States. The three new Member States of 1973 are now getting a bit long in the tooth, and I just wonder whether the Council has received proposals from the Commission. If not, when will they be made? I must say that I am greatly encouraged by the statement of the President-in-Office of the Council that he intends to take steps during his presidency to promote this development.

President. — I call Sir Geoffrey de Freitas.

Sir Geoffrey de Freitas. — Mr President, I welcome what Mr Ryan has said. London Heathrow is the world's busiest international airport. It is difficult enough to get the passengers moving, but it has certainly been improved enormously since we adopted the policy of having a separate channel for EEC passengers.

I was very pleased indeed at what the President-in-Office said about his close relations with Commissioner Davignon. I welcome the obvious interest he has shown in this, and I thank him very much for what he has said.

President. — I call Mr von Dohnanyi.

Mr von Dohnanyi, President-in-Office of the Council. — (D) Mr President, I should just like to

answer Mr Ryan's question, but it does not lie within the competence of the Community. The Member States are competent in this matter. However, I do feel that the proposal which has been made is an excellent one and in referring it to my colleagues in the Council I shall suggest that they take a particular look at the experience of Heathrow which you mentioned and consider whether it might be possible to adopt the procedure which has been introduced there. As I said, the Council cannot take a decision on this matter, but it is possible to discuss things and to recommend that the idea be looked at with due attention and perhaps put into practice.

President. — The debate is closed.

15. *Urgent procedure*

President. — I have received from Mr Porcu and Mr Sandri, on behalf of the Communist and Allies Group, a motion for a resolution with request for urgent debate, pursuant to Rule 14 of the Rules of Procedure, on the massacres in Iran and the request of human rights (Doc. 307/78).

I shall consult Parliament on the adoption of urgent procedure at the beginning of tomorrow's sitting.

16. *Transfer of appropriations*

President. — At its meeting of 11 September 1978 the Committee on Budgets delivered a favourable opinion on the following proposals for transfers:

- No 1078: 443 500 EUA in payment appropriations and 577 000 EUA in commitment appropriations from Chapter 100 'provisional appropriations' to Item 3371 'implementation of coordinated projects' (Doc. 251/78)
- No 1278: 600 000 EUA from Chapter 101 'contingency reserve' to Item 2722 'current affairs films for developing countries' (Doc. 251/78)
- No 1378: 500 000 EUA from Chapter 101 'contingency reserve' to Item 3365 'recycling of waste paper and board' (Doc. 255/78).

The procedure laid down in the Financial Regulation for such operations has thus been completed.

Since there are no objections, the proposed transfers are adopted.

17. *Agenda for next sitting*

President. — The next sitting will be held tomorrow, Thursday, 14 September 1978, with the following-agenda:

- 10.00 a.m. and in the afternoon:
 - decision on a request for immediate vote;
 - decision on the urgency of a motion for a resolution;
 - Herbert report on sheepmeat;

- Pisoni report on taxes on wine ;
- Hansen report on the marketing of seeds ;
- Vandewiele report on the economic activities of the Member States ;
- oral question with debate to the Commission on EEC-Australia trade relations.

3.00 p.m. : Question Time (questions to the Commission).

3.45 p.m. : Vote on motions for resolutions on which the debate is closed.

The sitting is closed.

(The sitting was closed at 9.05 p.m.)

ANNEX

*A. Questions which could not be answered during Question Time, with written answers**Question No 44 by Mr Edwards*

Subject: Progress in re-negotiating the Lomé Convention

To ask the Council what progress they are making in re-negotiating the Lomé Convention and whether they are fully conscious of the need to ensure that human rights are included in the Convention as revised.

Answer

The negotiations for the new ACP-EEC Convention were formally opened at a ministerial conference held in Brussels on 24 July 1978 under the joint chairmanship of the President of the ACP Council of Ministers and the President of the Council of the European Communities.

After hearing formal statements by the two Presidents and Mr Jenkins, President of the Commission, the Conference agreed that the negotiations would proceed according to the following timetable:

- mid-September 1978: opening of negotiations at Ambassadorial level
- December 1978: meeting at ministerial level to examine major questions outstanding
- May 1979: meeting at ministerial level to wind up the negotiations and meeting of ACP-EEC Council of Ministers

On the subject of human rights, the President of the Council indicated in the statement on behalf of the Community that the latter reserved the option of proposing certain amendments to the present Convention and that, in this connection, it was the Community's intention that its relations with the ACP States should be based on the principles which were the keystones of liberty, justice and world peace and were enshrined in the United Nations Charter and in the Universal Declaration of Human Rights.

Moreover, the Community has emphasized the very great importance it attaches to the observance of basic human rights.

Question No 45 by Mr Osborn

Subject: Import of cheap goods

What further discussions have the Council had about the import of cheap goods from third countries and, in particular, about the impact of such imports on the special steel industry and the cutlery and silverware industry?

Answer

The Council and the Commission, working closely together, are keeping a careful watch on imports into the Community of cheap goods from third countries and in particular imports of iron and steel goods.

As the honourable Member will be aware, with regard to iron and steel products in general, agreements have been concluded by the Community with certain third countries on prices and maximum quantities. These also cover certain special steels falling under the ECSC Treaty. Accordingly, such products are monitored by virtue of these agreements, which also incorporate clauses on consultations with third countries. Might I further point out that although finished cutlery and silverware goods are not covered by the above agreements, they are nonetheless subject to general anti-dumping regulations.

Finally, the Council will shortly examine, in conjunction with the Commission, how the agreements are being implemented and will draw the appropriate conclusions.

Question No 46 by Mr Pintat

Subject : Construction of the B 10 Airbus

Having regard to the uncertainty of British participation in the project, does the Council not feel there is an urgent need for Community consultations, as was decided in principle in 1975, so that all the European constructors can be associated with the initial work on the construction of the B 10 Airbus ?

Answer

Recently the Council received a communication from the Commission which had been drawn up with a view to consultations on the aircraft programmes, as provided for in the Council Resolution of March 1975. The Council will thus, on the basis of the paper from the Commission, very shortly be initiating consultations between Member States on aircraft programmes and on the Airbus programme in particular.

B. Reply by the Council to the question by Mr Jabn, Mr van Aerssen, Mr Schyns, Mr Verhaegen and Mr McDonald (Doc. 278/78)

The honourable Members will understand that it is not possible for the Council to make public the progress of its proceedings or the positions adopted by individual Members in the course thereof. I can assure the honourable Members that the Council is aware of the real importance of the Directive on bird conservation. It is still being studied within the Council, which is engaged in the task of finding solutions to the outstanding problems which will be acceptable to all the Member States. As regards the Council's undertaking to act within a period of 9 months from the date of the submission of a proposal for a Directive and in view of the fact that the Opinions of the European Parliament and the Economic and Social Committee are now to hand, the Council is expediting its discussions in order to keep the delay to a minimum. However, the very nature of the Community requires that the opinions of all the Member States be taken into account. The obligation to act cannot therefore be taken as tantamount to an obligation to adopt an instrument without taking sufficient account of the views and interests of the Member States.

SITTING OF THURSDAY, 14 SEPTEMBER 1978

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IN THE CHAIR : MR BERKHOUWER

Vice-President

(The sitting was opened at 10.15 a. m.)

President. — The sitting is open.

1. *Approval of minutes*

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

Since there are no comments, the minutes of proceedings are approved.

2. *Documents received*

President. — I have received :

a) from the parliamentary committees the following reports :

- a report by Mr Vitale, on behalf of the Committee on Agriculture, on a proposal from the Commission of the European Communities to the Council (Doc. 242/78) for a regulation on the development of an agricultural advisory service in Italy (Doc. 305/78);
- a report by Mr Pisoni, on behalf of the Committee on Agriculture, on proposals from the Commission of the European Communities to the Council on :

- I. a directive concerning the flood protection programme in the Hérault valley (Doc. 265/78);
- II. a directive relative to the programme for the acceleration and guidance of collective irrigation works in Corsica (Doc. 266/78).

(Doc. 306/78).

b) an oral question with debate by Mr Dewulf, Mr Bersani, Mr Deschamps, Mr Vergeer and Mr Lücker, on behalf of the Christian-Democratic Group (EPP Group), to the Commission on the situation in the Sahel (Doc. 309/78).

3. *Resolution pursuant to Rule 47 (5)*

President. — The first item is the vote on the request for a vote without reference to committee, pursuant to Rule 47 (5) of the Rules of Procedure, on the motion for a resolution (Doc. 303/78) to wind up the debate on the oral question to the Commission on the employment situation in the Community.

I call Mr Porcu.

Mr Porcu. — *(F)* We have requested an immediate vote on this motion in view of the importance of the employment problem in the Member States of the Community. This importance was clearly brought out in its various aspects by the different speakers yesterday, and we feel that a debate of this kind should be wound up with a guiding vote. That is why we tabled this motion for a resolution. I hope that the House will vote in favour of an immediate vote.

President. — I call Mr Pisani.

Mr Pisani. — *(F)* Mr President, there can be no denying the urgency of this problem, which is a source of utmost concern for all of us. But the motion for a resolution tabled by Mr Porcu and his friends is a challenge to the entire economic and monetary policy and the entire social policy of all our countries. I do not feel it is possible to reach an immediate decision on the content of this resolution, with all its economic, monetary and social implications. The Socialist Group is therefore against accepting the request for an immediate vote and requests that the document be referred to the committee responsible for a thorough review of its implications.

President. — I put to the vote the request for an immediate vote. The request is rejected.

The motion for a resolution will therefore be referred to the committee responsible.

I call Mr Pisani.

Mr Pisani. — *(F)* Mr President, I would suggest it be sent not to the committee but to the *committees* responsible. As the social implications are just as important as the economic and monetary implications, I think it would be reprehensible to limit consideration to one or other aspect of the motion.

President. — I propose that the motion be referred to the Committee on Social Affairs, Employment and Education as the committee responsible and to the Committee on Economic and Monetary Affairs for its opinion. Since there are no objections, that is agreed.

I call Mr Eberhard on a point of order.

Mr Eberhard. — *(F)* Parliament has rejected an immediate vote on a document produced by our Group. It is not up to a speaker of another Group to amend the text of our motion for a resolution.

President. — The matter is closed.

4. *Decision on urgent procedure*

President. — The next item is the request for the adoption of urgent procedure for the motion for a resolution on the massacres in Iran and the respect of human rights (Doc. 307/78).

I call Mr Mitchell.

Mr Mitchell. — Mr President, the Socialist Group is opposed to dealing with this resolution by urgent procedure at this particular time. On various occasions in the past we have all expressed concern about human rights in Iran, and we do not feel that the present situation is very different. We feel that it is not appropriate to discuss this resolution at this time in view of the fact that the groups currently trying to overthrow the Shah are reactionary right-wing relig-

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ious groups. A discussion by urgent procedure at this particular time of a resolution criticizing the Iranian Government would be seen by the public generally as supporting those extreme elements in Iran who are trying to drag Iran back to the nineteenth century. The Socialist Group therefore feels that the timing is most inappropriate and opposes the motion for urgent procedure for this resolution.

(Laughter from the extreme left)

President. — I put the request to the vote.

It is rejected.

The motion for a resolution will therefore be referred to the committee responsible, namely the Political Affairs Committee.

5 Regulation on sheepmeat

President. — The next item is the report by Mr Herbert, on behalf of the Committee on Agriculture, on a regulation on the common organization of the market in sheepmeat (Doc. 249/78).

May I remind the House that pursuant to Rule 28 of the Rules of Procedure this is a restricted debate and limited to three hours?

I call Mr Herbert.

Mr Herbert, rapporteur. — Mr President, as you have stated that this debate is a restricted debate, I intend to be very brief in introducing this rather important report. It could indeed be said that this is the most important report that has come before this House for a number of years. It concerns an attempt by the Community to fill a major vacuum in the CAP, that is, to adopt a common organization of the market in sheepmeat. The first attempt to do so, to cover a transitional period in 1975, was rejected by this Parliament and received the same fate at the Council. Let us hope that on this occasion the outcome will be more successful.

Sheepmeat marketing is important for the three main production areas, France, the UK and Ireland. In France, in the past, they have organized and built up a very good internal market for sheepmeat which has ensured stability and a fair and reasonable income to its producers. On the other hand, the UK, pursuing its traditional policy of cheap food, has built up a very high volume of imports from third countries, notably New Zealand, while at the same time exporting their own produce to the more lucrative markets of continental Europe. My own country, Ireland, is by far the worst off, as Irish producers had to take very low prices for their produce, while their colleagues in other sectors, notably beef and milk, enjoyed all the benefits of the CAP.

When looking at the problem in a more general context, it is important to remember that two-thirds of

sheepmeat production comes from the more disadvantaged and less-favoured areas of the Community. For these people and this production, there is no alternative to sheep-farming. So the Community's responsibility to them becomes all the more serious. These producers are legally and morally entitled to a fair and reasonable income. As with workers in any other sector of society, both inside and outside agriculture, we cannot accept that sheep farmers be relegated to the position of second-class citizens.

It was against this background that the Committee on Agriculture amended the Commission's proposals and is now calling for a full sheepmeat regime with very strict and rigid adherence to the basic principles of the CAP. The committee, realizing that the Community is only 64 % self-sufficient in sheepmeat production, seeks to make good this shortfall by the expansion of Community production, and to accommodate such an expansion the committee feels that special measures are needed such as the extension of the farm modernization scheme or the expansion of the hill-farming directive. Again, realizing that such an expansion will require improved marketing, the committee proposes a range of measures that will assist in this direction. Such an expansion of Community production sheepmeat would, of course, be spread over a long period of years. Consequently, traditional exports from third countries should not have anything to fear in the immediate future from the adoption of a common organization of the sheepmeat market. However, the committee feels that such imports from third countries must not be allowed to come on the Community market in a haphazard manner. They must be closely monitored and subjected to adequate controls so that stability of the market can be maintained and this, the committee feels, in the final analysis is in the interests both of the Community producers and of the exporting countries.

Lastly, the committee was also very deeply concerned that no proposals had been made for wool. It is obvious to all that wool and sheepmeat production go hand-in-hand — they are complementary — and the sale of wool makes a large contribution to the sheep-producers' income. A Community regime for sheepmeat without provision for wool is an incomplete regime and we would urge the Commission to bring forward proposals as soon as possible.

In conclusion, Mr President, I would like again to emphasize the importance of adopting a common organization of the market for sheepmeat in the Community. The Commission has made its proposals, the Committee on Agriculture has adopted this report by 21 votes to seven and all that remains for me, Mr President, is to request this House to adopt the motion for a resolution contained in my report.

(Applause)

President. — I call Mr Lange to present the opinion of the Committee on Budgets.

Mr Lange, deputy draftsman of an opinion. — (D) Mr President, as deputy draftsman of the opinion of the Committee on Budgets, I should like to add a few comments to those made by Mr Herbert. As far as financial and budgetary policy are concerned, we are once again in a more than difficult situation. The Committee on Budgets has informed the Committee on Agriculture that it cannot adopt a position on the Commission's proposal. Mr Schreiber stated in his opinion that he could not give a favourable opinion because the financial information is so inadequate that no one knows what financial and budgetary burdens or what relief will result from this market organization, so that it is impossible to give any assessment.

I should just like to draw Parliament's attention to this fact and to urge the Commission not to work in future as it has done in this case. My task is merely to pass on the views of the Committee on Budgets and not to give my own opinion as a Member of this House.

So the Committee on Budgets cannot give an opinion on the subject as a whole, but only on those aspects of it relating to financial and budgetary policy. But in order to ensure that one or two things comply with budgetary regulations the Committee on Budgets has proposed a couple of amendments to the regulation, which I note have been taken over without reservation by the Committee on Agriculture. To this extent, therefore, there are no differences of opinion on this part. The Committee on Agriculture's support for this was unequivocal.

But I would also strongly urge the members of the other committees for their part to make every effort to ensure that, when proposals of this kind are made, no matter how urgent they may appear, the necessary explanations of budgetary and financial aspects are not neglected. Not to do this means divesting ourselves of the possibility of actually exercising our rights as laid down in the agreements on the extension of Parliament's responsibilities and powers. This applies at the moment to the Committee on Agriculture, but naturally it also applies, ladies and gentlemen, to every other committee. In expressing itself in this way, the Committee, on Budgets does not intend to offend the other members but does so in the interest of Parliament and in the interest of what we all call budgetary truth and transparency.

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

Mr Hughes. — Mr President, I suspect that it will become evident from the debates in the House this morning — as was already clear from the discussions in the Committee on Agriculture — that these propo-

sals are regarded with deep suspicion by opponents from both ends of the spectrum.

On the one hand, as Mr Herbert has pointed out in introducing his report — even though I disagree with it, I would like to congratulate him on the fullness of the information it contains — one of the difficulties is the lack of freedom in intra-Community trade. At the moment, free trade in sheepmeat within the Community does not exist. The French have used a series of measures to maintain a price in their country which makes it difficult for producers within the Community to sell their sheepmeat to France.

At the beginning of this year, the pattern of trade suddenly took a very curious lurch. Exports from the United Kingdom to France fell far below the existing low levels, whereas trade between Ireland and France suddenly started to increase. And I would be grateful if, when the Commissioner replies to the debate, he could give the figures for the first six months of this year of imports into France from the United Kingdom and from Ireland as compared with the first six months of last year or whatever the currently available figures are. Why this takes place is quite clear. 47 % of the total sheepmeat produced within the Community is produced within the United Kingdom. A far higher proportion of the lamb and mutton consumed is consumed by the United Kingdom consumer, who, together with the Irish consumer, has the highest per capita consumption rate — 9 and 8 kg per capita. The French consumer consumes 4 kg per capita a year, and the remainder of the Community less than 2 kg. These imbalances and the level of consumption in the United Kingdom are a direct consequence of the availability of high-quality reasonably-priced domestic and imported New Zealand lamb.

This traditional trade has enabled the United Kingdom consumer to enjoy a splendid product at a reasonable price, and the use of the deficiency payments method has also enabled the United Kingdom producer to obtain a reasonable return. It would clearly create impossible strains on consumer prices if the whole apparatus of minimum import prices, levies and so forth were imposed in the United Kingdom, and therefore from that point of view I suspect these proposals will receive less than enthusiastic welcome from the United Kingdom for fear that consumer prices will be unnecessarily increased. It is not the size of the increase that is disputed; it is that the increase is unnecessary. When we turn to the obverse side of the coin, there are serious fears in parts of France that the price to the French producer under these proposals may be drastically reduced, so that there will be opposition from French Members in this Chamber, who see the income of their sheep farmers put at risk by these proposals. What, I ask, therefore, is to be achieved by a proposal that upsets the major lamb and mutton consumer, in numbers and in

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quality, in the United Kingdom and at the same time upsets an influential element of the French agricultural producers, who see the possibility of their incomes declining. Is this proposal, which has this curious effect, something which we should readily support? And I must advise Mr Herbert and the House that I shall be urging my honourable friends here to reject, at all points, the Herbert report. I shall be doing this both on behalf of those who reject it from the French standpoint as not ensuring a sufficient income for their farmers and on behalf of my own national colleagues and others who see an unacceptable risk to consumer prices.

Mr Herbert and the Committee on Agriculture also raised the problem of wool, and in the brief moments left to me I wish to say that I disagree fundamentally with the proposal in this report that wool should be brought in as an agricultural product. While we accept that it is such, the delicate position of wool on the whole fibre market could be endangered if it were treated exclusively as a by-product of sheep production rather than as an integral part of the whole fibre sector — cotton, man-made fibres and other textiles. The prospect of tampering with the wool market and raising the price to the consumer would mean that the small 5 % hold that wool now maintains in the total textile market would be jeopardized. Therefore on that particular aspect again of this report I must indicate a difference of opinion.

Therefore, while one accepts that the existing barriers to free intra-Community trade in sheepmeat cannot be allowed to continue, it is with regret that I have to advise both Mr Herbert and the Commissioner that we do not see in these proposals a means which will be politically acceptable as a solution.

President. — I call Mr Früh to speak on behalf of the Christian-Democratic Group (EPP).

Mr Früh. — (*D*) Mr President, ladies and gentlemen, on behalf of my Group, I should like to say that we see in this report by Mr Herbert on a regulation on the common organization of the market in sheepmeat a means of tackling the difficult situation facing the common market in this sector.

We all know how difficult the situation is, and there are doubtless many who ask why we should attempt to organize this market at all when only about 1.5% of total agricultural revenue is involved. But since for various countries the situation is different, e.g. in the United Kingdom the figure is 5.5 % of agricultural revenue, in Ireland almost 5 % and in France the figure is also considerable, we must aim to achieve a uniform regulation of the market, especially since this has also been demanded by the European Court of Justice and since the present state of affairs is no longer acceptable.

But there is another aspect which is important for us, namely that sheep farms are mostly situated in hill

and mountain areas and other disadvantaged regions, and if there is one reason why the organization of the market is very important it is that it will offer improved opportunities for living and working in these regions and will at the same time encourage agriculture. We therefore welcome these measures, especially since these regions account for 60 to 80 % of all sheep.

Mr Hughes has already pointed out how much consumption in the Community varies, ranging from 9 kg per capita to 1 kg, in the Federal Republic, for example. And if my information is correct, consumption is Holland is even lower, so that here we may have an opportunity to increase consumption. This is of course important because in any case we have a deficit in this area, which in the European Community is rare in the agricultural sector.

The problem is that the French and British markets are the decisive ones and there is an enormous difference in price. A solution must be found to this.

In our opinion the Commission's proposal and the resolution drawn up by the Committee on Agriculture can on the whole be accepted. You are familiar with the proposal and so there is no need for me to explain it further. Mr L'Estrange will go into the details later. With regard to the amendments which have been tabled, I should just like to say that, except for Amendments Nos 1 and 7, we shall reject them, because we believe that a common organization of the market in this field should be introduced, even if not as rigid as the previous market regulations, in order to guarantee outlets for, in particular, the sheep farmers in these regions and also, we hope, provide steady, high quality supplies to consumers.

President. — I call Mr Durand to speak on behalf of the Liberal and Democratic Group.

Mr Durand. — (*F*) Mr President, Commissioners, ladies and gentlemen, I was very interested to hear the comments of the previous speakers, and I congratulate them on their moderation. In particular, I endorse the views expressed by Mr Früh.

The proposed Community regulation on sheepmeat mainly affects three Community countries, for two of which, France and the United Kingdom, it raises serious problems. There are, in fact, very large differences in market prices in these two countries. In the United Kingdom sheepmeat is produced on grassland at very low cost, and consumption is high. There is consequently a seasonal deficit which is offset by substantial imports of frozen meat from countries where sheepmeat is merely a by-product of wool. I think it is very important to bear this in mind. The level of imports therefore has a decisive effect on price fixing. In France, on the other hand, the main concern is to supply the market throughout the year with meat which is of the standard demanded by consumers, and this inevitably involves higher production costs.

Durand

To state the situation quite plainly, the difficulty of applying a satisfactory Community regulation may be summed up in a simple observation: the price of sheepmeat in the UK is about half of the French price. Whatever the reasons for this, and whatever the degree of balance which the regulation will permit, adjustment will take time and will require great caution. The importance of sheep farming in France must not be overlooked: there are 150 000 holdings, of which 70 000 have over 20 ewes, with 22 000 full-time and close on 250 000 part-time workers. These figures underline the economic and social importance of this sector.

It must be emphasized, moreover, that sheep farming is carried out mainly in the less-favoured areas, which are severely depopulated, in particular in the Mediterranean regions. In view of the new world economic circumstances of reduced growth and of the threat of a long-term shortage of materials, the crucial importance of agriculture to the European economy should be firmly underlined. While it is true that in the Southern hemisphere there is every likelihood that sheepmeat production may be increased, we can expect a considerable rise in demand in many developing countries, in particular the oil-producing countries. Europe imports a third of its requirements, and for a long time to come it will have to rely on imports from outside the Community to meet the demand. But the size of the European market of Nine — soon to become twelve — is such that it would be unthinkable to abandon sheepmeat production, given the need to maintain guaranteed supplies and of the effect of import prices on the balance of payments.

The draft regulation before us does not offer producers adequate guarantees for their incomes: it would be bound to lead to a drop in production, and sheepmeat is already in short supply in the Community. The price to sheep farmers would be cut severely, and it would be difficult to offset this by direct aid because of the budgetary cost entailed for the EAGGF.

On the other hand, the system to be applied to imports from third countries will be a key element in the future organization of the market. Without protection at the frontiers producers compete effectively with the multinationals, which process at least 16 million sheep carcasses per year and virtually monopolize Europe's import market. These large meat cartels own immense fattening ranches in Australia and New Zealand and usually handle all other operations, including the herding in of the lambs, slaughter and freezing in their factories, transport using their own ships, storage in their deep freezers, completing the process by selling the meat wholesale or even, in many cases, by distributing it in their supermarkets or through their chain of retail stores.

Finally, I should like to comment on the aids for private storage advocated by the Commission. As the

Commissioner will be aware, freezing reduces the value of sheepmeat by about 20 %, so the effectiveness of this measure seems to me to be debatable. Since the overall situation at present seems satisfactory for all the Member States and the third countries, it is ludicrous that the Community should, for reasons of dogma, adopt a policy which would destroy the existing balance.

Mr President, it is better to maintain the status quo than to approve a regulation which is unsound. It is in this light that we should judge the Commission's proposals. We should try to work out an outline plan for organizing the market so as to avoid disrupting production and consumption in the Member States. According to Community principles, new regulations should not result in a drop in producers' incomes. In view of the vast differences between the British and French systems, a compromise will have to be reached. But this will necessitate a transitional period which is sufficiently long to allow prices and aid systems to be brought in line gradually, and at the same time an adaptation plan designed primarily to help French sheep farming to become sufficiently competitive by the end of the period.

The principle of Community preference is particularly important to sheep farming since the world market is based primarily on the by-products of wool. Of course, the Community is not self-sufficient in sheepmeat, and the UK imports large quantities. A special protocol could be drafted to enable the UK to import specified quantities of lamb without paying Community levies. An agreement could be negotiated with New Zealand (the main supplier) for an additional duty-free quota for the Community. Further imports would be subject to the common levies system. The levies would be the same as those applied under the present regulation on beef but would be based on a seasonally adjusted reference price. If we adhere to the principle of maintaining sheep farming in the less favoured regions of France and Italy, we shall have to encourage the production of winter lambs, as these offer advantages to the farmers of these regions and are in shortest supply in the Community. The reference price should change monthly or weekly. A price structure of this kind would not only help in achieving market equilibrium and in providing support for regions in difficulty but would also help to reduce differences in production costs. The levy on sheepmeat could vary according to the Community market price.

Support for milk production could also be examined either in the form of premiums for milk and cheese or of an increase and extension of refunds for ewes' cheese. This would further promote the development of the less favoured regions, and would be sure to improve the Community's balance of payments by

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encouraging the export of cheeses, which are fairly easy to market outside the Community.

A future regulation could be based on the measures I have described. The Liberal and Democratic Group therefore feels that the Commission proposals cannot be adopted as they now stand. My Group would prefer a system organized more strictly on a Community basis which observes the principles set out by Mr Herbert in paragraph 5 of his report: a single market, adequate customs protection and Community preference. However, we are aware of the immense efforts which the UK will have to make bring their prices in line with those of the rest of Europe. To make this adjustment possible, we recommend a transitional period with arrangements to enable the UK to continue importing sheepmeat which may not be marketed elsewhere in Europe.

The Liberal and Democratic Group therefore endorses the criticisms contained in the excellent report by Mr Herbert — whom, by the way, it wishes to congratulate — and calls upon the Commission to reconsider all its proposals.

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

Mr Scott-Hopkins. — Mr President, I must first of all apologize to the House, and to our rapporteur in particular, for the discourtesy that I was not here to hear him speak. But unhappily, I had to present something to the enlarged Bureau and I cannot be in two places at once.

Secondly, may I congratulate the rapporteur on his report. I do not agree with quite a lot of it, but he has worked extremely hard on it and it is something which is worth putting in front of this House so we can have a full and proper discussion on it.

May I anticipate the burden of what I intend to say shortly by saying that I welcome the proposals that have been put forward by the Commissioner. I think it is right that we should try to find an agreement — I underline the word 'try' — over sheepmeat.

One point I want to emphasize right at the beginning is that we must never lose sight of the fact that there is a tremendously close interrelationship between all red meats — and indeed white meat as well, but particularly red meats. If we shove the price of one red meat up, then the consumer will immediately switch to another. There is no fidelity on the consumer's part to any particular type of red meat, or, indeed, to white meat either. The relationship is very tight, and if we make a muck of one of them, then it immediately results in a switch by the consumer to another. And this is extremely important when we are dealing with whatever we are going to do about lamb and mutton.

One point I would like to pick up straight away here but which I gather was also made by my honourable friend Mr Hughes concerns wool. I believe he adheres

to the same view as I do, that we should keep wool as an industrial product and not follow the line preferred by the Committee of Agriculture, and indeed by our rapporteur, of bringing it into the agricultural sphere. I am sure that the Commission should make proposals concerning this industrial product, wool — but in the industrial sphere and not as an agricultural product. That is the purpose of one of the amendments which my Group are moving at a later stage in the proceedings.

But the main purpose of this Commission proposal, I should have thought, is that it should promote the free trade in sheepmeat throughout the Community and that there should be no artificial restrictions.

We, the Community, are only 64% self-sufficient, as Mr Herbert has pointed out in his report, and so we have to import up to 36% of our needs from elsewhere, and 80% of those needs are satisfied by the imports from New Zealand. It is therefore extremely important that the New Zealand side of all that is going to happen is taken into account and not ignored: I shall come to that again in a few moments' time. But of course there is a further problem, which is the main one really, and that is the disparity in price-levels between two of the major consuming countries: between the United Kingdom price-level, which affects Ireland as well, and the price-level which is much, much higher in France. And so the French consumers are being offered a dearer product: in France, therefore, lamb is a luxury product, whereas in the United Kingdom and in Ireland it is a staple product on all fours with the other red meats. That is the point that I have made already.

And so the problem is simple: what do we do? I do not intend to go into all the details; for one thing, there is not time to do so; but there is the way the French Government have behaved in the past concerning the import regime in France. I can understand this and I have the greatest sympathy for them. When they have seen that imports from the United Kingdom and Ireland are bringing the price down and their own production is beginning to come on to the market, up to now they have been able to impose an import ban and so stabilize the prices in France to their producers and of course to their consumers as well. I do not blame them at all for adopting that particular regime I think it is tough luck on their consumers, because they are always consuming a high-price product when in point of fact there is a possibility that it need not be so. That is the basis of the problem. Now, if we adopt a common price throughout the Community which is too low, then quite obviously our farmers in France are going to suffer grievously. But if we have too high a price, then there could well be a swamping of the French market by imports from the two other producing countries — the United Kingdom principally, and Ireland — and

Scott-Hopkins

that would result in a disastrous rise in price-levels in both the United Kingdom and in France.

I think it is most important to remember that it has been calculated that a 10% rise in price means a 12% drop in demand. I would ask the House to remember those figures very carefully, as I think they are indisputable. As I say, the interrelationship between red meats means the consumer switches over to either beef or veal or indeed turns to the white meats — the chicken and so on. This is something which is extremely important to remember. And it is no good saying that what we are trying to do is to find some method of satisfying the Irish, who are complaining, in Mr Herbert's report, that the United Kingdom in the past has been a low-price economy as far as lamb is concerned and that we have been exporting to other higher-price markets. If this were true, it would be a case of the kettle calling the pot black. But it is not true if you look at the overall United Kingdom production and the small amount it exports.

The first point I would make is that we must avoid too high a price-rise because of the danger of a drop in consumption. Secondly, we want to secure import arrangements which are reasonably liberal and which will not swamp our markets, but which will allow our traditional suppliers to go on supplying. I mean New Zealand, of course. At the moment they are paying a 20% duty, which is laid down by GATT. There is no way that that duty can go higher. Although we are changing over to variable levies, the total amount of duty or levy paid cannot, under the GATT arrangements, go above 20%. Of course that is very high too, but it is remarkable, Mr President, that New Zealand can still export to the United Kingdom and to the Community despite a 20% duty and still be competitive in the United Kingdom market. I think this is a remarkable achievement as far as New Zealand producers are concerned.

Now if I may turn quickly to the criteria which are laid down in the proposal from the Commission. The basic one, of course, concerns the basic price. Now this is not an intervention price. I would like to hear from the Commissioner when he sums up what the criteria are going to be for the fixing of this basic price. This is absolutely crucial to the whole of this syndrome. If the basic price is too high, you are going to get a price-rise. If it is too low, you are going to get a great deal of difficulty from producers. It is my understanding that when the market price falls below it then the operation of the private storages comes into effect. I do not disagree with this mechanism as long as we are quite clear as to what those criteria are on which the Commission and the Council are going to fix the basic price. This is the essential key to this issue. I believe that enough room must be allowed for market forces to play. What does disturb me a little is that if the market price falls below the basic price, the

Commission and the Council might move to try to restrict imports in order to restore the price. It is absolutely essential they should not do so. I am glad to see the Commissioner shaking his head. That is one point which has been a worry to me, and I am glad that this will not be the case.

Turning to the next issue, I said that if we have a rise of 40% or even 20% this would be disastrous. I would therefore say to the Commissioner that when we are fixing basic prices, we really must have a very gradual increase of price, if we are going to have one at all. Because the one thing that I am sure neither he nor this House wants to see is a drop in the consumption of sheepmeat throughout the Community. As I said, I am quite certain that we shall. What is the alternative? We are going to have a very gradual increase from the low UK and Irish price. What is going to happen to the French producer? This is why I support yet again, in theory, what is being done — the subsidy payment to French producers. It is not a happy solution, it never is a happy solution, to pay subsidies to individual producers. You are opening the gate to all kinds of problems of administration and jurisdiction. But in the circumstances, I am forced to the conclusion that this is the only way of keeping the price-levels reasonable, as indeed, in my view, we absolutely must. If this works properly, what should happen is that in France prices to the consumer should come down to just a little bit above the UK level. What a joy for the French housewife! She will not have to buy a luxury red meat, she will be able to buy a red meat which is in direct competition with other red meats. This will surely be to her advantage, and I hope that the Commission will use some of its funds to mount an advertising campaign to help increase the consumption of lamb throughout Europe, particularly in France, where they have the taste already, and perhaps in the Benelux countries as well. It is important to see that if the price does fall, consumption might well go up, though I accept that elasticity in this market is not more than about 1.5% per annum, if that.

My last point concerns another issue, and it is the only one where I take real exception to what I think the Commission are doing. Mr Herbert, in his report on behalf of the Committee on Agriculture, calls for the strictest possible control of imports and exports. They therefore want to bring in all kinds of bureaucratic control, all kinds of extra paperwork and so on. I really do believe this is absolutely unnecessary. We are already going to have import levies and export restitution. I accept that, but if we have these things, then surely to goodness it is unnecessary to have a licensing system plus deposits to be paid by importers and entrepreneurs dealing with exports and imports. I do not believe that is necessary; I believe it will be an extra burden, over and above the controls that exist already. Why create additional costs for this product?

Scott-Hopkins

If you have to put a deposit down, even if you get it back in 60 or 90 days, it is nevertheless an on-cost, and in this case, it is particularly unnecessary.

I now turn very quickly to the report by Mr Herbert, and in particular paragraph 3 of the motion for a resolution :

knows that sheepmeat production in the main production regions has been declining in recent years.

As I tried to explain to the Committee on Agriculture, and would now tell the House, this is not so. Perhaps the Commissioner would be able to say that in fact sheepmeat production, Mr Herbert, has gone up and not down. Quite obviously, a statement like this, which is not true, is something that should be removed from the motion for a resolution.

The Conservative Group's amendments are designed for one purpose, and that is to secure a free market in the Community at reasonable prices to the consumer, and with a fair return to producers, bearing in mind that we have to import 36% of our consumption from outside, most of that high-quality produce from New Zealand.

In conclusion, may I say to the Commission : I think you are on to a very difficult problem. I do not know what your chances of success are with the Council ; I think you are going to have one hell of a battle to get these proposals through, but I believe that in principle what you are trying to do is right. We have got to have a free flow of sheepmeat throughout the Community ; French farmers must be compensated if the price is going to come down to anywhere near the United Kingdom level. For the love of Mike do not put the price up, because if you do you will stifle consumption, and that would be a disaster for farmers both in the United Kingdom and in Eire. I think this is absolutely important. We want a liberal import policy where our traditional suppliers can go on supplying the high-quality meat they do. Please do not burden them with extra deposits, which will only add to the on-cost of selling their product.

I want to see the producers and the consumers in all countries getting a good return. I hope that the consumption of lamb, and mutton for that matter, will increase throughout the Community, and that the producers will be able to take advantage of this, particularly those in the less-advantaged areas, which are the main areas for producing sheep and sheepmeat. Whilst I give a qualified welcome and wish the Commissioner well on this, I have reservations about the way the report from the Committee of Agriculture has been drawn up.

President. — I call Mr Soury to speak on behalf of the Communist and Allies Group.

Mr Soury. — (*F*) Mr President, ladies and gentlemen, on 11 July last I voiced the anxiety of Community sheep farmers, in particular French farmers, by tabling

an Oral Question with debate on the draft regulation on the market in sheepmeat drawn up by the Commission. I am surprised that, contrary to the normal practice of this House, this question has not been included in the debate on the Herbert report.

Be that as it may, as far as we can judge, the main proposals of this draft regulation pose a grave threat to certain Community sheep farmers.

It is planned, in fact, under the guise of setting up a common market in sheepmeat, to introduce a number of far-reaching measures. The Commission proposes to bring about the free movement of sheepmeat in the Community by fixing a basic European price which would be the weighted average of the market prices, with complete freedom as regards imports, in particular from New Zealand, except for a customs duty not exceeding 20%, as stipulated by GATT, and private storage if the price falls below 90% of the basic price. At present, because of our different social and economic situations and of the fact that sheepmeat is available throughout the year in France and only seasonally in Britain, the price of mutton in Britain is barely half the price in France.

Moreover, the very considerable frozen meat imports from New Zealand entering the Community via the UK (last year's figure was 220 000 tonnes) are to be subject to a duty of only 20%, although it is quite common for New Zealand meat to be quoted at an all-in price of FF 8.50 per kg carcass weight, cif Europe. Such a scheme would mean that a large number of Community sheep farmers, in particular in France, would have no alternative but to give up farming overnight, as British and New Zealand products would be coming on to the market at less than half the price of their own products. Let us be quite clear about this : opening up our frontiers to imports from Britain — and via Britain from New Zealand — would be a death warrant for France's entire sheep rearing industry.

Such are the dangers of the proposed scheme. Once again we are up against the multinationals : at world level, in fact, major interests are at stake. In New Zealand sheepmeat is a by-product of wool, and producers receive a mere FF 3 per kg, but 80% of the European import market is in the hands of seven multinational companies financed with British capital. They handle over 16 million carcasses per year and control everything from start to finish : the vast farms, the export slaughterhouses in New Zealand, the refrigerated ships, and even distribution in the United Kingdom. They receive over 60% of the price of the sheepmeat exported to Europe. They have huge interests at stake and are doing their utmost to ensure that the restrictions on imports to the Community, and in particular to France, are lifted. The Commission's plan would leave the doors of the Community market wide open to these multinationals which, as we know, have been trying to get in for years.

Soury

Here too, our sheep farmers, totally unable to compete, would have to fall in with the multinationals' rules and prices — and prices were discussed a great deal at the start of this debate. This is the policy pursued by Mr Haferkamp when, on behalf of the Nine, he proposed in Geneva that export subsidies for our farmers should be reduced, if not completely abolished. The idea seems to be to have open markets at all costs, even if this means abandoning entire sectors of production. In the spirit of the Bremen and Bonn summits, sheep farmers too are mere pawns enabling a few European-based multinationals to secure further advantages and profits. Despite their apparent conflicts, all the Community Heads of State are agreed on this.

The Commission tells us that premiums will be paid to the less favoured French producers, who stand to lose between FF 8 and FF 10 per kg, or half of their present price. This will place an enormous, indeed unbearable, burden on the Community budget, but it will also pose a permanent threat to producers. It is proposed that premiums will be granted for only four years. What will happen after that? How is the premium to be reassessed yearly in relation to cost-of-living increases? The Herbert report does not offer sufficient guarantees on this point.

The result, once again, will be that producers will be made dependant on welfare, whereas all they ask is to be able to support themselves with a minimum guaranteed price. We all know, despite the promises of benefits for the consumer, that reductions never work through to consumer level. They are absorbed by big business, which acts as middleman between producers and consumers. Anyway, the consumer is also a taxpayer and would have to pay a great deal for the premium, the effectiveness of which, as I have just said, is more than dubious. Not to mention the fact — I shall not go into this — that as it stands the draft regulation could lead to the disruption of sheepmeat production, which we can well do without! I shall not dwell on the dangers which Community enlargement could entail for the sheep farming sector. While the sheepmeat sector accounts for only 1.3% of total Community production, it has considerable social and economic implications, which reminds me of yesterday's debate on employment. The Community already has to import 260 000 tonnes of sheepmeat per year, and this deficit would worsen irrevocably if the Commission proposals were adopted. At a time when we need to restore the Community's trade balance, our role as exporters of farm produce would be directly threatened, a prospect which we Communists find most disturbing.

Furthermore, the collapse of producers' incomes on the Continent as a result of this scheme would lead to further depopulation in regions which are already in difficulty and in which sheep rearing is the only form

of farming possible. According to the Herbert report, two-thirds of Community sheep are reared in the less favoured regions, and this is particularly true of my own country. What other sources of income are available? Unemployment has already reached alarming levels in these regions, and it would be difficult for them to convert to other forms of production, with the possible exception of dairy farming, but this would further aggravate the difficulties in the dairy sector. In many regions today sheep farmers are the last bulwark against a tide of depopulation which, but for them, would be irreversible with dire consequences in financial, economic, social and human terms which cannot be ignored.

Thus, in addition to its role in agriculture, sheep farming, in the Community like other sectors now under threat, occupies an important place in economic and social life, especially since, according to an official survey recently published in France, more than one farmer in three lives on less than FF 1 500 per month. This applies in particular to the sheep-rearing areas, whose problems would be exacerbated by the proposals. This is one of the reasons for the Community's economic crisis; we should not cripple these farmers completely, but instead boost their consumption by increasing their incomes, i.e. we should offer them improved facilities for investment, for purchasing farm equipment, fertilizers, feeding-stuffs, etc., — in other words make our economy work for the people instead of crippling it further. The Commission proposals will certainly not help us to achieve this goal.

It is still possible to develop Community sheep farming, to resist pressure from the multinationals, to negotiate increased customs duties on certain products in Geneva, to 'deconsolidate' — we feel this is the major guarantee — to deconsolidate sheepmeat under GATT. Technical solutions can be found, and farmers, the producers, have made proposals which they are willing to discuss. We ought to give them a hearing.

The Commission and the national governments are reluctant to implement these proposals for political reasons. The multinationals and the governments feel that the Common Agricultural Policy is too expensive; indeed, the Community cannot continue drawing on public funds to subsidize the big private concerns in the steel, shipbuilding and chemical industries in order to help them sack their workers and re-establish themselves abroad, and at the same time finance the Common Agricultural Policy. That is why European farmers are now being so bitterly attacked, while the future of export subsidies is being called into question by Mr Haferkamp in Geneva. Guarantees are being eroded in many sectors, such as beef and cereals, not to mention the problems facing the dairy sector. The fundamental principles of the Common Market are being threatened. And as for

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Community preference, we talk about it, but it is a thing of the past. We draw our supplies from the world market, preferably from the United States. Monetary compensatory amounts benefit the strong and worsen the difficulties of the weak; they aggravate the disparities between countries.

The proposals on sheepmeat are thus only one element in this overall policy, but the agricultural organizations are afraid — and we appreciate their concern — that the measures may be seen as a test case. If they are applied, it will be the beginning of the end of the Common Agricultural Policy. For this reason we Communists are resolved to vote against this draft regulation, and we would point out, moreover, that the Herbert report sets out very clearly all the reasons for rejecting the proposals, yet concludes that they should be approved subject to certain amendments which do not provide adequate guarantees.

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

Mr Liogier. — (*F*) Mr President, ladies and gentlemen, the problem of sheepmeat has been discussed regularly by this House over the past two years. However, the complete liberalization of intra-Community trade, scheduled for 1 January 1978, can only be achieved if the Nine adopt a Community regulation on the common organization of the market in sheepmeat.

The difficulty of drawing up a satisfactory Community regulation is summed up by the fact that the price of sheepmeat in the UK is about half of that in France. As our colleague Mr Durand has just pointed out '*res repetita placent*'.

The importance of sheep farming in France cannot be overlooked: there are 150 000 holdings, 70 000 of which have more than 20 ewes, with 22 000 full-time and close on 250 000 part-time workers. These figures should give an indication of the economic, social and political importance of this problem, especially since sheep farming is carried out mainly in the less favoured regions which are already becoming depopulated at an alarming rate, in particular the Mediterranean regions. However, unlike most other animal products, sheepmeat has never had a common market organization. The national markets are organized by the various Member States, whose approaches often differ widely.

France is the only country among the Nine to have a proper national market organization for sheepmeat. It is essentially based on controlling import prices by means of refunds, a system which is completely in line with orthodox Community principles.

In contrast, all surpluses end up on the British market, where world prices are decided. The difference between world prices and those necessary in

France is far greater than is possible in the case of other meats. This is because the major exporting countries still regard sheepmeat as merely a by-product of wool. This noble fibre, which is peculiar to sheep, is treated by the Community as an industrial raw material, and the wool market is therefore not protected in any way. While beef producers, for example, are protected in the Community by support for both the meat and the dairy markets, the incomes of sheepmeat producers are protected only by support for the sheepmeat market, which should therefore be protected much more than it is at present.

This being so, it must be remembered that British farmers can afford to sell their meat at world prices primarily because of the various forms of State aid they receive, such as deficiency payments for sheepmeat and also for wool, as well as hill farming subsidies. This aid for hill farmers is worth more than 50 % of the value of total sheep production in the subsidized areas, and over 60 % of ewes are affected. I shall not go into the question of frozen meat imports, which Mr Durand discussed a moment ago.

The sheepmeat problem is therefore urgent. A solution is essential not only for the survival of a large number of holdings but also for maintaining a minimum level of economic activity in many parts of France. The European market of the Nine is so important, moreover, that it would be unthinkable to abandon sheep production, whether we consider the need for guaranteed supplies or the effect of imports on the balance of payments. We were therefore very anxious to hear the Commission's proposals for organizing the sheepmeat market. Unfortunately, despite the original good intentions, they are clearly inappropriate.

Ladies and gentlemen, the Commission proposals are unrealistic and would have disastrous results — a European market price corresponding to the unweighted average of current prices, or about FF 15; a European basic price corresponding to the weighted average of market prices, or about FF 14; private storage if the market price falls below 90 % of the basic price, i.e. below FF 12.60, and freedom to import supplies from third countries, including New Zealand. Levies on imports would be limited to the GATT maximum, i.e. 20 %, the inclusive cost price of the bulk of these imports being about FF 8.50 per kg carcass weight. The only transitional measure for the benefit of France would be a two-year adjustment period — with monetary compensatory amounts in certain cases under the terms of Article 43, paragraph 3, of the Treaty of Rome — and aid for producers to stabilize their standard of living over a period of four years.

Assuming that there is no increase in imports from third countries, the system proposed by the Commission would result in an average price — taking national production and imports together — of FF 12

Liogier

to FF 12.50. These figures speak for themselves, ladies and gentlemen, and I need hardly say that the proposals would spell disaster for French sheep farmers, whose selling price would be cut from FF 19 or FF 20 to FF 12.50. It must be stressed that, contrary to what Mr Scott-Hopkins may imagine, at a price of FF 19 or FF 20 the French meat market as a whole is perfectly balanced, and mutton is as easily marketable as the other kinds of meat. The basic fault in the regulation is that it provides only for the principle of free movement to be applied, and does not even mention the other two principles which should be included in all common market organizations, i.e. the establishment of a common frontier *vis-à-vis* third countries and joint market management. These three principles form an indivisible whole, and it is impossible to select just one or two of them at random, or to apply them in turn, which would amount to the same thing.

Moreover, as pointed out by the Committee on Agriculture, the proposals contain several major flaws.

We are therefore pleased that since December 1977 there has been an agreement with Ireland under which, subject to certain guarantees on weight and quality, imports of sheep carcasses from Ireland are no longer subject to the threshold price and refund system, with the proviso, however, that yearly imports should not exceed 6 000 tonnes, with maximum monthly levels of 600 tonnes. Thus — with the exception of Denmark, where there is no sheep farming — the United Kingdom, which has wrongly contested the Franco-Irish agreement before the Commission, is now, in 1978, the only Member State which is still treated as a third country. In view of this, we should perhaps confine ourselves to a system of far-reaching and compulsory coordination of the various national market organizations. In this way it would be possible to maintain our national organization, while at the same time allowing the United Kingdom to retain its system of subsidies.

We firmly reject any proposals for imports under a tariff quota system designed exclusively to cater for the needs of British consumers. After the Milk Marketing Board, we could not accept this further violation of the Community principle.

The Common Agricultural Policy must be maintained, and must include a sheepmeat market organized on a stricter Community basis — there must be a single market, with adequate customs protection and respect for Community preference. We shall accept any future proposals only on these conditions. Of course, we are not blind to the difficulties involved. The divergent trade policies which have long been pursued by the United Kingdom and France have inevitably had a profound effect on production and marketing structures. But, as several of the previous speakers have pointed out, we must now consider this

problem in the context of a practicable structural policy.

Nonetheless, we support Mr Herbert's report, which we feel presents the most realistic view of the situation. In the Committee on Agriculture in July we rejected the vast majority of the amendments on which we are again being called upon to vote today. Needless to say, we shall not be voting in favour of them and completely approve the excellent report by Mr Herbert, who managed to convince, if not the whole Committee on Agriculture, then at least an overwhelming majority of its members.

6. Agenda

President. — I interrupt this debate to announce the Bureau's proposals for the continuation of our work :

This afternoon :

— if at all possible, the following two reports will be considered :

— Vitale report on an agricultural advisory service in Italy (Doc. 305/78) ;

— Pisoni report on floods in the Hérault valley and irrigation works in Corsica (Doc. 306/78).

Items which cannot be dealt with will be postponed until tomorrow's sitting.

Tomorrow :

— the vote on the Pisoni report on taxes on wine (Doc. 205/78) will be taken at the beginning of the sitting ;

— the oral question by Mr Dewulf and others on behalf of the Christian-Democratic Group (EPP Group) on the Sahel region will be included in the debate on the motion for a resolution tabled by all the political Groups on the same subject (Doc. 297/78) ;

— two reports from the Committee on External Relations concerning certain cattle from Yugoslavia and certain wines from Tunisia are added to the agenda for consideration without debate ;

— the oral question with debate on supplies of ore to the Community (Doc. 292/78) is, at the authors' request, postponed to the next part-session.

I call Mr Mitchell.

Mr Mitchell. — Is it not unusual to have a vote on a report at the commencement of the sitting tomorrow morning? I thought the normal procedure was that anything taken after the vote tonight was voted on at the end of the proceedings tomorrow morning. Is that not the normal procedure, and why have we deviated on this occasion?

President. — You are quite right, Mr Mitchell. That is the normal rule, but I am informed that exceptions to this rule have been made already. The vote on this report will take place tomorrow morning in view of the fact that there might be a very small attendance later on.

President

Since there are no objections, the continuation of our work is agreed.

7. Regulation on sheepmeat (continued)

President. — We continue the debate on the Herbert report (Doc. 249/78).

I call Mr Faure.

Mr Faure. — (*F*) Mr President, my colleagues from the French Socialist Party and the Radicaux de Gauche have asked me to express their concern at the effect which they believe the Commission's proposals would have on French sheep farming, despite improvements made to them by the Committee on Agriculture, which I should also like to congratulate on its work. But we feel that these improvements still do not get rid of all the ambiguities and all our misgivings.

Of course this problem may be considered marginal since it concerns only about 1 % or a little more of our Community's agricultural production. But it would be wrong not to realize that it has two very important effects: firstly it determines the standard of living of a large number of farmers, particularly in France, with which we are dealing at the moment, and secondly, it calls into question certain principles of the common agricultural policy which, as we are well aware, are to some extent the target of the proposals before us, which, if adopted, would effect the first breach in the CAP. Let us be fair — the problem is in itself difficult, and it is no coincidence that this question of sheepmeat is being put to Parliament ten years after the organization of the other markets. It is the quantitative differences both in production and consumption among the nine countries that make this problem so difficult, because the marketing policies of the two major producers, the United Kingdom and France, are fundamentally different, so that it is hardly likely that a perfect solution to this problem exists. Furthermore it is remarkable that no one pressed for the organization of the market in sheepmeat and that the system proposed is being criticized both by the British, who are afraid that it will have the effect of increasing the consumer price, and by the French, who are afraid that it will have the effect of lowering the producer price, which would in turn jeopardize the very future of French sheepmeat production. You may well ask why we should do anything about a problem which no one ever actually raised and which is likely to entail far more disadvantages than advantages. And I can already see the Commission answering that sheepmeat is an agricultural product and asking how you can have a common agricultural policy which completely and deliberately ignores a whole sector belonging to it. I think the answer to this is that the great aim of our Community

is one day to become a political Community and there has never been any question of developing an economic Community for any other purpose than that which I have just mentioned. And if it becomes apparent that in the overall unanimous agreement there is any particular point on which it is preferable to adopt an extremely flexible — I was about to say free-and-easy — market arrangement rather than a stricter one which might perhaps be more in line with the principles and stricter in its demands, yet so fraught with dangers, then why not do so? This puts me in mind of the time, ten years ago, when I was in southern India and my driver was taking me from Trivandrum to Cape Comorin, which as I am sure you know is at the southernmost tip of the peninsula and is the place where Gandhi's ashes were scattered. I was making a sort of pilgrimage. On the way back we drove across the border of Kerala State and on seeing the driver surreptitiously slipping a sack of rice into the boot of the car, I realized that there might be something different about the regulations on the marketing or production of rice in the two states on either side of the border which we had just crossed.

(Laughter)

As far as I know, this does not prevent the Indian Federation from being, in the context of world history and in any case in international law, a full negotiating partner and a political federation to which, ladies and gentlemen, I wish we were infinitely closer than we are today.

Thus, to return to the subject, where is the difficulty? The difficulty is that it is totally impossible to institute from one day to the next free access between two markets as different in their habits and practices as the French and British sheepmeat markets without being sure to cause serious disruption. The Commission tells us that it understands the concern of the French producers and is prepared to resort to direct subsidies for them. I find it striking that in this House Members have unanimously affirmed, whatever their political affiliations, that we cannot put our trust in this undertaking. Firstly, it is itself limited to four years, but, as was pointed out, four years is no time at all in economic history. Then — as we well know — it will result in an extra burden of 160 million units of account on the EAGGF at a time when voices are raised on all sides — personally I do not join in this chorus — condemning the excessive amounts which the EAGGF expends on income guarantees and price guarantees. Consequently it is obvious that this guarantee would be completely illusory and that — and this is the crux of the problem — we would very soon be unable to defend ourselves against the tide of production from New Zealand, and possibly also from Australia, Uruguay and the Argentine, in the face of which our protection, whether by means of customs charges or levies amounting to a maximum of 20 %, would obviously not be reliable, lasting or effective.

Faure

These are, I think, the basic ideas underlying our position and our concern with regard to this draft. It would be to go against the European ideal to persist in this approach because it would bring the Community a great deal more criticism than support and conviction.

I nevertheless believe that practical solutions of what I called the free-and-easy type must be possible, and we also understand perfectly well the interests of the British consumer and the desire of our British colleagues to uphold what has become almost a culinary tradition — and in Britain these are few and far between, so we are very anxious to enable it to preserve those which it has managed to keep.

(Loud laughter)

I wonder whether it might not be possible to introduce certain tariff quotas, on condition, of course, that they are subject to strict ceilings, and that precautions are taken to avoid any deflections of trade.

Mr President, that is what I wanted to say. I understand that the Commission wishes to put the finishing touch to the common agricultural policy. I am very well aware that the problem we are dealing with today affects the keystone of the whole structure. And I wonder whether, by general agreement, the Commission might not tackle this problem with less desire for perfectionism and in a more pragmatic way which would satisfy both sides and would allay, in a country like mine, the present deep-rooted and very widespread misgivings which, following other French colleagues, I have tried to convey to this House.

IN THE CHAIR : MR HOLST

Vice-President

President. — I call Mr L'Estrange.

Mr L'Estrange. — Mr President, I would just like to say to the last speaker that according to the Charmasson Judgment of 10 December 1974, national organizations for sheepmeat, potatoes and ethyl alcohol should have been replaced by Community measures for the common organization of the market in these products by 1 January 1978. This has not been achieved. But we now have the present proposals on sheepmeat, which envisage free trade in this commodity. ●

Producers of sheepmeat have undoubtedly suffered hardships in the absence of guarantee prices and of an intervention system, and this has been a legitimate source of grievance for us in Ireland, and I think for sheep producers of other countries, over the past years. I believe that it is now highly desirable, even essential, that a common organization of the market in sheepmeat be set up for the Nine. Irish sheepmeat

producers — and remember, most of them come from the hilly and poor regions of Ireland where there has always been the greatest imbalance in income — have suffered great hardships because the French blocked the sale of our sheepmeat on their market for five years.

I think it is only fair to say that the French have allowed the import of small amounts of sheepmeat at certain times of the year to help stabilize the price in their own country; but this was only a drop in the ocean as far as the Irish sheep-farmers were concerned. Sheep-breeders have been the poor relations of Irish agriculture, and their incomes have dropped drastically while the incomes of all other sections were improving. Indeed, a report published last week by the prestigious Agricultural Institute in Ireland shows that farm and family incomes in the milk, beef and corn regions of the country improved last year by over 30 % while in the west and north-west, the sheep-breeding areas, family incomes actually declined.

Owing to the poor price and the poor returns, sheep numbers in Ireland continued to decrease. But then the Minister for Agriculture, Mr Mark Clinton, served notice that he was taking the Irish sheep-breeders' case to the European Court of Justice. The case was to be heard during January 1978. Following Irish threats to take the case to the European Court of Justice, the French Government authorized Ireland to export sheepmeat to the French market duty-free with effect from 1 January 1978, and since that date, Irish farmers have been getting satisfactory prices for their sheep and lambs. In that regard I should like to thank Mr Gundelach, who on 15 December here in Luxembourg informed me that Irish sheep would be exported after 1 January to other parts of the Community, including France, and that there would be no levy paid by Irish producers. He has kept his word, and again I say thank you. Irish farmers very much appreciate it.

Mr Hughes said that after 1 January there was a curious 'lurch', that exports from the United Kingdom were greatly reduced while those from Ireland were greatly increased. I would like to say that our access to the French market from 1 January 1978 on has been simply a consequence of the full application of the EEC Treaty rules following the end of the transition period laid down in the Treaty of Accession. That Irish lamb is now treated on exactly the same footing as Dutch or German lamb entering France is not the consequence of a preferential or discriminatory agreement between two Member States to the exclusion of a third : Irish access to the French market is governed only by the Treaty rules. There is no bilateral arrangement — I repeat, there is no bilateral arrangement — in spite of what has appeared in the press or of what some nations may think.

L'Estrange

Sheep-breeders in Europe need a common policy for sheepmeat, and I am sorry Mr Gundelach was not able to deliver on an answer he gave to my question in Parliament on 19 January 1978, when he said :

I naturally cannot commit the Council here, but as far as the Commission is concerned it is a necessity that a common market regulation policy for sheepmeat be adopted before 1 April. That is the context of the forthcoming price package.

Unfortunately, 1 April has come and gone. We are now in September 1978, and we have proposals for a Council regulation on a common organization of the market which in my opinion does not go far enough to help sheep producers protect their interests or encourage expansion.

In view of the fact that only 60 % of our needs is produced in the Community countries, there is a clear and valuable opportunity for a steady expansion of Community sheepmeat production, and, as has been pointed out in the Herbert report, this would have important social and economic consequences, especially for certain regions, and would offer at the same time real alternatives to producers in sectors which are going through temporary difficulties.

Since 1968, the number of sheep in the Community appears to have remained relatively stable. In the United Kingdom, which accounts for almost half of the Community flock, there are 19.5 million sheep out of a total of 42.7 million for the Nine. The numbers of sheep remain steady in the long term, with medium-term variations. France is the second largest producer of sheep, with a population of 10.8 million ; Italy third, with 8.1 million ; and Ireland next, with 2.5 million sheep.

Sheepmeat production in 1976 was 534 thousand tonnes and consumption about 800 thousand tonnes, leaving a deficit of about 266 thousand tonnes. Of this deficit, 80 % came from the Community's main supplier, New Zealand, other regular suppliers being the Argentine, Australia and Hungary. The United Kingdom is by far the largest importer in the Community : in 1976, this Member State accounted for four-fifths of Community imports.

The Commission's proposals seem to be aimed at achieving something between the present French and British levels. The essential problem in unifying the Community sheepmeat market is that of merging two price zones : the relatively high-price zone of the eight Member States grouped round the French market, and the lower-price zone in the United Kingdom. I believe this has to be done without reducing the common price to a level at which Community producers in the less-favoured areas, who constitute the bulk of sheep producers in the Community, are ruined. I admit, Sir, the issue is complicated ; there are a number of difficult circumstances. The Community sheepmeat market is characterized by factors which distinguish it from most others : a large

Community deficit, the GATT binding, the special importance of sheepmeat to particular disadvantaged regions. Therefore the Community system must be framed in the light of these circumstances. The Commission is proposing that a basic price for carcasses be set by the Council for 1978-79 at a level representing the weighted increase of the market price recorded in the Nine in 1977. This would be harmful for Ireland, because it would mean that the low price in Ireland and the United Kingdom was reflected in the basic price. I would suggest that basic prices be fixed nearer continental prices. The only form of intervention envisaged would be financial help for the private storage of sheepmeat where the price fell below 90 % of the basic price.

I believe the principles of sheep policy should be the same as those of the common agricultural policy as a whole : free trade within the Community, Community preference and financial solidarity. We want to see a common policy for sheepmeat, because, no matter what its critics may say, the common agricultural policy has served the people of Europe well and has brought an increased standard of living to the farmers of all Member States. (*Interjection: 'Not to the consumer.'*) It is too often forgotten or ignored by short-sighted politicians that the EEC food system is one of Europe's greatest resources, and that it has to be maintained and strengthened.

There were widely different motives for accepting the common agricultural policy : some States would use the Community to improve their own agricultural structures, others to maintain the income of their own producers, while others again wanted to promote their exports or strengthen their own internal market organization. Be that as it may be, it has led to increased agricultural production and the optimum utilization of the factors of production, in particular labour. It should be remembered that food, including sheepmeat, is produced by farmers, their wives and their families. Many of them, living on small uneconomic holdings, slave and work not for 30 hours per week, or a five-day week, but in many cases for seven days of the week ; they work a seven-day or an 80-hour week, including Sundays, with perhaps no overtime pay. And surely they are entitled, as are other sectors, to a fair return for their work. Community sheep-rearing is increasingly concentrated in the poorer mountain and hilly areas, in the less-favoured areas and in those regions where sheep-rearing is often the main source of agricultural income. When there is any talk, here or anywhere else, about an increase for the small farmer, we hear much about the consumer. The consumers, as workers, have got their 30, 40 or 50 % increase in wages in the last few years, and they are entitled to it, but when the price of drink increases we do not hear the same outcry — and both the price and the consumption of drink are increasing — and perhaps it might do no harm if the self-same people would use

L'Estrange

their energies to get the people to devote more of their family budget to food instead of to drink.

It might do no harm to learn that two-thirds of the sheep in the Community are in the less-favoured areas, that 28 million out of a total of 43 million are in the regions covered by Directive 75/268/EEC. Indeed, the figures are: Italy, about 83 %; Ireland, 72 %; the United Kingdom, 67 %; and France, about 73 %.

I want to say to those who protest every time there is an increase for farmers, that farmers in those areas have a hard life, and are entitled to a fair reward, and as they will be producing in this case, not for intervention, but for an existing and a potential market they should get every encouragement through the common agricultural policy. I think we all agree with the concept of the family farm, and we want to see as many people as possible living on, and earning a decent living from, the land throughout the whole Community. (*Interjection: 'Either one or the other.'*)

We all acknowledge that it will still be necessary to continue imports, and I think what is important for all the Community countries is the level and price of those imports. Some United Kingdom politicians seem to want access to the French market for their lamb production and at the same time unimpeded imports of sheepmeat from other countries at low prices. Surely they cannot have the best of both worlds! The sheep producers of Ireland, Italy, France, Germany and other countries cannot be sacrificed, I believe, in this way. I am surprised to read in the *Daily Telegraph* of 6 September 1978 that Mr Callaghan, the Prime Minister, told the Trade Union Congress at Brighton, in reference to the EEC common agricultural policy:

Under successive Labour ministers of agriculture, we have begun to reform and change this unsatisfactory policy. There are now welcome signs that other countries like Germany are also beginning to see its disadvantages.

(Hear, hear!)

This may be a popular statement to make at a trade union meeting, but I do not think it is correct and I do not agree with it. Are we all out of step but the United Kingdom? I think the enlargement of the Community has got to be digested by some people in high places, as we can see both from this statement and from the fact that the common fisheries policy is still being renegotiated. On a quite different plane from the continued failure of the present United Kingdom Government to assess, or even apparently fully to comprehend, the nature and significance of membership, we are all in this together and should work together in the common interest. The common agricultural policy may not be perfect, with some mountains and some lakes, but we have had stability and a continuity of supplies to the consumer, and very little violent fluctuation in prices. Because we had no

common organization for the market in potatoes in Ireland, the price of potatoes in 1975 and 1976 went as high as £ 200 per tonne, and in 1977 it fell as low as £ 10 per tonne; some growers left the crop to rot in the ground, and the United Kingdom Government placed an embargo on our exports to their country, contrary to the rules and regulations of the EEC.

The Commission proposals for sheepmeat do not go far enough to help producers increase production and safeguard their incomes in the future. Imports of lamb into the Community from other countries have not been liberalized up to now, and as far as imports are concerned, the minimum requirements must be reasonable levy quotas tied to price guarantees from traditional suppliers. If producers do not get that guarantee, stronger internal market support will be necessary.

Sheepmeat producers, especially when so many come from the poorer areas of the Community, as happens in Ireland, France and the United Kingdom, are entitled to expect a market organization to set a realistic price-level and as a means of supporting that price. Those means must include, in addition to import controls, aids for private storage, Community premiums and the possibility of support for exports in exceptional circumstances. Without such measures, I believe Community producers' incomes cannot be safeguarded.

As a small nation, we in Ireland are interested in a common policy for sheepmeat. Unfortunately, in recent years, the sort of dynamic leadership which has brought the Community into existence has not been evident in Europe, and I hope greater progress will be made in the years ahead. The European countries are still, as I know, suffering from serious problems of inflation and unemployment, not least my own country. Perhaps this does not create the best climate for policy coordination, but I hope for all-round improvement in the near future. What we need now is an imaginative approach to the sheepmeat problem, as imaginative as the act of a group of European statesmen which launched the Community over a quarter of a century ago. If we get proper incentives now, I believe the sheep-farmers of the EEC can rise to the occasion and, as the need arises in the future, will produce to satisfy all our needs.

President. — I call Mr Nolan.

Mr Nolan. — It is only natural, because the report has been submitted by a colleague of mine, Mr Herbert, that I would like to pay a tribute to him for his report. Very often we who are rapporteurs in this Parliament depend on secretarial assistance to prepare our reports. But I would like to inform Parliament that I know that it was with great dedication on his own part that my colleague Michael Herbert submitted this report.

Nolan

We know very well that there has been a problem about the sheepmeat market within the Community. We Irish could never understand why, when you had a common agricultural policy, that policy did not also include a policy for sheepmeat. I would like to inform Mr Gundelach that in Ireland they do not like you to refer to sheepmeat, they prefer to refer to mutton or lamb or wool. However, they will be very satisfied if we give the sheep farmers sufficient income for their labour, whatever word is used.

Having said that, I would like to say to the Commission we must remember that the other aspect of sheep farming is wool. I have told the Council and I have told you that I think it is necessary we should also have a market for wool.

The essence of a common policy for sheepmeat is how we deal with imports. Imports will continue to be necessary, and I stress that point, and so there must be effective import control. What is important is the level and price of these imports. Here I wish to say a word about the very selfish approach of the United Kingdom, which wants access to the French market for its own lamb production, while at the same time it wants to impede imports of lamb from third countries at low prices. As Mr Scott-Hopkins said, we want low prices for the consumer and high prices for the farmer. We will not allow Community sheepmeat producers to be sacrificed. We must insist on strict import controls. Our purpose is not to eliminate imports, merely to ensure that no disruption of the Community market will occur as a result of them. In the UK, you say 'Buy British.' If you are in Ireland, you say 'Buy Irish', if you are in Germany, you buy German. The point I want to make is that we as European parliamentarians need to wake up and say, 'Buy European.' That is the point, 'Buy European!' (Take motor cars as an example. I mention motor cars as an example because we do not manufacture them in Ireland.) We as a Community and we as European parliamentarians need to think and talk about buying European.

(Applause)

President. — I call Mr Cunningham.

Mr Cunningham. — Mr President, I think the remarks we have just heard from Mr Nolan amply illustrate one of the severe dangers created by the attitudes that have been expressed by almost every speaker in the course of this debate. He wants, presumably with regard to every agricultural product — and, I presume, with regard to other products as well — the Community to take the attitude that we should at whatever cost to the Community as a whole, and particularly to the consumer, buy European. He ridiculed the desire of many of us in Britain to have low prices for the consumer and a high, adequate return for the producer. What on earth is wrong with that? It is the policy and the mechanism which we have

pursued in Britain very successfully for thirty years; which was welcomed by the farming community; and which was particularly welcomed by the consumer community, whose voice in this Parliament is not often enough recognized. It is possible; it is a principle which is the alternative to the principles enshrined in the common agricultural policy as it is at the moment, and it is the principle which we ought gradually to move over to.

We have before us what I regard as a good report, apart from its last paragraph, but a bad motion for a resolution. Mr Scott-Hopkins has already referred to paragraph 3 of the motion, which invites the Parliament to note that sheepmeat production in the main production regions has been declining in recent years. The fact of the matter is that that is not true, as Mr Scott-Hopkins said. But it was said not only on the floor of this Parliament, but also in the course of the discussions in the committee which gave rise to the motion before us today. Despite the fact that the representative of the Commission confirmed that this was not factually correct, despite the fact that the figures actually given in the report do not bear out that paragraph, the committee quite irresponsibly decided to retain it in the motion for a resolution. Only a very tiny minority of us voted for the deletion of that paragraph. Now I say that is irresponsible, and it is high time the committees of this Parliament were opened up for the public to see the irresponsible manner in which, if this is anything to go by, the committees of this Parliament can behave.

The motion is also, in my view, defective in its lack of consideration for the interests of the consumer. I make no apology for standing here to represent the small voice of the consumer in this Parliament in so far as I am able to do so. I do not pretend to represent the interests of the producers, which are amply represented in this Parliament already. Let me refer to paragraph 4 of the motion, which calls for a steady expansion of Community production of sheepmeat. In justification of that, it states:

... this would have important social and economic consequences, especially for certain regions, and would offer, at the same time, real alternatives to producers in sectors which are going through temporary difficulties.

No reference to the interests of the 250 million people we represent. We do not represent the relatively small number of producers, we represent 250 million consumers, and it is our job to reconcile the larger interests of the 250 million consumers with the interests — real, it is true — of the smaller number of producers.

In paragraph 6, there is a reference to the interests of the consumers; we are invited there to say that Parliament

Does not consider the Commission's proposals to offer the prospect of reasonable and stable prices for Community producers and consumers...

Cunningham

Now, I think it is true that consumers do want stable prices, but they don't want stable high prices, they want stable low prices. There are defects in the motion for a resolution, and it seems to me that it will be enormously improved if the amendments tabled by Mr Scott-Hopkins are adopted.

The fact of the matter is that sheepmeat production in the Community has been more or less static for the last ten years. So far as I can see there has been in the last two years a modest reduction, but it is a decline which one could call a fluctuation rather than a real fall in production. It looks to me from the figures given to us as if production was 527 000 tonnes in 1968 and 510 000 in 1978, ten years later.

In the light of those figures, we are not justified in introducing measures which are designed to increase sheepmeat production within the Community. I would hope, although I am one of those people who are opposed to direct elections, that once this Parliament becomes directly elected, there will be a greater tendency for the representatives in this Parliament and in its committees to look over their shoulders not only to the small number of producers in their areas, but to the larger number of consumers. It must be stated — and I apologize if I give offence — that the Committee on Agriculture of this Parliament is packed with farmers and with farming interests. That fact should be known to our populations, and it is high time it changed. This cannot go on. I think I just heard Mr L'Estrange say that this was nonsense. Well, let others do some research and find out two things: first of all, to what extent the members of the Committee on Agriculture do in fact have a personal connection with the farming industry; and secondly, let them look at the conclusions of the Committee on Agriculture, and see whether these suggest that that committee has more in mind a part of the population it is supposed to represent or the entirety of that population. Never forget that more people eat sheepmeat than produce it, and more people eat beef than produce it, and more people eat wheat than produce it. It is our job to represent the larger number, and not the smaller.

Well, I am accused of being interested in votes. My honourable friend from Ireland says that we are interested in votes. That is what the vote is for! The whole purpose of the vote is to force those who are taking decisions to look over their shoulders at the population as a whole. That is what it was designed for, and it is the fact that this Parliament is not properly answerable democratically which allows some members of this committee to be looking over their shoulders to small interests, rather than to the larger interests of the population as a whole.

Some of the remarks made have implied that there is a conflict here between the interests of the country outside the Community which is the largest producer of sheepmeat, New Zealand, and the interests of the

Community. Let us be quite clear — there is no question here of anyone defending the interests of New Zealand, as such, against the interests of the Community. There is no conflict between the interests of New Zealand producers and the interests of Community consumers. But there is a conflict, certainly, between the interests of New Zealand producers and the interests of marginal Community producers. And I stress the word marginal, because I would say particularly to Mr L'Estrange that if he is going to follow the line that he expressed to us today, then there is no end to the amount of marginal land which can be brought into production for marginal produce which can be produced more economically in other parts of the world. We could produce wheat in the window-boxes in London, and, provided the common agricultural policy became insane enough, that would be profitable too. But you have to draw the line, and say at what point you wish to take the cheaper product, the good product from elsewhere, in preference to expanding marginal production in the Community.

I conclude with this. I am torn as to whether I would support the proposal put forward by the Commission or not. After all, there have been people opposed to it today on very different grounds from the grounds upon which I oppose it. If the proposal were going to be the final word for a considerable time on the subject of sheepmeat, then I could accept it. It is worse than the present arrangements, but it is a great deal better than having the kind of arrangements which apply to other products. So, if we were saying: let us for the foreseeable future have this kind of arrangement in the field of sheepmeat, then I could go along with that. What worries me is whether this is seen, as the report suggests in its final paragraph, not as a final settlement for the coming decades, but as merely a first step to the full implementation of a common agricultural policy in sheepmeat along the lines of that now pursued for other commodities. And it is because I am pretty sure that the vast majority of the Committee on Agriculture, and certainly a majority of the Parliament as a whole, do see this as a short-term stage which should lead on pretty quickly to a regime on sheepmeat comparable to that on beef etc. that I am more inclined to oppose the proposal than to accept it. The fact is that the common agricultural policy, slowly — God knows, so very, very slowly — is changing, and looks likely to change in a direction helpful to the consumer. It will take a very long time for it to do so significantly. But since that is taking place, it seems to me unwise for us at the same time to take the one commodity which is free of those arrangements at the moment, and to push that in the direction of the traditional, and, as I believe, entirely harmful, common agricultural policy.

On the specific amendments before us, I am certainly inclined to support all of those tabled by Mr Scott-Hopkins.

(Applause)

President. — I call Mr Bersani.

Mr Bersani. — *(I)* Mr President, ladies and gentlemen, this debate and the admirable report by Mr Herbert have highlighted the fact that we are not dealing merely with specific measures concerning sheepmeat. We have to tackle a problem which brings in many other aspects: the less well-off areas of the Community — especially in the south in France and Italy — and the implications for the applicant countries. In more general terms, we have to consider the problems of the Mediterranean countries, in particular the Arab nations which are singularly affected by the problem we are discussing. What we have to do, then, is to see whether the proposals before us today are unilateral in nature or whether they are in line with a broader and more coherent view of Community problems and satisfy the external as well as the internal obligations of the Community.

Taking the case of Italy, I want to make it quite clear that as far as producers are concerned — and they are generally small farmers — my country is practically on a par with France and some way behind the United Kingdom. I say on a par with France because, although we have 8 500 000 head of sheep compared with France's 10 500 000, the structure of farming in Italy is much more fragmented, with the result that the numbers of families and producers involved are definitely not lower than in France. There has been a lot of talk about the interests of French producers, but I feel it is only right to point out that they more or less coincide with those of producers in Italy. I could add that the structures of prices and markets are fairly similar. French and Italian prices are roughly the same while, as regards market fluctuations, the ratio between production and imports creates no particular problems, as consumption per head is still unfortunately very low in Italy. I am saying all this to illustrate how even in Italy there are crucial interests at stake. If I may follow up a comment by Mr Faure, which I felt was fundamental to the argument, I should like to say that the aim of all we are doing should be the creation of a more 'European' society, and that the momentum we try to give any particular sector should be directed to this end. This is the angle, the proper European approach, which I feel justifies our support for these measures concerning sheepmeat production — measures with all the implications I have mentioned, namely, regional impact, the Mediterranean factor and the protection of the consumer. Of course, a lot depends on how these measures are applied. I am particularly looking forward to hearing what Commissioner Gundelach will have to say about the criteria to be used in applying Article 2. This article, in fact, brings in a lot of points which lie outside the strictly trading aspect of the problem, and has social and structural implications which I feel are of fundamental importance.

In Article 2 (b) we read of measures concerning better organization of production. I should like to see us going beyond the economic interpretation to consider also the social aspect in the light of the living and working conditions which are still characteristic of this sector, and which mean that farmers — especially small farmers, who form the vast majority — are a category which is certainly not favoured and which must not be left to cope alone with these problems, of which we are all aware.

There was mention of the problems of imports, monopolies and controls. Here, as elsewhere, I feel we have to work together and take a careful look at the interconnection between, on the one hand, the augmentation of domestic production and a reduced reliance on food imports and, on the other, the opening of markets in the developing countries. It has to be said, however, that the world market as at present constituted is dominated by very few groups. Obviously, none of us can accept this state of affairs without some reservations. It is my view that a sensible long-term policy for organizing producers would gradually have an effect on these negative aspects, as they certainly do not imbue the Community's trade relations and policies with the clarity and coherence we should all like to see.

As for the various aid and support measures, we have to recognize that there is a tremendous discrepancy in production costs between the United Kingdom and France, Italy and, to a large extent, Ireland. The Commission says that this difference must be overcome by gradual measures, during a transition period, which attempt to combine three factors which are definitely not easy to reconcile. They are the adequate protection of producers' incomes, proper defence of consumers' interests and development in the Community by means of modernization leading to self-sufficiency. But it is precisely here that the European Parliament must keep a watchful eye on the Commission and monitor events very carefully. It will be the procedure actually used in implementing these measures which will influence to a greater or lesser extent the balanced development which could, in the final analysis, satisfy many of the requirements which have emerged during this serious debate of ours.

As I said before, and quite apart from any purely nationalistic motives, it is felt in Italy that this problem is of extreme importance. It is vital for the future of certain regions, particularly Sicily and Sardinia, but also for many of the areas in the northern Appennines where people believe that a new approach — with modern methods and suitable aid for training in both production techniques and social aspects — could indicate a new path of great significance for their future development.

Bersani

Although I am rather puzzled by most of the amendments, let me say that if there is this earnest and balanced approach, with careful and cautious consideration of the possible negative impact in France, Italy and Ireland, I shall be ready to vote in favour of these proposals.

(Applause)

President. — I call Mr Durand.

Mr Durand. — *(F)* Thank you, Mr President, for allowing me to speak, but since Mr Scott-Hopkins is absent, I no longer wish to do so. I should, in fact, have liked him to explain to me how the interests of French housewives are connected with those of New Zealand sheep farmers. But he is not here, and so there is no point in my speaking.

President. — I call Mrs Kellett-Bowman.

Mrs Kellett-Bowman. — Mr President, before beginning I would like to inform Mr Durand that Mr Scott-Hopkins is in fact at a Bureau meeting and much regrets that he is not able to be here.

I wish to speak on the European Conservative Group's amendments Nos 2 and 4. Before doing so, however, I would like to endorse Mr L'Estrange's words on the long hours worked by sheep farmers and their wives and the appalling weather conditions in which they must so often work in order to save their flocks. Having farmed myself 1 600 feet up in the mountains, I have experienced this at first hand.

I believe very firmly that far and away the best way of dealing with the problem of sheepmeat is by the system of a market-related premium. It is grossly unfair that at the present time UK producers cannot freely export their product to France, and a proper sheepmeat market based on market-related premia, as suggested in the Conservative Group's amendments, is widely considered to be the most appropriate method of managing the market so as to give a fair return to producers without penalizing consumers. In normal circumstances the UK sheep industry would expect to secure their necessary return from the market, but a firm fallback price is an essential, combined with a full implementation of aids to sheep production in less-favoured areas under Directive 75/268/EEC. However, it is vital to remember that aid given under this directive is not related in any way to the support of producers' returns from the sheepmeat market. Therefore such aid must not be computed as part of the market return when establishing the appropriate level of producer support: this would be grossly unfair to producers. Nor must we ever lose sight of the extreme volatility of the UK sheep market. As my honourable friend said, a 10 % rise in the price of lamb will reduce consumption by 12 %, which is not

in the interests of either producers or consumers. That is why we put forward our second amendment, which ties in with fourth amendment, and urges that the expansion of sheepmeat should not be encouraged at the expense of higher consumer prices. Our proposal in Amendment No 4 gives a fair deal to both producer and consumer. We state firmly that a market-related premium paid to sheepmeat producers would be the best means of guaranteeing fair producer returns and consumer prices, and I very much hope that Parliament will support this.

(Applause)

President. — I call Mrs Dunwoody.

Mrs Dunwoody. — I sometimes wonder when I sit in this Chamber whether I am actually hearing the things that are coming through my earphones. That is the feeling that I frequently have in the Committee on Agriculture, because frankly it seems to me that the whole of this suggestion is based on a degree of political unreality which must be quite unique in the history of elected representatives. I cannot imagine that, with the practical experience of the total chaos that has been induced by the existing common agricultural policy, the Commission can seriously come forward with a plan which would repeat the situation in lamb and mutton which we have had in other forms of meat. It is not enough simply to say that, if you are going to supply the consumers of the common market, you must be able only to sell them produce that is produced inside the Community. This is manifest nonsense. We are as a Community expecting to trade with other countries. Why should we not expect to import a certain amount of food?

The report itself demonstrates the very real difficulty of trying to create a common regime when no common basis for agreement exists. I leave aside the fact that it is plain from the figures that Mr Herbert himself quotes that Britain is a large eater of lamb and mutton. We are talking on the one hand of an island which has traditionally imported vast amounts of lamb and mutton from New Zealand, a country which is hyper-efficient in the production of lamb, very efficient in the way it gets it to the market on the other side of the world, and so efficient that it actually keeps the price to the consumer at an acceptable level whilst not undercutting the income of New Zealand farmers. On the other hand, in other parts of the Community, it is quite plain that the consumer regards lamb as being a very high-priced meat; it is very rarely produced as efficiently as it is in New Zealand; and in fact if you try and create a common regime you are going to cause considerable difficulty for the farmers in the difficult areas of France who have been traditionally relying upon this particular product as a means of keeping their income up. So

Dunwoody

why create something which is going to cause enormous problems, which is not defensible in terms of price, is not defensible in terms of efficiency, and is not needed by anyone at any level in the Community? What are we really trying to do? Are we saying in effect, when we have a bad system, we do not actually want to change it; all we want to do is to extend it to other areas to make it even more difficult? Because that is what this entire suggestion looks like.

I would say this: we have heard a great deal this morning about the fact that family farms regard sheep as their only means of income, their only basic form of income, and everyone in the family is involved in the production of this kind of product. Can I just say that, unless European agriculture changes as much as British agriculture has in the last 30 years, there will never be adequate incomes for the farming community: what we have heard this morning simply underlines the fact that there are still agricultural communities inside the EEC that rely on cheap labour, underpaid labour, inefficient labour, the labour of children after they come back from school, the labour of wives who should be doing other things, and that is not the way you contribute to the well-being of the agricultural community or of anybody else. We have got rid of that system in Britain, because we understood that it was not right that farmers' families should subsidize products by their unpaid and underpaid work. That is what we should be aiming for in the Community, not creating a wholly artificial scheme which will cause considerable difficulty for everybody involved at every level.

I would say this to the Commission. We know that 64% of the new budget will go on the common agricultural policy. We know that that is already such a gross distortion of input that there is not enough money for the Regional Fund that is needed for these very poor farming families whom we have been hearing about today. There is not enough money for the Social Fund to help retrain these agricultural workers whom we have been hearing about today. So why are we suggesting creating yet another means of pouring money out on a scheme that is unnecessary, unworkable and indefensible? Because that is what we are actually talking about. You cannot say on the one hand that you are preparing to finance private storage, provide extra money for coping with more sheepmeat, and, on the other hand, that you do not expect the scheme to distort the market. If you did not expect it to distort the market, you would not need to offer aid to private storage. What you are really saying is that you expect this particular scheme to so distort the market price that in the country where something like 8 kilograms of lamb and mutton is eaten per head per year the consumption will go down in a dramatic fashion, and in those countries where previously lamb has been a very expensive meat there will be even

more difficulties for the farmer. That is what you are implying, and that is what you expect to happen. What is the defence for this? The defence is that we must have a common market, irrespective of the political sense, of the economic sense, or any other kind of sense.

I think that the Commission has got to say to itself very simply that there is no political justification for a common agricultural policy which, on the one hand, penalizes the consumer and, on the other, produces considerable difficulty for the very small agricultural holding, and basically does very little to tackle the real problems that that creates.

I would also say one other thing to the Commission. It has been widely reported that four nations have now been taken to the European Court of Justice because of the inequality of their taxes on alcohol. Has it ever occurred to anyone — I ask, because apparently it has not — that to give the average voter in the Community the impression that what you are seeking to do is simultaneously to put up the price of their food and their dairy products and to lower the cost of alcohol might suggest that you are returning to the politics and the economics of the eighteenth century in Britain, when the worker was given gin at tuppence a pint in order that he should not be aware of the fact that he was hungry. If that is the level of political thought in the Commission, all I can say is, please go away and start again, because you are not doing terribly well!

(Applause)

President. — I call Mr Gundelach.

Mr Gundelach, Vice-President of the Commission. — Mr President, I would first like to thank the rapporteur for his arduous, excellent work in producing this report. Naturally, I do not agree with everything he has put into this report, as will be evident from many statements I have made previously and from what I have to say now, but there are also important aspects where I most certainly do agree, and I do appreciate the spirit in which this work has been undertaken and in which most of the debate has taken place today. It started off on an objective and calm basis, but as usual it turned out that in the end we had a circus. I shall refrain from being drawn into it, because there were too many departures from the matter in hand, the realities presented to us. We had another of these electioneering speeches which are becoming more and more common at the present time in this House. I quite agree, Mr Cunningham, that vote-getting is an absolutely legitimate exercise for those whose task that is. But just getting votes and then holding on until the next time you have to think of getting votes is a rather unproductive way of getting democracy to work. In between there is a piece of work to be done.

(Applause)

Gundelach

And that piece of work has to be based on realities, not just on a continued distortion of these realities, at which Mrs Dunwoody is becoming an excellent expert. But beyond this, I will not be baited by you, Mrs Dunwoody, or be drawn into your harangue on the common agricultural policy. We have been holding this discussion more and more often. I certainly do need to sit down and think about it — and I am doing that! You need to sit down and read a bit, because there are an awful lot of facts you don't know!

To the matter in hand. It is not as complicated as people make it out to be. Certain speakers have asked: why are you embarking on this exercise of introducing some market regulations for sheepmeat? Why do you not leave matters alone? People have been quite happy over the last five or six years, be it the members of the Community or New Zealand, which is very much present in this room this afternoon — not with a voice, but with a little red book which is circulating around certain parts of this House. Now that is quite legitimate. It is part of the life of Parliament that there is lobbying. But lobbying, like multinational companies, should have its limits and at a certain stage those carrying legislative and executive responsibility for the Community should take their own decisions in the light of the facts of the situation.

The reasons why we cannot just leave matters alone are twofold.

First, we have a treaty which applies not just to agriculture, but also to industry and the free movement of goods. It suits certain countries like the United Kingdom to have free trade in a number of industrial goods. It does not suit them that much in certain agricultural commodities. Here, for once, we have a commodity where France, which usually wants to have free circulation of agricultural products, does not particularly want it for this one. You cannot, either in a Community or, for that matter, in any set of proper trade organizations, have an arrangement for the free circulation of goods *à la carte*. You cannot have a country deciding it wants free trade in certain things, but not in others. Either we have got it, or we have not got it. Those who founded the Community, those who decided by referendum and so forth and so on, in full knowledge of all the facts, accepted this main principle. It cannot therefore be at stake each time this Parliament feels it ought to put on a show. The Treaty stands for the free circulation of goods; that is accepted policy, and it is, by the way, good economic policy, because any other system that I know of yields lesser results than ours does, in agriculture or industry. That principle consequently has to be defended. One

cannot pick out particular areas and say: no, here for reasons of convenience, the arrangement will not apply. It has to be applied to sheepmeat as well.

This Parliament has, on numerous occasions over the last eighteen months, been insisting with me that I secure the fulfilment of that principle. Why all of a sudden is there this surprise that what you wanted yourselves is about to happen? If it were not going to happen, any citizen with an interest in this matter could take the parties or countries representing free trade in this area to court, and they would win hands down, as court decisions have already quite clearly indicated.

I am not particularly keen on running the Community by taking matters to court. I want, as you very well know, to settle problems in a pragmatic manner with due regard to the legitimate interests involved in finding a sensible solution.

But a solution has to be found. One cannot push this item to one side and say, no, we won't deal with it. Because if we don't deal with it, somebody else will, and we shall be in default.

Secondly, in substance, you who make this point are not quite right. Everybody was not happy. There were some areas — and developing areas at that — most vocally represented in this Parliament by the Irish representatives, who rightly pointed out, with figures which stand up, that an important industry for certain areas of Ireland was in the process of ending up in disaster and disappearing. How long is Ireland going to suffer from the situation she has been put in over the centuries? Now at long last she has a chance to pull herself out of extreme difficulties. Are we, each time there is a new deal offered to Ireland, going to pull it away again? No! That is against the principle of solidarity without which no civilized social Community can ever be built.

There was one party which had good reasons, beyond the point of law, not to be satisfied with the existing situation. We have been able to rectify that situation for that country for the time being. Naturally, the present arrangement between Ireland and France is not totally regular and cannot go on. It has to be regularized on a more permanent basis, thereby also taking into account the complaints I receive constantly from hundreds and hundreds of people in the United Kingdom that they cannot, as they are entitled to under the Treaty, export sheepmeat to France. That problem of imports from the United Kingdom to France is a matter which sooner or later — and sooner rather than later — I shall have to take to the Court, because it is not in accordance with the principles on the basis of which the Treaty is established and which it is my duty to defend.

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In parenthesis, I was asked by Mr Hughes to give the figures for exports from Ireland and the United Kingdom to France in 1977 and 1978. They are as follows: Ireland exported in 1977 only 2 000 tonnes and that was, if anything, slightly more than is normally the case. In 1978, it went up to 6 000 tonnes. The United Kingdom: 2 000 tonnes and 7 000 tonnes. These figures are for the period up to the end of May. I have as yet no later figures.

There has been, owing to this temporary arrangement between Ireland and France, some improvement in the Irish performance which helps for the time being, and there has been a slight decline in the United Kingdom exports of sheepmeat to France which obviously is linked with this abnormal and indefensible legal situation, which as I said, sooner or later — and sooner rather than later — if it does not change, I shall have to take to the European Court of Justice.

This is the reason why we have to deal with the subject. Then comes the manner in which one deals with it. It has been said from certain quarters — now it is not you, Mrs Dunwoody, now it is your opponents — that I am not respecting the holy principles of the common agricultural policy. This is nothing quite as bigoted as some say, but it does, admittedly, raise some serious problems which you have heard me speak about often enough here and which must be rectified.

These holy principles are that we should have a common market. I have talked about that. And I will defend that. We should therefore have common protection *vis-à-vis* third countries. Our proposals are fully in conformity with that. It is not said in the holy principles how high that protection should be — that is a matter to be discussed in each individual case. There should be a common financial responsibility. We are accepting that fully in our proposals, without the slightest doubt. There should be a Community preference; that is in our proposals. So all the main principles of the common agricultural policy are fully respected as principles, and I cannot therefore accept any criticism that these proposals are not in accordance with what was originally conceived to be the common agricultural policy.

But I would like to answer Mr Cunningham, who unfortunately is not in the Chamber. He said in essence what a New Zealand minister has in essence said to me — irrespective of the little red book being circulated. He said: if what is going to happen is basically only what you are proposing, that is not too bad. Mr Cunningham said that too: I would on balance be in favour of your proposals, Commissioner, but we are afraid that if it is introduced it will subsequently be developed into something like what we have for beef and other commodities. Let me make myself absolutely clear. What I have put forward on behalf of the Commission is a proposal not for a transitional arran-

gement but for the final solution of this problem. I cannot accept the interpretation that this is the beginning of something entirely different. You have heard me often enough in this Parliament to lend credence to what I am saying here. As far as I am concerned, this is the end result.

Now what will happen in the Council is anybody's guess. Of course, like me, you must express your opinion. But you cannot say, no, it will not be bad if it is this — if it is something else, of course, it is entirely different. It will be entirely different for me too. As far as I am concerned, this is it.

Naturally, in the elaboration of the scheme and in the details thereof I would take into account the report by Mr Herbert and the debate which has taken place today. That is what democracy is. Of course, I shall give due consideration to the House's opinion. Unfortunately, as the House is very divided, my task will be difficult. It would have been more helpful if the House had been less divided. Its opinion would have carried more weight and my hand would have been strengthened in the debate in the Council. But I will not hide the fact that I should not be dismayed if most of the amendments which have been put forward by Mr Scott-Hopkins were adopted. I do not see that they in any way depart from the main line of the policy I have put forward.

What is the problem which has to be solved? It is that there is a traditional discrepancy between the prices in two production areas of the Community, one centred on France, the other centred on the United Kingdom. Curiously enough, in the period when there have been barriers to Community trade in France they have been directed primarily against that other, lower-price area, the United Kingdom, but not against countries like Denmark, the Benelux or Germany. Nor were there any restrictions on the trade between these countries and the United Kingdom. Why were these goods from the United Kingdom not routed to France *via* Belgium and Germany or Denmark, as they could have been? The reason is that fears on both sides are exaggerated. There is considerable stability in the production pattern which is not going to change very much, provided suitable consideration is given to the price difference to the producers, particularly in the less favoured areas of the Community, most, but not all, of which are in France. Compensatory aid is not a temporary measure; the policy towards the less favoured and mountain regions is not a temporary policy lasting only four years; it is a permanent policy.

We are saying that the commodity arrangements — there will have to be discussions about a price, but it is a very flexible price system we are putting forward are not those applicable to cereals, beef or even pork, but are a continuation of a low price policy in the Community. Otherwise — and Members of this

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House will have to recognize this — there will invariably be a fall in consumption. Mr Scott-Hopkins stated that a 10 % price increase would lead to a 12% fall in production. My figures are: a 10 % increase in prices equals a 12 % fall in consumption. That is not such a big difference. We cannot allow ourselves once again to fall into the trap of increasing prices and so cause a fall in consumption. We have seen this happen in the case of beef, butter and other commodities. When this happens we are forced, or at least subjected to great pressure, to introduce all kinds of intervention schemes, stocking commodities or granting export refunds, thereby increasing the budget. Consequently, we want to maintain a low price for these commodities in order to maintain a fairly high level of consumption.

This will mean that consumer prices in certain areas of the Community, particularly in France, will be lower than in the past, which in turn will mean, even with a low elasticity of demand, an increase in consumption of the commodity in France and other continental European countries and a bigger outlet for the less-favoured zones which are so dependent on this particular production — and which we would prefer to have go in for this kind of production rather than small-scale dairy farming. It will not, however, mean that we shall adopt a policy towards third countries, in particular New Zealand, which is contrary to our legal and moral obligations. The producer in these areas will be compensated by aids, as has already been practised in a number of Community countries, including the United Kingdom, under the directive on mountain areas. This will be the case for a certain period for all these farmers, and, on a more permanent basis, for those in all the less-favoured zones. So the farmers engaged in this particular type of production — to which there is no alternative for them — must be compensated in this way.

It is not a particularly good idea to try to push people away from the land and into industry at the present time. It might have been a good idea in the 60s, but with seven or eight million unemployed in Europe, which no European government seems to be able to cope with, it is a bit stiff to tell me that I should send a couple of million more farming people into the towns. It is no alternative at all. So we have to compensate them in another way. We do not want to have high price increases for sheepmeat, because we want to increase consumption, but we do not want to penalize them either, so it costs a bit of money. Reference was made to the wonderful British agricultural policy before we entered the Community, the so-called deficiency payment system. It is always presented as if it gave high returns to the producers and low prices to the consumers, and nobody paid the difference. Of course the difference was paid; it was paid by the taxpayer. It has always to be paid somehow and therefore there is no miraculous cure.

Now this is not a deficiency payment system, but it is not something which you should wrinkle your nose up at. Of course it will cost a bit of money, but the alternative would cost more. The fully-fledged market organization that some are calling for, with an intervention system and big export refunds and high prices, would cost considerably more, because then the consumption would fall and we should have to stock all this meat and get rid of it, God knows how. Therefore it is no alternative. The other alternative of just letting prices go down and not paying any indemnities to the people in less-favoured zones who are dependent upon this production is not terribly clever either, because we should force them out into the ranks of the unemployed. Then you would have to pay them in a different way and that would cost you more than the 60 or 70 or 80 million units of account which this scheme is going to cost, which, after all, is not excessive.

So, in the end, Mr President, I think this is quite a balanced scheme. I shall take into account the valid criticisms from both sides of the House, but I must tell you quite candidly, whichever way you vote in your resolution, I am going to go on negotiating with the Council on the basis of this proposal. In so doing, as I said, I shall naturally take into account what has been said in this House, but I am in the unfortunate situation that what has been said in this House is 50 % on the one side and 50 % on the other side. There is no point in your shouting, Mrs Dunwoody, because you have not so far understood a word about what the proposal is about, because you still think that it will mean higher prices for the consumers. It will not. You still feel that it is going to cut off imports from New Zealand. It will not, because it will maintain the maximum of 20 % for New Zealand which we are bound to under GATT. We have no intention whatsoever of changing that arrangement, because we are contractually bound to it. Moreover, if we were to change it, we should have to pay compensation and we have not got the means to pay that compensation, because then we should have to go into other areas which do not interest New Zealand very much, except perhaps beef, and we could not do it. So, all the points you have made are really taken into account in this scheme and I think you ought to understand that.

The final point I have to cover is that several speakers have been demanding that our proposals also include wool, which is a by-product of the production of lamb, as everybody knows. As matters stand, as the Treaty is written, wool is treated as an industrial product and not as part of the farm policy and this is a starting-point which I have to take into account. I cannot change it just like that. It does not mean, however, that the Commission will not make suitable proposals in regard to wool in due course.

President. — I call Mr Herbert.

Mr Herbert, rapporteur. — Mr President, I would like to thank the House for the full discussion of my report. The debate this morning was merely a reflection of the discussion that took place in the Committee of Agriculture over a number of weeks, where certain members of that committee displayed more concern for the interests of the New Zealand producers and their multinational masters than for the small sheepmeat producers in the less favoured areas of the European mainland. I would like to thank the Commissioner for his excellent speech and compliment him on giving our UK colleagues a basic lesson in Anglo-Irish economic history.

However, I would like to correct a statement made by Mr Scott-Hopkins and repeated by Mr Cunningham, alleging that paragraph 3 of my motion for a resolution was untrue. I would like to refer the two gentlemen to page 11 of my report, which merely reproduces Commission figures showing very clearly that production is declining in the main production areas. Obviously, the two gentlemen just did not bother to read my report.

In conclusion, Mr President, I would repeat what I said this morning, namely, that I hope that this House will accept my recommendation and adopt the report.

President. — Since there are no more requests to speak, the motion for a resolution and the amendments tabled will be put to the vote at voting time this afternoon.

The debate is closed.

The proceedings will now be suspended until 3 p. m.

The House will rise.

(The sitting was suspended at 1.10 p. m. and resumed at 3.05 p. m.)

IN THE CHAIR : MR COLOMBO

President

President. — The sitting is resumed.

8. Welcome

President. — On behalf of the House, it gives me great pleasure to welcome to the European Parliament the Speaker of the Indian Lower House of Parliament, Mr King S. Hegde. It is a great honour to welcome him here, and his visit will strengthen the ties between the Indian Parliament and the European Parliament. We are sure that this visit will strengthen our mutual relations.

(Applause)

It is also a great honour for me to be able to welcome Mr Warren Burger, Chief Justice of the Supreme Court of the United States of America. This first visit

to the European Parliament by the head of the American judiciary marks an important step in the development of relations with our important transatlantic partner.

The Supreme Court provides an inspiring example of how a federal system can settle disputes with wisdom, justice and political insight. It is for this reason that I envisage a fruitful outcome to the talks he is to have with us.

(Applause)

9. Verification of credentials

President. — At its meeting today the Bureau verified the credentials of Mr Børge Halvgaard and Mr Brøndlund Nielsen, whose appointments were announced at the sitting of 11 September 1978.

Pursuant to Rule 3 (1) of the Rules of Procedure, the Bureau has made sure that these appointments comply with the provisions of the Treaties.

It therefore asks the House to ratify these appointments.

Since there are no objections, the appointments are ratified.

10. Question Time

President. — The next item is the third part of Question Time (Doc. 294/78).

I call Sir Geoffrey de Freitas on a point of order.

Sir Geoffrey de Freitas. — Mr President, we have always in this Parliament been most careful to respect the six official languages of our Community, and it is therefore with very great regret that I draw your attention to the fact that there are no more English-language copies of the document containing the oral questions. There is nothing we can do about it now, but there are no more, and I hope that you will take steps to ensure that this does not happen again.

President. — Sir Geoffrey, you are right to raise this question and to express your displeasure. We shall attempt to increase the distribution of these documents, but at the same time, since our resources are clearly limited, as in any Parliament, I would ask Members to use the documents sparingly and to take care of them until the end of Question Time.

Sir Geoffrey de Freitas. — Mr President, I am sorry to continue this, but I have no evidence that this has happened because Members have lost documents, but because of the interest that our Parliament has aroused in the United Kingdom — and, no doubt, in Ireland too, and in other English-speaking countries. We have a lot of visitors, and many of them are deprived of the opportunity of having the text in front of them.

President. — I can only repeat, Sir Geoffrey, that I shall make the necessary arrangements for these documents to be made available in greater numbers.

We shall continue the questions addressed to the Commission.

I call Question No 9, by Mr Pisoni :

Traffic on the passes to Austria has been severely disrupted by the outrageous tax imposed by the Austrians on TIR vehicles passing through Austrian territory. The extremely high tax affects the costs of transport and goods and interferes with trade. Did the Commission consider it necessary to take steps under the agreements with Austria to resolve this dispute ?

If so, what has been the result ; if not, does it intend to use all the means at its disposal to achieve this objective ?

Mr Ortoli, Vice-President of the Commission. — (F) Mr President, as the Commission has already had occasion to say in replying to the oral question put by Mr Seefeld on 15 June, the representations it has made to the Austrian Government have resulted in modifications, in various respects, to the new tax on vehicles transporting goods on Austrian territory. Today we are continuing our discussions with the Austrian authorities in order to find overall, long-term solutions to the problem, having regard to the Council Declaration of 12 June 1978. This declaration envisages the introduction of a pricing system for road transport infrastructures in the Community covering part of the cost to the users. It is our opinion that systems of this sort should be instituted at European level, in a broader context than that of the Community. It was with this in mind that we embarked on our discussions with the Austrians, and the Austrian Government has repeatedly stated that it is ready to consider such overall solutions. I said 'today', because it is in fact today that the Commission experts are meeting the Austrian experts in Vienna to examine this particular problem.

I have mentioned repeated contacts with the Austrians. These contacts were already taking place before the introduction of the tax. We thus obtained a number of improvements in the field of Community transport, particularly the possibility of paying the tax on a monthly basis.

Mr Pisoni. — (I) I should like to thank Mr Ortoli for the action taken by the Commission to avoid retaliatory measures. We know how, faced with a tax, the other state tends to react with further fiscal measures. I hope that this initiative will open the way to a real harmonization of tariffs.

Mr Dalyell. — The Socialist Group at its study days last week in Constance had meetings with the Austrian and Swiss socialist parties. Some of us would ask the Commissioner to be very cool in these negotiations, because it seems that overall the Austrians and the Swiss want many of the advantages of the Commu-

nity without having to accept some of the payments and disadvantages. Some of us feel that the idea of neutrality, particularly of the Swiss, may have been all very well twenty years ago, but does not really cut much ice these days. Will he be extremely careful in these negotiations about the advantages to the Community ?

Mr Ortoli. — (F) I take note of what has been said with regard to Switzerland and Austria. I hope that the climate will be warmer in Vienna today than last week in Constance.

Mr Sieglerschmidt. — (D) Mr Ortoli, would you agree with the author of the question in describing the Austrian Government measures as outrageous and do you not think, as I do, that Austria is here subject to a quite exceptional burden of transit traffic which, in the absence of any general solution such as you mentioned in your initial reply, was in a sense, I think, unavoidable in a broader European context ? May I ask you once again, with reference to the Council Declaration, whether the Commission and, I hope, the Council too, are pursuing these general European measures to equalize the burdens imposed by transit traffic ?

Mr Ortoli. — (F) That is precisely the reply I gave to the original question. We must try to find an overall solution, which will necessarily apply to the Community, but I think that Europe goes beyond the Community and that it is in our interests to try and establish, with our partners and neighbours, some such scheme with the same principles and effects.

Mr Früh. — (D) Mr Ortoli, I welcome your efforts to reach an understanding with Austria. Allow me to ask, however — supposing these efforts do not meet with success in the foreseeable future and it turns out that the Community countries which rely on routes through Austria to get to or from Italy are suffering a disadvantage or distortion of competition in their trade — what does the Commission propose to do then to compensate for this disadvantage in competition with countries which do not need to use transit routes through Austria to reach other parts of the Community ?

Mr Ortoli. — (F) My answer is that tomorrow is another day, but that what we must do today is to find a suitable system ; we are devoting — if I may say so — all our wits and all the means at our disposal, including diplomatic means, to the pursuit of this solution. If we do not achieve the hoped-for result, we shall see what consequences this brings and what sort of problems may arise. You will appreciate that it is quite impossible for me to tell you today what we would do in that eventuality, which I do not wish to see and which, basically, I find improbable, for I think that wise diplomacy begins with the recognition of

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mutual interests and I have the impression that our neighbours' interests are identical with our own. It is in our interests to be able to deal effectively at European level with this problem of the pricing of infrastructures, as it is also in our interests to have the vehicles responsible for our mutual trade operate without excessive charges.

President. — Question No 10 by Mr Osborn was dealt with on Tuesday. Question No 11, by Mr Yeats, will not be called as it was dealt with in yesterday's sitting in the course of the debate on the Oral Question on the same subject (Doc. 289/78).

I call Question No 12, by Mr Nolan :

What proposals does the Commission intend to make to ensure that a self-employed person is made aware of and receives the benefits of the EEC's Social Fund ?

Mr Ortoli, Vice-President of the Commission. — (F) We have already done what we could to inform self-employed workers of the new benefits offered by the Social Fund. The text of the Council decisions has been published in the Official Journal and in addition, as you know, the spread of this information is helped by the relations we maintain with the various professional organizations.

Mr Nolan. — All of us are aware that in our various States we are very often asked by people about particular Commission documents and about various commissions. So is it possible for local authorities and the members of local authorities — and, by the way, I think that is the best outlet we could have — to be informed of documents of this kind ?

Mr Ortoli. — (F) I am not saying it is not necessary for the local authorities to be informed — indeed, I am sure that very often they are informed, since the various documents we produce are distributed very widely.

However, I should like to say, firstly, that we have an Official Journal which contains what everyone needs to know about Community affairs but is not necessarily in a position to know. In addition, we publish a Community Information Bulletin which obviously has a much wider circulation than the Official Journal and is distributed to a large number of bodies, including in particular most local authorities. We publish press bulletins, and this was done on the question of the self-employed — that is to say we informed the press of the new scheme, which means that individuals, as well as the professional organizations, were able to receive the information. There are also professional organizations — they exist in large numbers and are often better placed to contact the self-employed — which publicized this point.

I think, therefore, that we must continue this task, but we shall, of course, see whether a particular effort needs to be made with regard to local authorities.

Mrs Dunwoody. — But is the Commissioner aware that it does not actually matter how many people know about what is involved in the Social Fund if the machinery for payment is so lengthy and so slow-moving that, no matter what the amounts of money voted by the Council, the actual payments never equal the amount that is given ? Until that is changed, we are in the weird situation where this is one of the few funds that could do some real good, but it is not being used to the full because of the slowness and inefficiency of the machinery involved.

Mr Ortoli. — (F) You will appreciate that I am not an expert on the Social Fund which is not to say that I am not prepared to answer your question. As far as I can remember, the first point here is that the Member States are very closely involved — that is to say it is via the national governments that the dossiers are submitted. Incidentally, that means that there is also scope for providing information at national level, and that this is not only the responsibility of the Commission or the Community. Secondly, we receive the dossiers from the Member States and, as you know, for a time there were considerable delays.

This led to a series of measures, particularly with regard to drawing up the latest Social Fund ; before that, however, in the Commission of which I was President, there were efforts to speed up the process.

We are quite convinced that payments must be made more quickly ; I myself am quite convinced of this, since I remember very clearly the sort of problems that I encountered as President of the Commission. As a member of the Commission I shall re-examine this matter and suggest to my colleague with responsibility for social affairs that this problem of speeding up payments should be discussed again in the Commission.

Lord Murray of Gravesend. — Does the Commissioner not feel that there are larger groups of people who could benefit from the Social Fund, not just the self-employed, and would he not ask the Commission to put their mind to providing and disseminating more information, particularly among those groups of people, particularly the lower-paid, so that they can benefit as well as the self-employed ?

Mr Ortoli. — (F) I would remind you that until recently, under the old Social Fund there was no provision for the self-employed to benefit from the Fund. We proposed that they should be eligible for benefits, and this was adopted, but it must be remembered that this was an exceptional measure, on the express authority of the Council.

We are thus in a rather peculiar situation ; for the moment, I think the first thing to be done, if I may say so, is to start making the system work. We do not have enough practical experience. We do have a

Ortoli

number of priorities which have been laid down, albeit on a proposal from the Commission, by the Council; we have a limited overall budget; moreover, you as members of Parliament are called on each year to vote on the budget of the Social Fund. I think that the wise course today is to get the new scheme working and to gather from it a certain amount of experience in the field of publicity, in that of regulations or with regard to finance. At the moment I cannot prejudge the outcome; let us begin at the beginning.

Mr Normanton. — Is the Commission aware that those who in Britain are classified as self-employed are treated as second-class citizens when it comes to unemployment benefits and health treatment in the eight other Member States? Will he look into this anomalous social situation also?

Mr Ortoli. — (F) I am not sure it is within the Community's province to examine this particular aspect of British legislation.

Mrs Kellett-Bowman. — The Commissioner has just said very correctly that the self-employed ought to benefit from the Social Fund. Is he aware that if two British doctors were travelling in Europe with their families and if one was a general practitioner and was taken ill he could not benefit, whereas if the other doctor was a member of the National Health Service he could? Is it not surely proper for the Commission to seek to influence the British Government to change this very unfair state of affairs?

Mr Ortoli. — (F) However large and well-organized the Social Fund might be, it is not designed to cover all possible social cases. It is limited in budgetary terms, it has its rules: it is, I suppose, a matter of these rules if it can happen that, while belonging to the same profession, one doctor can benefit and another cannot. This is a matter which you will appreciate I am not prepared to take up with the British Government.

Mr Edwards. — I am sure the Commissioner is aware that British social security benefits are based on the simple principle of insurance: you pay to be insured, and those who do not pay are automatically excluded. This is a simple social justice which I am sure the Commissioner will agree with.

(Laughter)

Mr Ortoli. — (F) I do not see where I said that that was not social justice or that the system existing in Great Britain was not as you said. I am sorry, but I expressed no opinion whatever on the British system: I merely said that it was up to the British Government to submit the dossiers within the framework of a Community scheme for which it voted. If it considers that a dossier meets the criteria, the government

should submit it and it will be dealt with in the normal way. I do not see what there is to discuss.

President. — At the author's request, Question No 13 by Mr Corrie is postponed to the next part-session.

I call Question No 14, by Mr Normanton:

Will the Commission explain the nature of the reported agreement obtained between a number of major companies to freeze capacity and share out markets?

Mr Vouel, Member of the Commission. — (F) The agreement to which the honourable Member refers was concluded on 20 June and notified on 14 July this year with a view to obtaining an exemption under Article 85, paragraph 3 of the EEC Treaty. It provides for the parties concerned to reduce the surplus capacity in the synthetic fibres sector by the end of the first half of 1979.

In order to carry out this reduction plan, the parties are required under this agreement to respect certain delivery quotas. The agreement does not deal with the parties' prices policy. Only the quantities to be delivered are subject to control. As I said just now, this agreement has been notified to the Commission, which is in the process of examining it.

Mr Normanton. — Would the Commissioner not agree that so long as the Commission as a collegiate body is tied to maintaining the totality of the Treaty of Rome, including, of course, the competition and anti-monopoly clauses, it will as a Commission continue to be somewhat inhibited in formulating effective policies to achieve the essential restructuring of major sectors of industry? May I presume that he knows that Japan has identified eleven separate sectors of their industry in need of restructuring and that their government has given a five-year dispensation from anti-cartel action by the courts?

Mr Vouel. — (F) The Commission is certainly aware of what is happening in Japan. Need I remind the honourable Member that the Commission at one stage started discussing whether it would be worthwhile introducing into Community legislation a general regulation on emergency cartels? The Commission did not regard such a regulation as necessary as things stood. Obviously then, in view of the Treaty and until legislation is passed, the Commission can only act on the basis of the existing rules of competition.

Mr Prescott. — Does the Commissioner not agree that in the reported division one witnesses a Christian-Democrat Commissioner arguing intervention and a Socialist Commissioner arguing that the Rome Treaty will have to be observed? Does he not then agree that, in view of the Commission's policy, stated yesterday, any proposals for monetary policy along with Bremen must be taken in conjunction with structural reform; we should wait until you can sort out

Prescott

the structural policy before we advance with Bremen proposals?

Mr Vouel. — (F) What Mr Prescott says may well all be true, but I can only repeat that under present circumstances the Commissioner responsible and the Commission cannot, in this particular case, do anything but take the course I have just indicated.

Mrs Dunwoody. — What advice would the Commissioner give to his colleagues who are negotiating the GATT round if they should be asked whether the EEC intends to operate cartels, and how would he defend such a thing in terms of world trade?

Mr Vouel. — (F) I do not think this is relevant at the moment. I said just now that the Commission had seriously considered the question of introducing legislation on emergency cartels into the Treaties; at the time, it felt unable to approve this idea. That being so, I do not think I have anything to add to what I just said.

President. — I call Question No 15, by Mr Brosnan:

Is the Commission satisfied that UK legislation and practices, which insist on the construction in British shipyards of offshore modules to be used in the North Sea to the detriment of other Community shipyards, are consistent with Community rules?

Mr Vouel, Member of the Commission. — (F) The honourable Member's question is concerned more particularly with two aspects of British Government policy in the offshore sector. Firstly, there is the 3% interest subsidy granted for the supply of fixed installations such as production platforms and supplies for such installations. This aid is granted on the express condition that this equipment be constructed in the United Kingdom.

The Commission has on several occasions expressed its reservations concerning this scheme, and the procedure under Article 93, paragraph 2 of the EEC Treaty has been initiated.

Secondly, the Commission is examining the procedure followed by the Offshore Supply Office, which aims to ensure that British suppliers are consulted when contracts in this sector are put out to tender. There is indeed a risk that such procedures could put shipbuilders in other Member States at a disadvantage.

Mr Brosnan. — I am grateful to the Commissioner for the information he has given, which of course discloses the alarming fact that Britain, a Member State, is in blatant breach of the rules of competition as laid down by the Treaty of Rome. The fact of the matter is that in Britain pressures and inducements are used to prevent other shipyards from competing on equal terms in the construction of these modules, to the detriment of those shipyards and in particular to the detriment of a shipyard in my country, which

heretofore had been competing very successfully in the construction of these modules for the North Sea. Can I get an assurance now that effective and immediate action will be taken by the Commission to end this malpractice?

Mr Vouel. — (F) If the Commission had not been determined to take action, it would not have initiated the procedure under Article 93, paragraph 2.

President. — I call Question No 16, by Mrs Ewing:

What are the criteria used in deciding how Community grants and loans are given for new fishing vessels?

Mr Gundelach, Vice-President of the Commission. — There are at present two sources from which grants and loans can be given to fishing-boats in Member States. The one is the traditional one, Regulation 617/64, which deals with individual pockets in the field of agriculture and fisheries. That had really come to an end, but the Council decided earlier in the year that it should be continued for another year with an amount of 70 million units of account covering both fields. And it was expressly decided that it could also cover loans and grants to fishing-boats. The criteria in that particular directive are broader, because it was established in the 60s, when we had not yet encountered the circumstances with which we are now confronted in the area of fishing — the need for conservation, international movements, 200 miles, etc., etc. This means that in the application of this directive for this year we have to use criteria which are similar to those for the second source, which is a special regulation — 5 million units of account for the remaining part of this year — adopted by the Council in the month of July. These main criteria really are that grants and loans should go to smaller boats of no more than 24 metres and that the aid should be concentrated in regions which are heavily dependent upon fishing and where the need is greatest for adaptation to new economic and social circumstances due to the changes in the fishery sector to which I refer.

Mrs Ewing. — May I put it to the Commission that some difficulties have arisen out of what I believe to be a genuine desire on their part to apply their criteria — namely, that in areas of need there have been instances where one application was successful and another, apparently identical, unsuccessful, creating in the area a feeling — I am sure, wrong — that the object is cosmetic, to show that there are some good things coming from this Community without there being an overall set of criteria that would constitute a logical plan for a whole fish-pond, meaning the whole waters surrounding Scotland, and could I ask that, whatever criteria are applied by the Commission, they will state what types of fleet they are building up, for what purposes and for what species?

Mr Gundelach. — I quite agree with the honourable Member that we must do our utmost to treat like cases alike. I think when you look at the way in which money for these purposes has been used in the past, you will see that there has been an even distribution, but with a heavy preference for the local communities particularly dependent on fisheries. The difficulty, of course, which we may have when decisions are to be taken in October and November — and decisions have not yet been taken, so anomalies have not arisen as yet this year — will arise from the limitation on the funds available. We have already got more demands than the financial possibilities allow us to fulfil, so we have, first, to see that the limitations due to the lack of funds apply evenly, and, secondly, draw the Council's attention to the need for further funds for these purposes, which are crucially important for the following year.

Mr Prescott. — As the solution to many of these problems depends on a successful conclusion to fishing policy negotiations, can I invite the Commissioner, in view of the fact that there will now be no elections in Britain, to give us an opinion as to whether we might see the finalization of these fishing negotiations, and to make sure that, if such grants are to be given, they be given on the condition that those who suffer most in this reorganization, namely the fishermen, are given first priority in social justice?

Mr Gundelach. — As will appear from my earlier answer, I absolutely agree with the honourable Member's view that those who have suffered the most must be taken particularly into account in structural policy measures. On the first point, it is quite evident that it was only due to a great deal of pressure from this Parliament and the Commission that the Council took any decisions in regard to structural measures outside the overall package of the internal fishing policy in July and that further measures cannot be expected before such an overall policy is adopted. Certain political difficulties which might or might not be in the minds of certain ministers — and I am not referring in particular to the United Kingdom ministers — and which have prevented movement in this area over the last few months now seem to have resolved themselves. I would entirely agree with the honourable Member, as I have said many times in this House, that it is in the interests of the Community and each of its Member States to come to a conclusion on this internal fisheries scheme as quickly as possible, so that we do not have these uncertainties in the industry next year, and as far as the Commission is concerned we shall do everything in our power to bring this about.

President. — Question No 17 by Mr Soury will not be called as it was dealt with this morning in the

course of discussing the report on the same subject (Doc. 249/78).

As the author is not present, Question No 18 by Mr Scott-Hopkins will receive a written reply.¹

I call Question No 19, by Mr Herbert :

Will the Commission state if it is in favour of the production of meat substitutes from vegetables, particularly from imported soya beans?

Mr Gundelach, Vice-President of the Commission. — It is well known to many that efforts are being made to produce meat by various methods other than the cow, using soya or other edible products, and it is obviously an honourable and useful exercise. Whether this is going to lead to a constructive result or not, I cannot say at the present moment. The Commission has undertaken a study of technical, economic, social and health problems involved with the interested organizations, and it is only when we have seen the results of these studies, as well as the results of efforts undertaken by the industry itself, that I can really say something more definite on this subject.

Mr Herbert. — I am very glad to hear the Commission's reply, and I would urge him to take steps to curb this practice in view of the fact that there are large quantities of beef in intervention that could indeed be used for this purpose.

Mr Gundelach. — I really have no further answer to this question, except to confirm that naturally you have a difficult situation in the meat market, but that should not prevent us from having discussions about substitute products. This has to be dealt with in the whole context of the meat market.

Mr Mitchell. — I am puzzled; I do not see what on earth this has got to do with the Commission. I mean, if people are foolish enough to eat soya mince rather than beef mince, that is a matter for their individual tastes. Surely we are not going to have any proposals to ban soya mince? We do not live in a dictatorship. If people want to buy this ridiculous stuff, they can do it. I mean, is the Commission actually spending money in some sort of research on this? What has it got to do with it? I do not understand it.

Mr Gundelach. — I was not proposing any such action, but I am very often presented with questions, not only in this Parliament, but also in the Council, concerning public health in connection with all kinds of animal products, and that is part of my responsibility. Therefore, whenever a new product turns up, from whatever source it may come, certain studies are carried out, and that was what I referred to. There is nothing special about this; it is quite normal practice.

¹ See Annex.

Mrs Dunwoody. — Would the Commissioner tell us, if the price of beef continues to rise and the price of lamb joins it, as it bids well to do, what he intends to do if people continue to buy soya substitute? Does it not occur to him that if he lowered the price of beef there would not be a growing market for soya substitute?

Mr Gundelach. — I do not know how many times I have to tell Mrs Dunwoody that I am absolutely convinced that we have to follow an extremely prudent price policy in order to prevent the consumption of meat, butter, etc., from going down, and that therefore the basic contention contained in her question is one which I agree with. There are naturally also certain other social factors one has to bear in mind which we discussed at some length this morning and which I am sure we are going to discuss at considerable length in the future as well. But yes, of course, I am perfectly well aware as an economist that there is a link between prices and consumption.

Mr van Aerssen. — (D) The Commission is presuming that these products will be found not to be a public health hazard. Does the Commissioner share the view that the introduction of such new products should be decided exclusively by the market and the wishes of consumers and not by some official body?

Mr Gundelach. — Yes.

President. — I call Question No 20, by Mr van Aerssen:

Can the Commission say how long it will be, in its opinion, before the first industrial generation of fast breeders comes into service in the Community and at the same time assess the profitability of fast breeders, having particular regard to development costs and the profitability threshold with different energy price parameters?

Mr Vouel, Member of the Commission. — (F) Fast breeder reactors could become commercially viable between 1990 and the year 2000 if the research and development programmes and commercial trials currently under way in the Community are carried forward successfully and without any slowing down.

The use of fast breeders will obviously be influenced by the savings they represent. Initially, the installation of a commercial fast breeder reactor will be more expensive than that of a thermal reactor of the same power. Nonetheless, since savings are to be expected on account of the fuel cycle — particularly in the context of rising prices for uranium and, moreover, rising energy prices in general — the higher investment costs will be recouped. In addition, the differences in costs will also be offset by greater security in energy supplies.

I should thus like to remind the House that the Commission discussed all these problems in plain

terms in its communication to the Council of 28 July 1977 which Parliament, in fact, unanimously approved last February.

Mr Brown. — Could I put to the Commissioner that the fast breeder is much more efficient in its use of the scarce resource uranium, having a factor of about 60 in its efficiency, and is that not the primary reason why we should go ahead to obtain a commercial fast breeder as soon as possible?

Mr Vouel. — (F) That is precisely the point of the Commission proposal I just mentioned.

Mr Normanton. — Would the Commission request the French and British electricity authorities to publish indicative electricity-generating costs on the basis of the trials which have been conducted? Does the Commissioner envisage exchanges of this kind of information with other countries which are known to be developing the fast breeder?

Mr Vouel. — (F) I am not sure it is within the Commission's powers to ask for information but, as a general principle, it always welcomes the exchange of this information on as broad a basis as possible.

Mr Flämig. — (D) Would Mr Vouel care to say in this connection, whether it is true that a further argument for fast breeders lies in the fact that it is possible to dispose of the plutonium that is always used in light-water reactors — which is better than storing it under guard for millions of years?

Mr Vouel. — (D) The point mentioned by the honourable Member is a contributory factor in the Commission proposal.

President. — I call Question No 21, by Mr Brugha:

Can the Commission outline its future strategy for assisting small business undertakings in times of financial difficulties?

Mr Vouel. — (F) The honourable Member will recall that on 16 February 1978 Parliament considered a motion for a resolution on the question of small and medium-sized undertakings in the Community. Following that discussion, and my colleague Mr Davignon's speech on the question a communication from the Commission to Parliament was published on 4 April 1978, supplementing Mr Davignon's speech and clearly defining the Commission's objectives and principles in this field, especially the strategy to be followed with regard to small and medium-sized undertakings. In this context, the Commission has in particular designated a number of priority tasks on which to concentrate its initial efforts. These are concerned with the simplification of administrative formalities, financial questions, public works contracts, exports, vocational and management training and subcontracting — to name just a few examples.

Mr Brugha. — Have there been any positive results from the action of the Commission?

Mr Vouel. — (*F*) The principles laid down by the Commission in the communication I just mentioned are at present under discussion with the professional organizations. The honourable Member will appreciate that I cannot at the moment give a precise chapter-by-chapter account of the positive results achieved in the various fields.

Mr van Aerssen. — (*D*) Mr Vouel, various national governments, e.g. the French and German governments, have recently announced special programmes for all small and medium-sized undertakings. Does the Commission intend to use its influence in any way to coordinate these various schemes so that their effectiveness is increased by being applied in conjunction?

Mr Vouel. — (*D*) In the principles it has laid down for helping small and medium-sized undertakings, the Commission stresses that one of its most important considerations is the 'complementary principle', i.e. the Commission proposes to intervene where something is already being done by the national governments. If the situation is as described by Mr van Aerssen, I would suggest that the professional organizations in the industries concerned should put forward suggestions, via their governments or via the relevant Commission departments, for possible action by the Commission.

President. — Question Time is closed.¹

I thank the representatives of the Council and the Commission for their statements.

11. Votes

President. — The next item is the vote on the motions for resolutions on which the debates are closed.

We shall consider the motion for a resolution contained in the *Herbert report (Doc. 249/78): Regulation on sheepmeat*.

I call Mr Hughes for an explanation of vote.

Mr Hughes. — Mr President, clearly, throughout the discussions in the Committee on Agriculture and in the debate this morning, significant divergences of view were expressed, and therefore all members of the Socialist Group will be exercising a totally free vote. But I would like to draw the attention of some of my colleagues, who were unable to be present when Mr

Gundelach wound up, to the point he made that, whatever the decision of this House, he will negotiate with the Council on the basis of his draft proposals. That was the statement he made to the House, which makes me, in explaining my vote, fear that it may well not be treated with the respect that I might have hoped.

(*Applause from some quarters from the left*)

President. — We must first consider Amendment No 9, tabled by Mr Scott-Hopkins on behalf of the European Conservative Group, seeking to delete Article 12 of the motion for a resolution.

What is Mr Herbert's position?

Mr Herbert, rapporteur. — Mr President, I ask the House to vote against this amendment.

President. — 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.

We now consider the motion for a resolution.

I put to the vote the preamble and paragraphs 1 and 2.

The preamble and paragraphs 1 and 2 are adopted.

On paragraph 3, Mr Scott-Hopkins, on behalf of the European Conservative Group, has tabled Amendment No 1 seeking to delete this paragraph.

What is Mr Herbert's position?

Mr Herbert, rapporteur. — Mr President, a similar amendment was rejected by the Committee on Agriculture. As I pointed out this morning in my reply to the debate, paragraph 3 is based on Commission figures which clearly show that the statement is valid and factual. I recommend that the House vote against this amendment.

President. — I put Amendment No 1 to the vote. Amendment No 1 is adopted.

On paragraph 4, Mr Scott-Hopkins, on behalf of the European Conservative Group, has tabled Amendment No 2 seeking to replace this paragraph by a new text:

4. Points out that the Community's deficit in sheepmeat indicates alternative opportunities for producers in over-produced sectors, but does not believe that expansion of sheepmeat output should be encouraged at the expense of higher consumer prices;

What is Mr Herbert's position?

Mr Herbert, rapporteur. — Again, Mr President, this amendment was rejected by the Committee on Agriculture by a substantial majority. I ask the House to reject this amendment.

President. — I put Amendment No 2 to the vote. Amendment No 2 is rejected.

¹ See Annex.

President

I put paragraph 4 to the vote.

Paragraph 4 is adopted.

On paragraph 5, Mr Scott-Hopkins, on behalf of the European Conservative Group, has tabled Amendment No 3 seeking to replace this paragraph by a new text :

5. Believes that the fundamental basis of the common organization of the market in sheepmeat should be free trade within the EEC ;

What is Mr Herbert's position ?

Mr Herbert, rapporteur. — Mr President, again the Committee on Agriculture rejected a similar amendment by the same mover by a very substantial majority on the grounds that he selected only the principle of free movement within the Community, but did not refer to Community preference or financial solidarity. I ask the House again to reject this amendment.

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

I put paragraph 5 to the vote.

Paragraph 5 is adopted.

On paragraph 6, Mr Scott-Hopkins, on behalf of the European Conservative Group, has tabled Amendment No 4 seeking to replace this paragraph by a new text :

6. Believes that a market-related premium paid to sheepmeat producers would be the best means of guaranteeing fair producer return and consumer prices, and of ensuring a low charge on the Community budget ;

What is Mr Herbert's position ?

Mr Herbert, rapporteur. — Mr President, I am again asking the House to reject this amendment. As it is a new amendment — it was not moved before in the Committee on Agriculture — it is impossible to support it since it is contrary to everything that the committee has decided. I therefore ask the House to reject the amendment.

President. — I put Amendment No 4 to the vote. Amendment No 4 is rejected.

I put paragraph 6 to the vote.

Paragraph 6 is adopted.

On paragraph 7, Mr Scott-Hopkins, on behalf of the European Conservative Group, has tabled Amendment No 5 seeking to replace this paragraph by a new text :

7. Approves the concepts of payment of premia to sheep producers, and the provision of export refunds ; points out that over-protectionism leads to economic inefficiency and harms consumers by causing prices to be higher than necessary and by reducing choice ;

What is Mr Herbert's position ?

Mr Herbert, rapporteur. — A similar amendment was rejected by the Committee on Agriculture by a

vast majority. I therefore ask the House to reject this amendment.

President. — I put Amendment No 5 to the vote. Amendment No 5 is rejected.

I put paragraph 7 to the vote.

Paragraph 7 is adopted.

I put paragraphs 8 and 9 to the vote.

Paragraphs 8 and 9 are adopted.

On paragraph 10, Mr Scott-Hopkins, on behalf of the European Conservative Group, has tabled Amendment No 6 seeking to replace this paragraph by a new text :

10. Considers that adequate scope for imports from third countries must be ensured, in view of the Community's substantial deficit in sheepmeat, and in view of Community responsibilities and undertakings towards certain countries whose economies are very dependent upon sheepmeat exports ;

What is Mr Herbert's position ?

Mr Herbert, rapporteur. — Mr President, when this amendment was moved in the Committee on Agriculture, it was defeated by a substantial majority. I again ask the House to reject it.

President. — I put Amendment No 6 to the vote. Amendment No 6 is rejected.

I put paragraph 10 to the vote.

Paragraph 10 is adopted.

After paragraph 10, Mr Scott-Hopkins, on behalf of the European Conservative Group, has tabled Amendment No 8 seeking to insert a new paragraph 10a :

10a. Believes that import and export licences will introduce an unnecessary degree of bureaucracy, and requests the Commission to withdraw its proposal to establish these licences and the associated system of securities ;

What is Mr Herbert's position ?

Mr Herbert, rapporteur. — I again ask the House to reject this amendment.

President. — I call Mr Scott-Hopkins.

Mr Scott-Hopkins. — This is purely consequential on the House's having voted in favour of Amendment No 9. The two stand together, and as the House has adopted No 9, this one ought to be taken with it. It is absolutely consequential to it.

President. — I put Amendment No 8 to the vote. Amendment No 8 is rejected.

On paragraph 11, Mr Scott-Hopkins, on behalf of the European Conservative Group, has tabled Amendment No 7 seeking to delete this paragraph.

What is Mr Herbert's position ?

Mr Herbert, rapporteur. — Again, Mr President, I am asking the House to reject this amendment. To delete this paragraph would, in my opinion, render the resolution incomplete. Anyway, all the paragraph asks for is for the Commission to put forward proposals. No specific proposals, just to put forward proposals. We ask the House to reject this amendment.

President. — I put Amendment No 7 to the vote. Amendment No 7 is adopted.

I put paragraphs 12 to 15 to the vote.

Paragraphs 12 to 15 are adopted.

I call Mr Kavanagh for an explanation of vote.

Mr Kavanagh. — Mr President, I voted in favour of the excellent proposal standing in the name of Mr Herbert for a market organization for sheepmeat. Since as far back as 31 October 1973, and in every successive year since then, I have, either by written or by oral question or by statements in this Chamber, encouraged the House to adopt a regulation for the market in sheepmeat in order that those people who produce sheepmeat, the very worst-off sections of the Community, could get the benefit of the CAP. I must say that, on the evidence of the voting today, I am happy that this may be brought about at long last.

President. — I call Mr Eberhard for an explanation of vote.

Mr Eberhard. — (F) Mr President, I wish to speak on behalf of the French Communists. We shall vote against Mr Herbert's motion for a resolution as it approves, 'with some reservations', the Commission proposal to which we are totally opposed. It is our view, in fact, that this proposal would ruin sheepmeat production in a part of the Community.

President. — I put to the vote the motion for a resolution as a whole. As the result of the show of hands is not clear, a fresh vote will be taken by sitting and standing.

The resolution is adopted¹.

(Applause from various quarters)

12. Taxes applicable to wine and alcoholic beverages

President. — The next item is the report by Mr Pisoni, on behalf of the Committee on Agriculture, on the taxes applicable to wine and alcoholic beverages (Doc. 205/78).

I call Mr Hughes on a point of order.

Mr Hughes. — Mr President, the tradition that I have been brought up in is that when a matter is before a Court, it is unusual for the House of Commons ever to discuss it, in fact it is never done. Since this motion for a resolution was first and last discussed in the Committee on Agriculture, at the insistence of the Commission a case has been taken to the European Court of Justice on precisely the subject-matter of this debate. It has been put to me by a number of people — from France and Italy, as well as my own country — in the Socialist Group, that it would be unwise to hold a debate when the subject matter is *sub judice*. While I recognize that there is no precedent for the President of this Parliament automatically ruling a debate as improper because its subject matter is *sub judice*, I would like your advice as to how we treat a matter that is *sub judice* at the moment.

President. — Mr Hughes, your point is quite academic, but the fact that there is a court case pending does not prevent Parliament from discussing the matter.

I call Mr Fellermaier.

Mr Fellermaier. — (L) Mr President, since Mr Hughes has raised this point, it is essential for the House to ask the Commission for its opinion on this question of procedure.

The fundamental role of the European Court of Justice in interpreting what European law is cannot be challenged as a result, for example, of Parliament's reaching a different decision from the Court of Justice in a pending case. Mr Hughes' objection, based on precedent in the House of Commons, is also applicable as regards the development of European law. The problem here is not one of written law, but simply that as long as a case is pending before the European Court of Justice, which is the supreme court for European law, and as long as no judgment has been given, this House would be well advised to refrain from giving any opinion on the matter, as public opinion could regard it as prejudicing the judgment of the Court. I fully support the point of order raised by Mr Hughes.

President. — I call Mr Pisoni.

Mr Pisoni. — (I) The point which has been raised is a valid one, and there are certainly precedents for it in other countries and parliaments, but this principle can in no way be applied to a parliament like ours, whose task is to express political opinions independently of whatever interpretation the Court of Justice may give in the future.

Obviously, we have to respect the decisions of the Court, but there is absolutely no reason why we should not fulfil our own political role simply because a case is pending before the Court. If we were to adopt such a principle, even the Commission would have to stop all work on harmonization until the Court passed judgment on individual cases.

¹ OJ C 239 of 9. 10. 1978.

President. — Although Mr Hughes referred to a tradition of the House of Commons, there is no Rule of Procedure in this Parliament which prevents us from considering a matter on which a judgment of the Court of Justice is pending.

The House must now vote on Mr Hughes' request. I should like to stress the importance of this vote, because procedure and precedent are established on the basis of such decisions.

I call Mr Schyns.

Mr Schyns. — *(F)* Mr President, some of the Members are attending meetings in other rooms. They ought to be informed and allowed time to return to the Chamber.

President. — I put Mr Hughes' request to the vote. The result is not clear.

I call Mr Schyns.

Mr Schyns. — *(F)* I reiterate my request, Mr President. At the end of voting time a number of Members left the Chamber to attend meetings elsewhere in the building. I ask you to ring the bell again. We are about to take a decision on a very important principle, which ought not to be settled by an unannounced vote. The other Members must be given time to return to the Chamber.

(Applause from certain quarters on the right)

President. — This vote has been repeatedly announced by the bell. It will now be taken by sitting and standing as the result of the previous vote was not clear.

Mr Hughes' request is rejected.

(Applause from certain quarters on the right)

I call Mr Pisoni.

Mr Pisoni, rapporteur. — *(I)* Mr President, the procedural motion which has just been defeated was inspired not so much by legal considerations as by how to tackle this topic, as we want to have a debate which will be as calm and as relaxed as possible so that we can clarify the arguments for and against and possibly find a solution that suits everyone. And a solution which suits everyone cannot favour anyone in particular but must reconcile opposing interests and call for as few concessions as possible, while also granting as few privileges as possible. This is what we hope to achieve with the motion for a resolution before the House.

We have already heard that there are five cases pending at the Court of Justice — which just goes to show how the market in alcoholic beverages is bogged down in a welter of anomalies, barriers and regulations which hinder or prohibit the free movement of these products within the Community, because each

Member State discriminates in different ways against various alcoholic beverages. The motion for a resolution and the accompanying report provide statistical data on the different rates and types of tax applied to various alcoholic beverages. Other barriers and the problem of advertising are also mentioned, to highlight how the position varies widely from one country to another. But I am not going to reel off the data here, as they can be found in the report.

We have already considered the Commission proposals a couple of times, and for years they have been with the Council, which cannot find any solution because it encounters considerable difficulties in trying to reconcile the various positions and find any common ground. This is why the Committee on Agriculture has come up with this attempt to get round the difficulties besetting the Council by trying to speed up the procedure for submitting a directive designed to bring a bit of order into this question.

The general features of the current situation of the market in wine and alcoholic products are well known, I feel. We know that the production of wine is increasing all the time. On the other hand, the consumption of wine is falling. This has led to several surpluses in recent years and we have needed exceptional measures to deal with these surpluses by encouraging or imposing distillation, by storage, and particularly by subsidies or by buying up wine at prearranged prices to prevent a complete price collapse and unemployment for millions of wine producers in the Community. Wine should not be considered a luxury product but an everyday product, and it should be available to every citizen in Europe at a reasonable price. Whether people then choose wine or beer is a question of habit and personal preference, but the Community must allow the movement of wine as a common drink, available to everyone. In fact, until now, tax and duty have made wine a luxury commodity.

The inconsistency of the Commission's policy on wine and wine production is no secret to anyone. On the one hand there is an effort — albeit with a less than adequate budget which has been considerably reduced this year as far as the wine sector is concerned — both by the Commission and by us to support the sector, while the Commission is seeking to review the whole body of regulations on wine by means of a general structural reform of wine production, grubbing up of vineyards, reconversion of thousands of hectares and a ban on new plantations. But what do we find on the other hand? We find that the Commission allows a contradictory policy which undermines the policy aimed at improving the quality of wines and providing a reasonable standard of living for the producers. The Commission is allowing the whole policy to be thwarted by accepting taxes which keep wine out of the reach of most people in Europe.

Pisoni

We feel that this inconsistency is obvious to everyone and that something ought to be done about it. It is impossible to carry through two conflicting policies.

As for other alcoholic beverages — whether they are grain spirits, grape spirits or wine-based products — the VAT and excise duty on those differs in each Member State, as each one tends to discriminate in favour of its own products and attempts to curb the consumption of foreign products. Let me say that Parliament ought not to delay in tackling the regulation on alcohol. The Committee has already considered it and we are awaiting its arrival in Parliament. We feel that, at least on the agricultural side, this regulation may provide a basis for better treatment of all these beverages.

In view of the differences and in view of the fact that the Commission is having difficulty in finding a solution, we have taken the liberty of coming up with a proposal which is basically simple but which at the same time gives due consideration to the various positions and does not try to discriminate against any particular product. Our British and Irish colleagues took fright because they thought that we were trying to discriminate against grain spirits with this proposal. This is not true. I ask them to take another careful look at the proposal and to try to grasp the essence of it, because there is no attempt to discriminate against any alcoholic product. What does the proposal say, in fact? Firstly, it says that the VAT rating must be the same for all alcoholic beverages, whether domestic or imported. We want a strict alignment of all VAT rates for the same type of product. At the moment, however, even in Italy — and I am criticizing Italy on this — there are different rates: 35 % for whisky, 18 % for domestic spirits and 12 % for liqueurs. We have to get rid of all this. There has to be one rate of VAT. So that any kind of discrimination is eliminated. Anyway, so much for VAT.

Turning to the problem of excise duty, we find that there are different taxes in different countries. What is the proposal here? We should like to propose the suppression of all excise duty, especially on wine, since it has to move freely within the Community, but we realize that it cannot be suppressed overnight, and we are leaving both the Commission and the individual Member States plenty of scope by suggesting they group similar types of product and abolish any discrimination within the group. When taxes are imposed on similar groups, there should be a bracket whereby, if the tax on wine is zero-rated, the tax on beer cannot exceed a certain level. If, on the other hand, a country wants to zero-rate beer, it cannot increase the tax on wine beyond a certain level. It will be for the Commission to decide on the groups within which there can be no discrimination, on the reference groups, and on the maximum range of taxation permitted between groups. We feel that in this way the Commission — and the Member States too

— have been left plenty of scope to apply whatever kind of excise duty they wish.

We are not asking the United Kingdom to give up its tax revenue on alcoholic drinks, just as the other Member States would not want to give it up. If you would be good enough to look at the tables at the end of the report, you will find listed the revenue that each country gets from alcoholic beverages. They are not insignificant, and so we are not calling on the Member States to forgo this revenue. All we are seeking is harmonization, so that no one is penalized, so that there is no discrimination in favour of one product against another, beer against wine or wine against beer, whisky against brandy or even brandy against whisky.

We feel that the proposal is also in line with Article 95 of the Treaty. It does not call for different rates for the same beverages, but rather different rates for different beverages. Everyone will have to make some concession so that in the end, in return, we get a more balanced situation. Italy will forgo the taxes on spirits, but will get a better deal for its wine which, anyway, stands apart from all the other products which are produced on an industrial basis. For its part, Scotland, by reducing the barriers to the consumption of wine, will see its revenue from wine go down but its exports of whisky will go up.

I also want to point out that, with this proposal, we shall be helping high quality wines. There is no way that areas or slopes which are ideal for wine, with a yield of 12 or 15 tonnes per hectare, can compete with areas producing 40 or 50 tonnes per hectare. We have to accept the fact that this kind of proposal is essential, otherwise we shall be helping low quality wines, which would certainly be a bad thing.

Let me remind you that millions of farmers are in a terrible plight, on the brink of disaster. In many regions vines are being grubbed up and other crops planted, but this is happening in the areas which are ideal for wine and which produce the best wine. We feel it is pointless to abandon these areas, with dire consequences for the future — and not only for agriculture.

We realize that the Commission has a number of reservations about this proposal for a directive. However, I beg the Commission not to oppose it — for the simple reason that, as I said before, it does not run counter to Article 95 of the Treaty, nor is it in contempt of the Court of Justice and any future rulings. Let me remind the Commission that it is not only the watchdog of the Treaties and the executive arm for the Council's proposals or requirements, but that it is also a political body and therefore capable of reacting to this kind of argument and, perhaps, improving some of the legal aspects.

Various amendments have been tabled, but unfortunately I have not had time to read them, as I received them only seconds before the debate began.

Pisoni

Consequently, I can offer no opinion on the amendments tabled by the Conservative Group, although I see that not one of their Members is in the House at the moment. I shall comment on the amendments tomorrow before the vote.

I should like the Members to read the proposal again, but not in a negative frame of mind or with any preconceived ideas, because the aim of the proposal is not to penalize or to snub any product but merely to establish a fairer balance.

IN THE CHAIR : SIR GEOFFREY DE FREITAS*Vice-President*

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

Mr Hughes. — Mr President, I hope neither you nor Mr Pisoni will believe for one moment that the request I made earlier for this debate to be postponed while the matter was in front of the Court was in any way a tactic, because I find that the speech I am having to make now is made extremely difficult by the fact that one knows that the deliberations of this House may well influence the decision which that Court may reach. In that situation, I find that I am interfering with the course of justice, an act which I find deeply wrong from the whole of my political experience. I hope that Mr Pisoni and the remainder of this House will understand the very strong reservations that I have in speaking at all on a matter where whatever words I use may influence the course of justice, when I am not a litigant at that Court.

It is quite clear, as Mr Pisoni notes in the explanatory statement, that the level of excise duty and VAT levied on alcoholic beverages as between the various Member States is extraordinarily varied. It is equally true that in those countries where the excise duty on wine is high, Mr Pisoni's statement that it becomes the drink of an *élite* can to a large extent be supported. It is somewhat paradoxical that it is precisely in those countries that the rate of increase in wine consumption over the last decade is most marked, while the countries with the lowest rate of tax on wine are precisely the countries where *per capita* and total consumption is going down. If one therefore takes his point that it is the level of taxation that is causing the decline, it is a little difficult to support it. Because it is in Ireland, Denmark and the United Kingdom particularly that the *per capita* consumption of wine is increasing most rapidly, while it is in France and Italy, where the level of tax is lowest, that the *per capita* consumption is declining.

(Protests)

That is what the figures actually say. The level is going down. It is lower, I accept, grossly lower in the

United Kingdom, but it is growing there, despite the high taxes, whereas in Italy and France, despite the low taxes, it is tending to decline.

Earlier today in the Socialist Group, there was again, as with sheepmeat, a clear difference of opinion. It would be quite wrong to indicate to this House that there was a single, unanimous Socialist Group view on this matter. But what was quite clear is that there is, in any federal structure, a right of local taxation vested in the confederate members of such a structure. Earlier today, in the sheepmeat debate, mention was made of the experience in southern India, where they had a differential rate for rice. In the United States of America, you have differential rates of duty on various commodities, differential local taxation.

Now if one is going for the deletion of discriminatory competition taxation, then I will say to my friend Mr Pisoni, you will have simultaneously to harmonize capital costs, interest rates; you will have to harmonize the capital transfer-tax regime, you will have to harmonize income-tax regimes, the rate of avoidance of income tax, and the whole gamut of revenue-raising throughout the whole of the Community. To single out revenue-raising from alcohol from the whole range of other cost taxation, seems to me to be too narrow a basis. I understand fully that an Italian or a French wine-grower should feel aggrieved that this product is subject to a degree of excise duty in the United Kingdom which is higher than in his own country. That must inevitably produce a sense of grievance, in the same way as the inactivity of the Italian administration to act upon the judgment of the European Court of Justice regarding whisky causes frustration to British whisky distillers and Irish whiskey distillers. Such an understandable grievance is not necessarily the best basis upon which one embarks upon the highly complex technical exercise of harmonizing excise duties, VAT, and the whole range of revenue-raising taxes. If you demand that the level of wine taxation be brought down in the United Kingdom, you are asking a central government either to increase some other form of taxation or to reduce total public expenditure and you are involving yourself in the most sensitive area of British political life. Let there be no doubt: to believe that any proposal which says you remove some 5% of government revenue does not have very sensitive political overtones is to delude yourself, and to believe that you can do it by some abstract or complicated mathematical formula again I think is somewhat illusory.

In a constituency such as mine, the tradition of drinking a particular form of beer is fairly well-established, and if you were to offer those people draught wine at the same price per pint, or per half-litre if necessary, as you do beer, you would have a short orgy of terrible drunkenness followed by a return to the tradition of beer-drinking. I do not believe that the habits of drinking beer in the northern parts of Europe will be broken other than on a most temporary basis by lowering the price of wine.

Hughes

Similarly I do not believe that in Italy, if you were to lower the price of beer, you would get a great shift from wine to beer. I believe that we delude ourselves if we think that by removing these sorts of excise duties we shall get an equalization of consumption. We shall not. The patterns of consumption will remain remarkably stable and you will not affect the wine lake by lowering the price in the northern parts of Europe, as the authors of this resolution clearly anticipate. If I believed that by doing that by means of excise duties you would achieve the objective, I would not have such difficulty. It is my belief that it would not achieve that end that makes me reluctant to support this resolution.

If one takes the Pisoni proposals, there are a number of suggestions which are well worth consideration, and I am sure the idea of bracketing various forms of alcohol is worth looking at very carefully. We do not want to throw all the ideas out. All I am arguing is that to take exclusively the taxation on alcoholic beverages and to demand the harmonization of that before you have dealt on a much broader basis with tax harmonization as affecting both agricultural and non-agricultural activity is to get it wrong and I do not believe that you will fundamentally change the habits of the people in the North or in the South by manipulating the price. It is on that basis that the vast majority of the Socialist Group at their meeting this morning indicated their opposition to this proposal, not in any factious nationalist sense that we do not want to drink Italian plonk and prefer British beer, though that may be the reality in the case of a large number of our constituents. These proposals will not achieve their aim; you have got to deal with harmonization of taxation on a much broader basis.

I must apologize both to the Commission representative and to Mr Pisoni, because I have to be in my constituency tomorrow morning, so that I may well not be present at a later stage of the proceedings.

President. — I call Mr Bersani to speak on behalf of the Christian-Democratic Group (EPP).

Mr Bersani. — (*I*) Mr President, I should like to say straight away that the Christian-Democratic Group is in full agreement with the contents of Mr Pisoni's report, and I warmly congratulate him on it.

To turn to Mr Hughes' remarks, I have the impression that if we followed his advice we would run the risk of demolishing the cornerstones on which the Common Agricultural Policy rests. As you know, one of these cornerstones is the principle of free trade, which in the agricultural sector means putting similar products in conditions of equilibrium, so that they can all

move freely with the market in accordance with the fluctuations in demand. Well then, if we set up barriers which at a given moment, as in the cases mentioned in the Pisoni report, become real obstacles to trade, we blow this principle sky-high. Thus, when Mr Pisoni says that it is above all a question of seeing which groups of products — in this case alcoholic beverages — can justifiably be included in similar categories, and of establishing fiscal rules on this basis which are the same for all, his aim is not to interfere with consumer tastes, but to apply in this sector those basic principles without which there can be no Common Agricultural Policy. If it is true, as Mr Faure was saying this morning, that we wish to 'Europeanize' our society, it is clear that we must make the greatest possible effort to reduce and remove the obstacles rather than creating new ones. The argument is therefore not about wine as such, but about the whole treatment of beverages in Europe.

Turning next to the connection between the measures under discussion and the remaining agricultural policy measures, I should like to remind you that the Commission has announced that it will draw up an overall plan for this sector and has also indicated a whole series of guidelines which must obviously be compatible with the overall thinking behind our work ever since the beginning of the European Community. If we allow the situation to continue in the way with which we are all familiar, with everyone being able to fix the excise or VAT rate as he thinks fit — at local, regional and national level — with the result that the whole system is profoundly affected, I do not see how one can foresee any consistent or rational development at all.

We are therefore not trying to favour wine, penalize beer or take measures which hinder the marketing of whisky, etc. In this context, I should like to say to Mr Hughes that the fact that certain wine-drinking habits have become stabilized in Italy and France is entirely natural. As European society becomes more integrated, the gamut of consumption changes and becomes more varied; at the same time, whisky and beer consumption increases and factories are set up in Italy for products which until recently were consumed only in northern Europe. All this is only the logical development of a society which is opening up, which is on the move, which is not inflexible and not a 'one-way street' simply because, for centuries or decades it has been moving in one particular direction. I therefore think that in fact, Mr Hughes, these are real cases of discrimination involving obstacles which run counter to the logic inspiring the whole common policy and counter to the efforts which I think we must make to integrate our various societies and stimulate the various economic sectors.

Bersani

That said, I and my Group are in complete agreement with the proposals contained in the motion for a resolution.

President. — I call Mr Cifarelli to speak on behalf of the Liberal and Democratic Group.

Mr Cifarelli. — (*I*) As you have said, Mr President, I shall speak on behalf of the Liberal and Democratic Group. My colleague Mr Nielsen will, I think, speak in a personal capacity to stress a few points about quality control for these products.

It falls to me to express the general agreement of my Group with the proposals put forward by Mr Pisoni. It is true that this debate deals with consumption trends for wine and beer, but it would be going too far to describe this as a war between beer and wine. If Mr Hughes, who is so friendly and courteous in argument, were to visit Italy, he would realize that we Italians are becoming great drinkers of whisky and beer: every house, even the most modest, has a bottle of whisky, and 'Black Label' to boot, which shows that the consumers in my country rapidly follow the advice of the mass media.

The question has now been raised of how Community policy should function. It is not possible, on the one hand, to guarantee free movement of goods, and on the other to set up fiscal barriers which clearly conflict with Article 95 of the EEC Treaty.

This is a fundamental point. When Mr Hughes today raised the problem of the case currently being heard before the Court of Justice, I voted against his request because it seemed to me that the fact that this case was *sub judice* could in no way prevent our assessing the political needs or expressing our views to the Commission and the Council. Nevertheless, I should like to point out to Mr Hughes — who bases his stand on the practice in English parliamentary law, or at any rate in English public law, according to which one must wait for the judgment of a court — that because, in this case, the judgment concerns respect for the Treaties, we can already be assumed to be in favour. Indeed we are now raising the question of respect for Article 95. Thus, by means of a report drawn up on the initiative of Parliament — first and foremost on the initiative of some members of the Committee on Agriculture who tabled a motion for a resolution — we are essentially saying to the Commission that it is not enough to start legal proceedings before the Court of Justice — as permitted by the Treaty of Rome — but that one must also find a solution. There have been draft directives which have become bogged down; there have been proposals put forward by Parliament which have not been followed up. One must therefore suggest a framework for a solution. This may not be the best one, for none of us is perfect. What is the perfect truth, however, is that this state of affairs cannot continue. As further proof of what I am saying

— if such proof be necessary — I should like to point out, as regards these violations of the EEC Treaty — and I shall confine myself to wine, since I am from a country which produces wine, indeed excellent wine, as I hope the French members will admit — that the difference between France and the United Kingdom with regard to excise duty on wine is sixfold. As for other countries, I should like to point out, for example, that the ratio of excise duty on wine to that on beer is 5 to 1 in the United Kingdom, between 4 and 5 to 1 in Belgium, 3 to 1 in Denmark, Ireland and the Netherlands — and as for VAT on wine, it is 5 % in Luxembourg and 25 % in Belgium, for example.

I do not claim to have discovered anything new; I merely wish to contribute some figures to this debate to throw more light on the political importance of the question, whose legal basis lies in Article 95 of the Treaty. Mr Pisoni and Mr Bersani have already helped to clarify the question: it cannot be dealt with on the basis of concern over alcoholism or with reference to drinking habits, nor by reverting to the past, as I think Mr Hughes wished to persuade us to do.

In my early years, when I was still a boy, there were excise posts at the gates of Italian cities, and in every city consumption taxes had to be paid on goods before they were allowed in. These consumption taxes were different for cities which were only 10, 15 or 20 km apart; this system was swept away by Fascism with its vision of national unity, which in this case I do not think one can criticize.

I would not say that it helps the cause of regional autonomy or of a flexible concept of the federal principle to tolerate such a situation, which leads to very serious distortions. In the light of these considerations, therefore, I would stress that the Group on whose behalf I have spoken will vote in favour.

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

Mr Scott-Hopkins. — Mr President, I find myself in something of a quandary. I am not in a very enviable position, because I do not find either Mr Pisoni's report or indeed the recommendations of the Commission acceptable. I think they are starting from a false premise and I think the conclusions they are drawing from it are utterly wrong. I am not going to pursue the line that we should not be discussing it — that is a different matter and has been decided in any event. Neither am I going to pursue the line that we are waiting for another committee's opinion which we should in point of fact have before we discuss it.

But the basis of what is happening here — it runs throughout Mr Pisoni's report, and indeed it is in the document as well — is that they are saying that beer and wine are comparable beverages and that they should be treated on an equal basis. I would maintain

Scott-Hopkins

that they are not. It is quite ridiculous for Mr Pisoni or indeed for Mr Hughés, who should know better, to try to say that if we reduce the duty on wine going into Ireland or the United Kingdom we shall find people going down to the local pub and drinking a half-litre of wine instead of a pint of beer. You, Mr President and the Commissioner, know full well that that is absolute nonsense and will not happen. They are simply not the same type of beverage at all. I have a suspicion, and I hope it is unfounded, that what is behind Mr Pisoni's view on this matter is that he wishes to get rid of that large surplus of wine which exists in Italy — wine, perhaps, of not the highest quality. Perhaps the same thing applies to some of our French colleagues as well, although I see indeed that perhaps by trying to reduce the level of duty, he thinks he will be able to export to the United Kingdom, and other countries, more of the wine which his own countrymen will not drink. It is only a suspicion and I am not putting it forward as a fact.

But I do say quite clearly to the House, and to the two gentlemen I mentioned, that there is no comparability between beer and wine in the United Kingdom and there never will be. The consumption of wine in the United Kingdom — I do not speak for Ireland — has gone up, but in comparison with the amount of beer consumed it is still very small. And I would imagine the same thing has happened in Ireland as well. So one really is not comparing like with like. That is the first point of the argument against what is being proposed.

A further disparity exists in the case of spirituous beverages. It seems extraordinary to me that the Commission has come forward with proposals for one sector — wine and beer — but says nothing about the other side of it. I accept that the Commission is taking four countries, including my own, to the Court of Justice because we have different levels of tax on domestically produced and imported spirituous beverages, and yet there is no suggestion that anything should be done about it. I would have thought that if the Commission were really serious in these matters then they should be looking at the whole issue, not just beer and wine. They should be looking at the whole question of unfair practices in advertising.

Mr Pisoni, I am delighted we are in agreement on this matter, not only in your country but other countries as well: the level of duty which is imposed on home-produced spirits as opposed to those which are imported. All these issues should be dealt with together. That is why I find it so unsatisfactory.

I could go on for a very long time, Mr President, but I will not weary the House by going through the report in detail. All I would say to the House is that, by pursuing this line, we shall not achieve what we are attempting to do. I quite understand the need to establish a fair regime throughout the Community for

those who drink various beverages. I entirely accept that. But I think that the House and the Commission must accept the cultural differences which exist as well. In Ireland, for instance, they drink a lot more Guinness than we do in the United Kingdom. But are we going to try to improve the balance of taxes or whatever on Guinness as opposed to bitter or to mild? Of course not. Because of the cultural background to these various drinks, you cannot say that they are comparable: they cannot be made exactly the same, for the very reason that we drink a lot of beer and the Italians and French drink a lot of wine.

But if you are dealing with spirits, then it is a very different matter. They are comparable from the point of view of alcohol content and drinking habits. I would have thought that this was the field which ought to be examined. As I said, I want to see fair treatment throughout the whole of the Community, but I do not believe that Mr Pisoni's report or the Commission document describe the right way of tackling these problems. Therefore, Mr President, without wearying the House further, I merely state that the Conservative Group is moving a series of amendments — I think it is nine or ten in all — to Mr Pisoni's report and we shall be debating these tomorrow. I shall not weary the House by going through them now.

Mr Pisoni knows what my views are. We argued about them in the Committee on Agriculture and we shall undoubtedly not reach agreement here on the floor of the House now. So I will conclude by saying that I regret that this report has come through, I regret that the Commission have put their proposals in the terms they have. I do not believe it is right. Therefore, what the Conservative Group will try to do tomorrow is to move amendments which will rectify the situation.

President. — I call Mr Vitale to speak on behalf of the Communist and Allies Group.

Mr Vitale. — (*I*) Mr President, ladies and gentlemen, the fact that for four years now we have been discussing this problem again and again without reaching agreement on a solution makes us somewhat disillusioned about the state of European integration and progress in the free movement of goods. We are not here dealing with the subject which divides us in terms of political principles or overall strategies, nor are we even dealing with different interpretations of market regulations. I think that, whatever the legal arguments used before a court, we are in fact faced here — and I am in complete agreement with Mr Cifarelli — with a refusal to apply one particular and fundamental Article of the Treaty establishing the Community. This raises a question of principle going beyond the specific question of wine and concerning in the first instance the European Parliament, which is the custodian and interpreter of the Treaties.

Vitale

Let no one try to tell us that the Treaty has been respected, in that we are dealing only with taxes of a local nature, as Mr Hughes seems to be saying, and therefore with a field which has not yet been harmonized and on which the decision could thus be left to the regions of the Community. No, Article 95 forbids — and I quote — ‘any internal taxation of such a nature as to afford indirect protection to other products’. Note the words ‘internal’ and ‘indirect’ — this means that the text refers specifically to local taxation when it forbids taxes of a special type; it would be very easy to remove tariff barriers and replace them with internal measures. It is clear that the Treaty is referring here precisely to the sort of case we are discussing.

But there are also other questions which may be regarded as questions of principle. Parliament has repeatedly come out clearly against fiscal barriers to trade in wine, but so far no one has taken any notice of this. In the debate on agricultural prices in 1977, which ended with a recommendation on this subject, the rapporteur was Mr Kofoed. As Hegel said, history plays tricks on us, and Mr Kofoed has now become a minister in his country, which is one of those levying the highest taxes; well then, I do not think it would be going too far to ask him now to display consistency by supporting within his government the views of the Parliament of which he was an illustrious member — views expressed in a debate in which he took part.

However, in addition to legal problems and questions of principle, there are at least two political questions which I should like to mention.

There is the question of general consistency with efforts to integrate Europe, less than nine months before direct elections to Parliament, and in the midst of the discussions on Mediterranean policy. This is the first question. Then there is a second question which I would describe as a social one — and it amazes me that Mr Hughes and the Socialist Members do not agree — namely the defence of popular drinks such as beer and wine *vis-à-vis* other drinks consumed by an elite.

The Community is now paying the price — I am referring to the first of the two questions I mentioned — for its Mediterranean policy. There is a package of proposals intended to be an initial attempt at achieving a new balance within the Community, particularly with regard to the Italian Mezzogiorno and the French wine-growing regions, and this price is reflected in the Community budget. At the same time — it is an inconsistency to which we are accustomed — the 1978 budget allocates 138 million units of account for the destruction — euphemistically referred to as distillation — of surplus wine, a surplus which, unlike that of milk, does not occur for structural reasons but because wine cannot benefit from the whole geographical market to which it is entitled.

Mr Scott-Hopkins, you say that the Italians adopt this attitude because they want to sell more wine to England. Of course: the Treaty lays down that all Community products should enjoy free movement; this is no longer something to be fought for, but an established right deriving from the Treaty and from the political integration which we have supported and still support. Other sums are set aside in the budget to eliminate a number of vineyards and restrict production. We must be consistent with the Mediterranean policy and take account of our responsibilities to the other wine-growing countries which have applied to join the Community.

Then there is the second question, which I have described as a social one. The two beverages most popular among workers are beer and wine. We have often heard our colleagues on the Left rightly defending the principle of freedom of choice for the consumers, which is a sacrosanct right in a market economy. Why then in this case, which involves popular consumption, are governments instead of consumers — since this is the issue — going to decide what is to be drunk? This is all the more absurd since, as Mr Pisoni said, the effect of fiscal revenue is so insignificant that it is really not worth the trouble of restricting the freedom of our citizens for a few pence. Moreover, there is a contradiction in Mr Hughes' argument: if it is true that drinking habits would remain unchanged, why does there have to be an excise rate four times the initial price, and if it is not true, why should one restrict the freedom of those who would like to drink something else?

For the simple reasons I have mentioned, the Communist Group will vote in favour of the motion for a resolution to enable the Commission to submit a directive on the subject. For the moment, the question is being approached with extreme caution, but I must say that in this field the Commission has been really hesitant and contradictory in the past. As early as 1972, there was a proposal to introduce a minimum rate instead of the maximum rate to be applied; thus the Commission was abandoning its own responsibilities and the principle of Europe — although I acknowledge that the new Commission has not pressed this point.

I conclude, ladies and gentlemen, Mr President, by saying that we are in favour of the motion not only because it is in the interests of millions of wine-growers, but also because of the more general principle that we are in favour of giving the Community regulatory powers in this field. By doing so we may emerge from this fiscal jungle, in which it really is the law of the jungle which prevails, so that, in the final analysis, it is a question of the survival of the fittest.

For these reasons, the Communists will vote in favour of the motion for a resolution.

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

Mr Liogier. — (*F*) Mr President, ladies and gentlemen, the wine market in the Community is threatened with chronic overproduction. Since 1970, when the Community regulations were adopted, production capacity has been increasing considerably more quickly than consumption. Producer prices have fallen and the cost to the EAGGF of supporting the market has leapt. Although it would be an exaggeration to claim that the EEC has reached the stage of structural surpluses for all qualities of wine, it can, however, be said to be very close to self-sufficiency. The overall situation, then, is that there is no hope of boosting consumption — unless tax harmonization measures affecting all beverages encourage the growth of wine consumption in the Member States with a low rate of consumption.

By increasing the rates of excise duty on wine, Denmark, the United Kingdom, Belgium and the Netherlands are not only going against the recommendations of the Commission but also accentuating a very marked distortion of competition between wine and beer. These measures are neither more nor less than infringement of the very principles governing the Common Market. There is therefore a need to redress the balance, as suggested by Mr Pisoni in his excellent report to which we shall of course give our support.

Indeed, the considerations which have led the countries I mentioned to maintain and increase excise duties on wines and spirits in general — that is, on alcohol coming from other countries and not on what they produce themselves — are not very sound. This goes for the fiscal argument. These governments claim, in fact, that they rely on levies on alcoholic beverages to finance their general expenditure and that they are therefore unable to do without this income. However, the experts are agreed — and, indeed, have known for a long time — that a large number of excise duties of this kind have ceased to have any justification in view of their relatively low yield and the high cost of collection in comparison with the income produced — not to mention, of course, the opportunities for fraud. In these conditions, they are neither more nor less than import duties — and that is quite unacceptable.

As to the health argument, which is connected with measures to combat alcoholism, this is clearly to be commended. Alcohol undeniably has harmful effects on health, and the genetic characteristics of the individual can be changed by alcoholism. However, it is in the countries where the highest excise duties are levied that the level of wine consumption is the lowest. There can thus be no question of regarding it as the cause of this scourge, which must lie in products other than wine. As regards the competition between wine and beer, this should not be overesti-

mated by the Member States, as the production and sale of beer remain more or less constant whatever the excise duties imposed on wine; on the other hand wine can suffer a considerable drop in consumption when tax barriers are raised, whereas the lowering of these barriers would allow the trend to be reversed, with an increase in consumption. It is of the greatest importance for us to promote the sale within the Community of a basic product of Community agriculture and not to make its consumption impossible or very difficult in certain places by taxing it at levels which have now become quite frightening.

In this field, any increase in consumption, however slight, will in fact contribute to the absorption of surpluses which have been causing us such concern for so long. This means that the elimination of excise duties is not only a necessary measure in the short term but a wise measure in the long term. It is therefore with the greatest insistence that we call on the Member States which have not complied with the 1975 recommendation to eliminate all forms of tax discrimination against wine. This problem must be seen not only from the Member States' viewpoint but also with regard to the duty of the Community as a whole, which should not spend increasingly large amounts of money on a sector which is capable — in time, at least — of finding its own balance.

President. — I call Mr Spénale.

Mr Spénale. — (*F*) Mr President, while Mr Hughes has expressed the position of the majority in the Socialist Group, which opposes the resolution, I must point out that the French and Italian Socialists are in favour and will vote accordingly.

Firstly, for reasons of principle: for years we have been calling for the harmonization of tax systems, which is the only way of eliminating internal tax barriers within the Community. We are surprised to see certain of our colleagues producing, on the one hand, resolutions calling for the elimination of tax barriers while adopting, on the other hand, a hostile attitude towards the harmonization of excise duties. This is a thoroughly contradictory attitude!

Moreover, the excise business is in a mess in the Community. Certain countries — one of which is not far from here — have instituted excise duties which are levied only on imported wines, and not on wine produced in their own vineyards, which is tantamount to instituting an internal customs levy in the Community against wines produced in the neighbouring member countries.

We regard it as indispensable, therefore, to make progress towards the harmonization of excise duties, and consequently we shall support the resolution.

President. — I call Mr Nyborg.

Mr Nyborg. — (DK) Mr President, it ought to be possible to find a solution to the great problems and the many conflicts which have arisen in connection with the sale and consumption of wine, beer and other alcoholic beverages within the Member States of the Community. The whole problem is so complex and so interwoven that we have to think in European terms to find a true solution. I was therefore pleased to read Mr Pisoni's report, which presents a serious analysis of the problem. This does not mean to say, however, that I agree with every point in his motion for a resolution.

As far as I am concerned, the most important aspect of Mr Pisoni's report is the opposition to discriminatory treatment of similar products in the various Member States, regardless of their origin. This must be accepted as a basic principle governing internal trade between the various Member States of the Community. The system of an upper and lower limit for the imposition of excise duties on similar products must be regarded as a proposal with a real chance of being implemented. But the report does contain certain thoughts and ideas which need further clarification.

For one thing, reference is made to the possible effects on tax revenue of a change in the excise rates. In other words, there is a certain fear, so to speak, of a drastic drop in state revenue from taxation. On this point, it must be said — and we have practical experience of this in Denmark — that an increase in excise duties on a particular product does not always mean an increase in state revenue; on the contrary, the net result in many cases is a reduction in state revenue because consumption declines to such an extent that the increased excise duties cannot make up for the loss.

On the other hand, we hear that the various arrangements in the Community for distillation of surplus wine production are quite costly, and that the costs involved in the grubbing-up of vineyards could be saved if the per capita consumption of wine were to increase by 2 litres. I have no doubt that this is correct, but it seems to me that it is a rather irrational approach, especially when I think of the measures we had to take in Denmark when we entered the Community, how — to take an example — we had to get rid of a large number of our orchards, not because the fruit they were producing was not of a high enough quality, but simply because they could not compete with the countries further to the south of the Community. Surely it would be more rational to take a similar line in this case, in other words, to reorganize the structure of this industry so as to adapt it to current patterns of consumption.

I myself come from a country which is now in the dock for discriminatory treatment of products from other Member States, and for discriminating in favour of its own products by the imposition of excise duties.

I would not deny that such is indeed the case. I should point out, however, that others are in the same boat — to wit, France, the United Kingdom, Ireland and Italy — but that just goes to show how essential it is for us to find a solution at European level which will enable us to establish roughly the same level of taxation for similar products. Presumably *snaps* will become dearer in Denmark and cognac, whisky and the like will be subject to lower rates of excise duty so as to balance things out. But the essential problem in this respect must be to establish criteria for bracketing comparable products together. The report before us today does not go into this problem in any more detail, but just refers to the need for a fixed excise duty per litre for different groups of beverages which occupy a similar or comparable position in the normal pattern of consumption. For instance, as other speakers have pointed out, beer and wine are not directly comparable, as they contain different percentages of alcohol — beer contains between 2½ and 4% compared with wine's 10 to 12% — and given the varying patterns of consumption and taxation in different countries, it is quite reasonable for the excise duties levied to be based on the percentage content of alcohol.

The fact that many jobs are at stake in this tussle about varying rates of excise duties in the various countries makes it incumbent on us to reach a solution as soon as possible, a solution which takes reasonable account of the real situation in the various national markets. Taking the present proposal as a basis, and with some clarification of the few points of detail I have raised, I feel that we shall be fairly close to a solution. For we must remember that the report before us leaves the Member States free to fix their own rates of VAT, for instance, but merely lays down the basic principle that discriminatory treatment of similar products must be done away with.

President. — I call Mr Nielsen.

Mr Brøndlund Nielsen. — (DK) Mr President, I should also like to make a few remarks on Mr Pisoni's report, remarks which have the backing of other members of my Group. By way of introduction, I would stress that drinking habits depend to a large extent on national traditions and that the taxation system is often geared to these very traditions. I therefore do not think that we ought simply to change things just like that. You cannot simply alter old habits by Community action. If you try to, all you will do is cause a lot of irritation because people tend to react angrily to any attempt to ram things down their throat.

Looking at the relationship between beer and wine — which is something this report does at some length — it seems to me that the wrong basis for comparison has been applied. I do not think that we can compare the tax levied per hectolitre on products which

Brøndlund Nielsen

contain such varying amounts of alcohol. In my opinion, it would be better to compare the tax levied per litre of pure alcohol.

What I mean to say, therefore, is that in Denmark our drinking habits are different from those of, for instance, southern Europe. The same goes, of course, for the other northern European countries, and this is something that other speakers have already pointed out. But it is a fact that the consumption of wine has increased much more than the consumption of beer; in fact, in the 1970s the increase in the consumption of wine was 3 or 4 times that in beer consumption.

Mr Pisoni's report does not devote much attention to the question of excise duties levied on spirits, and I think this is an area in which we should not greatly interfere. Certainly a lot of attention has been paid to it in various ways in today's debate, but here too I feel that it would be wrong to try to make too extensive changes, not only because of the fiscal problems involved but also because of the alcohol problems this might lead to in the Community. I must say that I personally fear the consequences — in terms of alcohol abuse — that a drastic reduction in excise duties on a number of highly alcoholic products might have. I must admit that, in Denmark, we have a growing alcohol abuse problem, for example many persons who drive under the influence of alcohol. As a Member of the Danish Parliament, I have been involved in work aimed at tackling this growing alcohol problem, and it is obvious that if the excise duties on hard drinks are reduced, the problem will only become greater.

On the other hand, I do not think we can tolerate any substantial increase in the tax levied on traditional local types of spirits. Even if this stuff is sometimes abused — and it certainly is — there is still something like an established tradition which governs our attitude to this kind of thing. The tax levied on the Danish brands of aquavit has increased substantially over recent years, but I feel that what we have here is such a traditional localized pattern of consumption that it would be highly unfortunate if we were to seek to impose a drastically increased rate of tax. As I said earlier, it would simply create irritation. I think it would be a step in the wrong direction to try to introduce so-called harmonization provisions in connection with these problems.

There is one small point in Mr Pisoni's report which I should just like to mention, and that is the reference to incidences of misleading labelling and false information on wine in general. I should just like to point out that, as you are probably aware, we have legislation in Denmark on foodstuffs and environmental matters which lays down certain first-rate rules on the specification on labels of the amount of additives contained in various products. I think this is an excellent thing, although I understand that questions have been raised

as to whether this system accords with the Community rules. I think I am right in saying, however, that the Commission is studying this very question and is trying to establish a framework precisely for requirements of this kind. I must say that I take the remarks under point 13 of the report to mean that those people who have tabled this motion for a resolution together with Mr Pisoni and who are experts in viticultural problems will give their vigorous support to this requirement that the packaging should state precisely which foodstuffs are contained in the products in question. I should therefore like to draw your attention to these slightly less central aspects, which are nonetheless important elements in the debate at the present time.

For the rest, I am sorry to say that I cannot support the thinking behind the views expressed in this report. I think this is one of the areas in which we must be extremely wary of trying to change things which belong to the long-established traditions of the various nations.

President. — I call Mrs Ewing.

Mrs Ewing. — Mr President, I did not have too much sympathy with the view that we should hesitate to discuss this matter because it was before the court — and I speak here as a person who has spent most of her life as a court lawyer — because if I were to reduce the case to absurdity and assume that it took the courts two or four years to come to a decision, I could ask: are we in this Parliament to be deprived of the right to make political decisions? Let the courts make their legal decisions, and let us make whatever political decisions we wish to. And I therefore voted accordingly.

I have a lot of sympathy with Mr Pisoni's report, although it is unlikely at the end of the day that I shall be able to go all the way with him. Perhaps if I spoke better Italian I might have been there: we did have a discussion and we agreed on many matters, but I do congratulate him on trying to rationalize what is a very difficult field. I certainly think it is a sensible approach to have a degree of bracketing. Whether you bracket by Mr Pisoni's method or by a method which was just mentioned by another speaker is not the point. I think we could at least agree that the principle of some comparable bracketing would be fair.

I can also sympathize enormously with Mr Pisoni when he speaks with some feeling of the plight of those engaged in the work of vineyards who are being asked to see them turned into deserts or at least closed down. There you have the destruction not merely of the vineyard but of the kind of thing I am always referring to when talking about fishing and harbours: you have the destruction of a way of life. And that consideration we have to keep very much in the forefront of our minds whatever decision we make.

Ewing

I also sympathize with Mr Pisoni when he talks about any attempt whatsoever to harmonize the VAT. But I wonder, having said so, whether he is not giving everyone a loophole on page 20 of Doc. 205/78, where he allows certain Member States to go from '0' to 'X'.

That, perhaps, brings me to my particular interest, which should be disclosed to this House, for, Mr President and fellow colleagues of this Parliament, you are looking at one of the two Members of the House of Commons in London who have a great many distilleries in their constituencies. I have 26 and I am beaten only by my neighbour colleague, who has 34, on the River Spey. There are jobs there: these jobs are very readily endangered in precisely the way Mr Pisoni spoke of if the market cannot in some way be regularized, and, rather in the way Mr Pisoni mentioned, the jobs I am speaking of are in small places. They are in villages, and there are no alternative occupations open to the men who work in these distilleries in Scotland. So I think it is clear that many of us must have the same motives for trying to get some order into this matter. As I understand it, Italy discriminates against beer in favour of wine, against grain spirits and spirits made from sugar-cane in favour of spirits made from wine, brandy, grape-spirits and fruit; the UK, of course, discriminates in favour of beer against everything, even against whisky; Denmark favours beer against wine and favours its own spirits against all other beverages of a high alcoholic content; Belgium and Holland discriminate in favour of beer and against wine, and then we have a curious thing from the Parliament document which I have in my hand: 'Ireland behaves like the United Kingdom, but is a little more moderate'. I wish there were some of my Irish colleagues here who could explain that extraordinary statement to me. Perhaps it simply means that Irish whiskey is not as saleable on the great European market as Scotch whisky is.

(Laughter)

If I could put it simply, I would welcome the situation that would result if all the actions that were being taken before the Court of discrimination succeeded. Now I know that some of these actions against France, Italy and Denmark are on behalf of the Scotch Whisky Association, because we have here a situation of clear discrimination — in some cases not merely in the simple matter of taxation, but in the more subtle, but nevertheless important, matter of advertising. Now with all respect to the United Kingdom, which, of course, I am accused of wanting to split into two equal parts, I do not know of any example where we do not advertise anybody's alcohol provided they are willing to pay the advertising rates. But it is, I understand, the position that in some of the Member States the Scotch Whisky Association,

willing as they may be to pay the advertisers' rates, may not advertise their product. Now I dare to think that drinking habits, as has been said in this debate, die so hard that perhaps we are all wasting a great deal of our time with the kind of liquor-tax war that started after the EEC, in which, by way of retaliation, one country decided that if it was being discriminated against, it would itself discriminate in another way. And I wonder, quite simply, whether drinking habits do not die so hard that all this energy is being wasted. It has often been said, you see, that it is the Scotch goose, the whisky, that lays the golden egg for England and gives it enough money to carry on its exchequer. There is more whisky in bond in my constituency than there is gold in the Bank of England — if, indeed, there is any gold left in the Bank of England, which is a closely-guarded secret — and you can come and see the whisky in bond in my distilleries, 26 of them open for viewing, if you would like to.

(Laughter)

It is often said, Ah, if you raise the tax too much on the whisky, people will stop drinking the stuff; beyond a certain point you cannot tax it any more, since consumption will go down. And I am unhappy to say on behalf of my fellow-citizens that that strange point has never been reached, and no matter how they tax it, the consumption continues to rise. And I dare to think that even in Italy, which is perhaps understandably taking discriminatory measures against Scotch in view of the discriminatory measures taken against wine (which I regret), if Scotch whisky is required by Italians, *élite* or not, they will continue to purchase it, no matter what rules are made in this House.

To a great extent, therefore, I do go along with the whole spirit — if one can use that word — of Mr Pisoni's paper. I am not convinced that Mr Pisoni has thought out all the ramifications of his proposals with regard to a very important industry which certainly affects, I must be honest, my country of Scotland; nevertheless, I do welcome his report. I think it is going in the right direction and I am sorry I cannot, here and now, Mr President, say I support it all the way.

President. — I call Mr Petersen.

Mr Petersen. — *(DK)* Mr President, I should like to explain briefly why I feel obliged to oppose and vote against the motion for a resolution we have before us here.

Let me just say to the last speaker that we in Denmark have managed to increase the tax on spirits to such an extent that consumption is actually going down. This has been the result of the latest rise in excise duty on spirits which I think now makes our rate of duty the highest in Western Europe.

Petersen

I must oppose the motion for a resolution itself on the grounds that I am absolutely convinced that it will have an adverse effect on the employment situation in Denmark, and pardon me for saying so, but the employment situation is of considerable concern both to me personally and to my party. We are accountable to the Danish voters on employment policy. Things are going badly in the employment line, and I am quite sure that if the proposals put forward here are actually put into practice, they will have an effect — not a drastic one perhaps, but an effect nevertheless — on the employment situation, and the end result will be more unemployment. This is the problem — and I shall be returning to this point later — with what the report kindly calls Denmark's own distilled spirits, in other words aquavit and the production thereof.

The other reason why I am opposed to the report is that, in my opinion, it may undermine the social policy and wealth-distribution policy considerations on which Danish taxation policy is based. My party has frequently had to vote against the consequences of the taxation policy we have developed in Denmark, which we have not always been happy with; but I must say that it is a fundamental attempt to control consumption and to establish the king of wealth-distribution policy which we hold to be necessary and which in general terms has received the approval of the mass of the people, even with the extremely high level of tax levied on spirits nowadays. This system undoubtedly has a number of weaknesses, but it has had the effect of encouraging the consumption of beer and — as another Danish speaker said earlier today — of wine, the consumption of which has increased much more than that of beer in Denmark in recent years. What we have done therefore is to encourage the consumption of beer and wine at the cost of the harder stuff. We may or may not agree with this policy, but it is the line we have laid down and followed in Denmark over the last 30 to 40 years, and I think it is the correct policy. Moreover, I believe that the Danish people generally approve of this policy, despite our grumblings about the high price charged for strong drinks.

But it is an inherent part of the system that it takes account of the employment aspect, and we cannot of course simply ignore the fact that there are two products in the field we are discussing here which are produced in large quantities in Denmark. On the one hand, we have breweries employing many thousands of people, and on the other hand, we have what the report very kindly calls Denmark's own distilled spirit — in other words, aquavit — which provides employment not merely for hundreds, but possibly for thousands of people.

And so we come to the question of what is referred to here as discriminatory treatment. In my opinion, it is

a hazardous enterprise to seek to meddle with the cultural difference between the various countries, and I would include here the question of strong drinks. It's not just a question of what someone called the popular drinks — namely, beer and wine — but also of the strong drinks.

I should just like to point out — and this is something the House may not be aware of and if not, it is high time it was — that the Danish people are not exactly wildly enthusiastic about the Community. Opinion polls show that something like 50 % of the Danish voters regret the decision by Denmark to join the Community. The question of Danish aquavit is of course only a relatively minor matter, but you can be quite sure that if you force through harmonization legislation which will increase the price of something like aquavit, which is so enormously popular in Denmark and which is — how can I put it? — one of our Danish national drinks, it will have repercussions not only on the employment situation; it is also bound to give the Danish people the feeling that a matter which they always thought came under national jurisdiction is now being decided elsewhere. In other words, the already shaky popularity of the Community in Denmark will most certainly not be enhanced.

This is perfectly objective information I am giving you, but at the same time I am quite prepared to admit that I voted against the accession of Denmark to the Community on 2 October 1972, and that I number myself among the 50 % who would vote against membership today.

But that is not the important point. I just feel I must point out to the rapporteur and to the House what the effects will be if we try to meddle in day-to-day matters which have grown out of traditions which have been part of my country for hundreds of years.

So much for the question of Danish distilled spirits; I shall refrain from commenting on what people think of them in other respects, but I rather feel that motions like this one and the Commission's move to haul Denmark up in front of the European Court of Justice for discriminatory treatment in Denmark will rightly be construed as moves which will increase unemployment in Denmark and will prevent us Danes from expanding our social wealth-distribution policy, which we consider to be a good one, or will at least impede us in our efforts to do so. For these reasons, I intend to vote against the motion for a resolution.

President. — I call Mr Burke.

Mr Burke, Member of the Commission. — Mr President, speaking in this important debate as Commissioner with responsibility for fiscal matters and having regard to the tenor of the remarks here, I would like to put it on record that the Commission understands

Burke

and shares the concern of those honourable Members who wish to see an end to the widespread discriminations and competitive distortions which apply to alcoholic drinks. There can also be no doubt that the Commission would like the highest levels of taxes on wine to be reduced. It made recommendation to this effect as long ago as 5 December 1975, and has reiterated this view in its report on the progressive establishment of balance in the market in wine sent to the Council as recently as 31 July of this year. In that report, it is also pointed out that the increase in consumption which could be expected to follow from a reduction in wine excises would have a favourable impact on Community expenditures in support of wine production. So it is not in dispute today that the Commission accepts that a cut in taxes on wine in those countries where consumption is relatively low has an important role to play in establishing a balance in the wine market. If, therefore, I have to express reservations on the motion for a resolution, this should in no way be interpreted as a change in the Commission's attitude on that point.

Where we have to differ from Mr Pisoni is not the ends to be achieved but the means. In the Commission's view, in order to arrive at a neutral fiscal system for alcoholic drinks, it is first necessary to establish a harmonized structure, followed subsequently by the harmonization of tax rates. At the present time, as Mr Pisoni's report eloquently states, the Member States have widely differing tax structures, and the establishment of a common system for taxing all alcoholic drinks has, as the report points out, encountered considerable difficulties. Mr Pisoni believes that by proposing certain constraints over the tax rates to be applied to competing alcoholic products, we can expect a greater willingness on the part of the Council to agree to a harmonized structure. I could wish that our contacts with individual Member States supported this view, but I am sorry to say that this is not our impression.

It should, I think, also be pointed out that the motion for a resolution, if adopted, would reverse the Parliament's own opinions of 1974 on the existing Commission proposals for harmonizing the structures of excises on alcoholic drinks. Parliament then approved the beer and alcohol proposals, but rejected an excise on wines. What is now proposed is that the Commission should withdraw or amend all three proposals, replacing them with one which includes the principle of a wine excise, thus reversing the 1974 position. The explanatory statement justifies such a move on the grounds that the situation has radically changed, and cites increasing tax discrimination among the Member States as evidence. In effect, therefore, the crux of the resolution is based on the assumption that the Commission proposals are now out of date, and have no hope of being adopted by the Council, whilst a

sort of 'drinks-war' develops between the Member States.

But we do not take this view, for several reasons. First, tax discriminations in this field are not a new phenomenon. Moreover, the Commission has in the past two years pursued the major discriminations under Article 169. Nine cases are in hand at varying stages of the Article 169 proceedings. It is therefore evident that we intend to end discriminations by one means or another.

Secondly, I would point out that Mr Pisoni's motion was first put forward in November 1977. It was indeed true at that time that the Council had not discussed the excise proposals for three years. However, in February of this year, in response to the Commission communication of 26 July 1977, the Council recommenced work, not only on the proposals to harmonize excises on beer and alcohol, but also on that for harmonizing excises on wine. Since that time, the Council has devoted eight meetings to a detailed examination of all three proposals, and has already convened a further meeting for next month. The situation has therefore radically changed since Mr Pisoni first put forward his motion, and it is difficult to accept a suggestion that these are out-of-date proposals. On the contrary, if the Commission were now to withdraw its proposals, as the motion implies, the only certain result would be to halt the discussions which are now taking place in the Council, and which we all wish to see brought to an early conclusion.

Finally, I am bound to express serious reservations on the part of the Commission in relation to Article 95 of the Treaty. The motion envisages that each Member State would be authorized to vary its taxation of competing beverages within a fixed bracket of, say, 25 EUA per hectolitre. This would, for example, permit a Member State to impose 25 EUA per hectolitre more of excise on an imported product than on a similar domestic product. This would in effect authorize Member States to breach Article 95 of the Treaty, which requires that no Member State shall impose internal taxation on the products of other Member States in excess of that imposed on similar domestic products. In paragraph 30 of the report, this course is defended on the grounds that a bracket of the kind envisaged in the motion would at least reduce the scale of existing discriminations. Parliament will not be surprised that the Commission is unable to endorse such a view. Indeed, the Commission has recently applied to the European Court for Article 169 procedures against Member States precisely on the grounds that Article 95 has been infringed by the practice of taxing imports more heavily than similar domestic products.

Moreover, we must remember that Article 95 is directly applicable, so that even if such a bracket were adopted, any citizen in the Community would be free,

Burke

and rightly so, to challenge its validity before the European Court.

Mr President, because of the importance of the report, I would like to make some further remarks more specifically relating to the different paragraphs. I would start with paragraph 7. I would point out that disparities in excise rates are not confined to wine. Similar differences exist in the levels of excises and VAT on tobacco, beer and alcohol. As for paragraph 8, as Mr Hughes has in fact already pointed out in the debate, the table in the report itself makes clear that wine consumption is declining in France, and is stagnant in Italy, despite the fact that negligible tax burdens apply in these countries. And it has to be remembered that France and Italy together account for roughly three-quarters of the total EEC consumption of wine.

In relation to paragraph 11, the tax levies on wine cannot be considered separately from the taxes levied on beer and alcohol, particularly in those Member States where the rates on drinks are generally high. For example, the total revenue from taxes on all alcoholic drinks in Denmark is 3.5 % of total tax revenue. In the United Kingdom it is 4.8 %; in Ireland, 11.7 %. Such revenues cannot be readily replaced. Where high tax rates apply, it is inevitable that any substantial cuts in the tax on one drink will result in a switch in consumption to that drink, with a loss in revenue from the taxes on other drinks. I would suggest that we should not lose sight of those facts.

Paragraph 12 leads me to make the following comment: it is simply untrue that high taxation of wine has reduced consumption. On the contrary, as I have already pointed out, despite relatively high tax levels in non-producing Member States, consumption is in most cases rising steadily or even rapidly, as the following figures show. I refer to wine consumption in litres per head for the two years 1955 and 1975, in respect of the following countries. For Belgium, the figures are 6 and 15; Netherlands, 1 and 10; United Kingdom, 1 and 5; Ireland 2 and 2; Denmark 3 and 12.

Paragraph 12 also seeks to make an unreal distinction between popular drinks, such as wine and beer, and luxury drinks, such as quality wines and liqueurs. In some areas of the Community — and I know there are many here who realize this — a drink such as whisky, which is regarded as something of a luxury elsewhere, is as much the popular drink as is beer and wine in other areas. Moreover, if some alcoholic drinks are lightly taxed, and others heavily, there must be a switch in consumption to the lower-taxed drinks.

As for paragraph 14, may I say that recent wine surpluses can hardly be blamed solely on high taxes in certain Member States. Consumption in these countries is rising steadily, even rapidly, as I have said, and

has been doing so for the last 20 years. Again, by contrast, I would underline that consumption in Italy and France is either stagnant or declining. It is also difficult to believe that any foreseeable increases in consumption in non-wine-producing Member States could absorb the surplus of the year 1974-75, for example. Nevertheless, as repeated in the report on achieving balance in the wine market, to which I have already made reference and which we forwarded in July as I have mentioned, the Commission supports a lowering of excises in high-rate Member States, in order that consumption in these countries should expand more rapidly.

I now refer briefly to paragraphs 18 to 20, on the Commission's proposal for harmonizing these excises. As regards these proposals, the present position is that the Council recommenced discussions in February, as I have pointed out, and regular meetings are being held. I would suggest again that it is not in fact suitable that we should withdraw or amend our proposals, and thereby confuse the situation and create a vacuum whilst new proposals were being prepared.

Paragraph 23: I have already pointed out that the Commission has taken, and will continue to take, all the necessary steps to enforce the Treaty.

Paragraphs 25 and 26: the proposed solution, I would suggest, ignores that Article 95 is directly applicable, and I have already pointed out that if an individual took a case to the European Court, then there would be the risk of an overturning. Any solution adopted by the Council must conform to this Article. In particular, paragraph 26 (d) presumes a wholly arbitrary list of beverages which would be deemed to be competing. But the first paragraph of Article 95 provides:

No Member State shall impose ... on the products of other Member States, any internal taxation of any kind in excess of that imposed ... on similar domestic products.

Any arbitrary pairing of competing products could therefore be challenged before the Court. Paragraph 26 (e), I would suggest to the House, would also risk a breach of Article 95. For example, it is proposed that a Member State should be free within a fixed Community bracket of, say, a quarter of a European unit of account — i.e. 25 EUA per hectolitre — to tax differently beer and wine. In fact the Commission has at present an Article 169 procedure against the United Kingdom for alleged breach of Article 95, precisely because the taxation of a domestic beer is lower than that of an imported one. In addition, it should be pointed out that a fixed bracket of 25 EUA would be of much less importance in Member States where tax levels are generally high than in Member States where tax levels are low. The discriminatory effects in low tax Member States could be very considerable as a percentage of the tax rates.

Burke

The harmonization of excise systems proposed in paragraph 26 (d) is already dealt with in the Commission's proposal under discussion in the Council.

The final reference which I shall make is to paragraph 26 (c). This paragraph would permit Member States to apply a zero rate to wine, and in that event to refrain from enacting the provisions of the directive for a harmonized excise on wine in national legislation. In other words any Member State not at present applying an excise on wine would in practice enjoy a complete derogation from the wine excise directive. But the Commission's aim is a harmonized excise, albeit at reduced levels, throughout the Community.

Mr President, I should like to continue briefly, because of the importance of the subject, to reply to some of the points raised by Members who have spoken. If I do not reply to all Members it is not to be taken that all contributions were not in fact thought worthy, but time is against us.

I would point out to Mr Pisoni that assuming that one tried to fix a satisfactory bracket and having regard to the fact that the present rate of taxes on drinks ranges from zero EUA in Italy to nearly 4 000 EUA in Denmark, where would that leave us? I would put the question to the House: is this a realistic exercise in relation to a group of products which are politically sensitive and which yield up to 11 % of total tax receipts?

To Mr Scott-Hopkins, I would reply to the point he has made about beer and wine. In the Commission's view, whatever the present tastes in particular Member States, including my own, all alcoholic drinks are products which on a Community-wide basis, I stress Community-wide basis, are competitive and should be taxed in similar fashion. We are not imposing new tastes, merely allowing them to evolve under a fair tax system.

On the point made about advertising and so on I would simply point out that the Commission is following up such cases wherever a Treaty breach is found, in particular a case under Article 169 against France's restriction on advertising is under way, as I think Mrs Ewing also mentioned.

Now, Mr Vitale objected to excessive excises on wine and, as I have said already, so does the Commission. But the Commission also supports an excise on wine and, because lower excises will increase consumption and a tax on wine in common with a tax on beer and alcohol will allow all such drinks to compete on equal terms, I would point out that there is no contradiction in this.

I was glad to hear Mr Nyborg refer to the European framework. This is precisely why we propose excises on all alcoholic drinks. No other approach is possible. Moreover, it is naïve to believe that we can at this stage in our evolution achieve a harmonization of tax rates. Harmonization of structures, including an excise on wine, is already difficult enough. But at long last

the Council is now discussing the structural proposals. Having waited six years for this, I would ask the House: why change or withdraw these proposals now and replace them with even more ambitious measures on rates, all, perhaps — and I say this with some restraint, or perhaps moderation, as Mrs Ewing referred to the British Government brief about my nationality — of doubtful legality? Finally, Mrs Ewing's question to me, whether the cases before the Court will succeed. I will reply simply by saying that the Commission would not have brought the cases unless convinced that there had indeed been a breach of Article 95.

To sum up, Mr President, whilst fully sympathizing with the aims of the resolution, I can only say that the Commission has strong reservations about its legality and feels that its timing is inopportune. Now that the Council is tackling the proposals for harmonizing excise on drinks, the best course, in our view, is to press the Member States to adopt them as soon as possible. I want to thank the House for the interesting debate we have just heard.

IN THE CHAIR: MR HOLST*Vice-President*

President. — I call Mr Pisoni.

Mr Pisoni, rapporteur. — (I) Mr President, first of all I should like to point out to Mr Burke that what he said does not correspond to the facts. In the past, Parliament has rejected a compulsory tax on wine. It has not said that the various Member States should not impose it.

Parliament has expressed the view that a tax on wine should not be made obligatory. Article 95 states clearly that no Member State shall discriminate between similar products in its internal taxation. We are fully in agreement with this, and in fact the motion for a resolution states clearly that in the Member States the same tax burden and VAT rate should be applied to similar products. For the rest, the definition of groups of similar beverages is left to the Commission and the fixing of the VAT rate to the individual Member States. As regards excise duty, the motion for a resolution states quite simply that the rate can be anywhere between zero and 'X'. If another Member State chooses zero as its rate for beer, it cannot exceed 'X' for wine. I do not understand why there is talk of discrimination. Indeed, once the bracket has been definitely fixed, both the Commission and the Member States will have plenty of room to manoeuvre. I am by no means implying that we should abolish all taxation on alcoholic beverages, as I am fully aware that this represents a considerable source of revenue for certain Member States. True, it would be desirable to establish a standard European rate, and the sooner the better.

Pisoni

However, it has not yet proved possible to do this, and it would be unrealistic to imagine that all the Member States could agree on a standard system overnight. We therefore advocate a step-by-step approach, since we realize that this is a very delicate matter, and we want all the Member States to be free to decide what tax rates to apply, provided that there is no discrimination between the various products. I do not think this implies changing people's tastes or making them drink one thing rather than another. We have no wish whatsoever to make beer-drinkers change over to wine. The people of Europe should be free to choose according to their own taste. What we are trying to do is to ensure the free movement of these products, including beer and whisky. We cannot have a different rate of taxation being applied to whisky and aquavit, and we therefore disagree with our Danish colleague who hopes the *status quo* will be maintained and is actively in favour of discrimination. Even if he voted against the accession of Denmark to the Community, I feel nevertheless that he surely has certain responsibilities once he is actually in this Parliament.

I should like to say to Mr Hughes and Mr Burke that the consumption figures should not be interpreted in the way they have been. If we assume that, in 1972, consumption in Italy and France was 108 litres per head and has subsequently levelled off at around 100 litres, do you really think that wine consumption is still on the increase?

This is of course impossible. However, the consumption of other alcoholic beverages is increasing and, in fact, Italy is one of the major importers of whisky and is importing more and more each year. Moreover, the fact that tastes are becoming more varied in Italy too is demonstrated by the extremely large imports of champagne. This might seem strange, but it nevertheless reflects the taste of Italian consumers, and there is nothing we can do about it. What we must do, therefore, is to establish conditions which will permit free movement for all products.

The idea that increasing taxation can reduce consumption is one with which I can also go along. However, we did not say that Member States may not raise taxes in the interests of public health or with a view to combating alcoholism. The Member States are perfectly free to do this, provided, however, that they do not apply such measures only to imported products, as in the case of Denmark which, for the sake of combating alcoholism, increases taxation only on imported products and leaves the tax on domestic products at the same level, on the grounds that the alternative course of action would lead to unemployment. This is a clear case of discrimination. I should

like to say to Mr Burke that, if the Commission and the Council can think of more suitable ways of achieving the aims we have in mind, we will give them our support. The important thing is to achieve the objectives, particularly harmonization and at the moment we are in favour of doing so gradually. I do not think anything could be more liberal than that.

Unless read carefully, this draft directive could give rise to strange interpretations. Who knows what we might have up our sleeves? But I should like to point out to Mr Scott-Hopkins that we do of course want to sell more wine and are not making any secret of this fact. However, the beer producers also want to sell more beer, but this does not mean that we are ganging up against beer, nor are we saying that you should tax beer. If you like, you can abolish any taxes whatsoever on beer consumption — we don't mind. However, we should like to re-establish a European, Community dimension for a product of this kind, not least in view of the accession of further countries which produce large quantities of wine. This, in our view, is the least we can ask, and we hope our proposals will perhaps enable the Council to reach a decision and put what we have in mind into practice sooner than would otherwise be possible, independently of the decision of the Court of Justice on which, however, we will nevertheless make our position known.

President. — I call Mr Notenboom.

Mr Notenboom. — (NL) Mr President, thank you for making an exception and giving me leave to speak briefly in a personal capacity.

I do not intend to go into the substance of this debate — this has already been done by other speakers. I just wanted to point out that I feel this debate has shown how right the Committee on Economic and Monetary Affairs was to ask the Bureau for it to be entrusted in first place with all proposals concerning taxation. Only the Committee can get an overall view of the taxation scene, but despite repeated requests, the Bureau decided otherwise. It is of course an agricultural matter as well, but I would ask the Bureau most politely to refer any future matters which have to do with taxation to the Committee on Economic and Monetary Affairs in the first place as this is the body which is responsible for taxation matters in this House.

President. — Mr Notenboom, your point is noted.

Since there are no more requests to speak, the motion for a resolution and the amendments which have been tabled will be put to the vote tomorrow morning at 9 a.m.

The debate is closed.

13. Urgent procedure

President. — I have received from Mr Mitchell, on behalf of the Socialist Group, a motion for a resolution (Doc. 308/78) on Community aid to the flood victims of the Ganges and Yamuna rivers, with a request for urgent debate pursuant to Rule 14 of the Rules of Procedure.

The vote on the request for urgent procedure will be taken at the beginning of tomorrow's sitting.

14. Membership of committees

President. — I have received from the Group of European Progressive Democrats a request for the appointment of Mr Halvgaard to the Committee on Economic and Monetary Affairs and to the Committee on Agriculture to replace Mr Ansquer, and for the appointment of Mr Ansquer to the Committee on Energy and Research.

Are there any objections?

These appointments are ratified.

15. Directives on the marketing of seeds

The next item is the report (Doc. 250/78) drawn up by Mr Hansen, on behalf of the Committee on Agriculture, on :

the proposal from the Commission to the Council for a directive amending Directives 66/401/EEC, 66/402/EEC, 64/403/EEC, 69/208/EEC, 70/458/EEC and 70/457/EEC on the marketing of fodder plant seed, cereal seed, seed potatoes, seed of oil and fibre plants, vegetable seed and on the common catalogue of varieties of agricultural plant species.

I call Mr Hansen.

Mr Hansen, rapporteur. — (F) The proposal before Parliament concerns the amendment of four directives on the marketing of plant seeds made necessary by the delay in the entry into force of Community decisions on the equivalence of measures taken in third countries concerning agricultural plant varieties and the official examination of seeds and plants.

It was originally laid down that from 1 July 1977 the Member States should coordinate their national policies at Community level. However, as progress has been much slower and there has been considerable delay in implementing the equivalence decisions taken at Community level, the relevant national measures must be extended so as to avoid disturbing current trade relations, pending the establishment of Community equivalences.

This provision, which in the absence of a Community decision is necessary to ensure trade in seeds and plants, reflects the slowness in carrying out the difficult task of harmonization. The Committee on Agriculture deplores these delays in an area which is highly important for the productiveness of Community agriculture and horticulture. As my report points

out, the committee wishes to stress the importance it attaches to maintaining a high level of protection against organisms which are harmful to seeds and plants and calls on the Member States and the Commission to do all in their power to prevent further delays in the entry into force of strict Community standards in the area of seed and plant marketing. I would ask the Commission to encourage continuous progress by observing the new deadlines, and I call on Parliament to adopt the present proposal.

President. — I call Mr Burke.

Mr Burke, Member of the Commission. — Mr President, the Commission welcomes Mr Hansen's report and congratulates him on an excellent job in this extremely complicated field. We will certainly ensure that the date provided for the entry into force of the equivalence decisions taken in respect of seed and propagating materials produced in third countries are strictly observed and that there is no delay in introducing Community phyto-sanitary standards.

The Commission also shares the view that there must be uniform and strict controls concerning the quality of seeds and propagating materials, and it considers that all derogations from Community standards must be either of a temporary nature or justified by specific ecological or structural conditions.

President. — I note that there are no more requests to speak. The motion for a resolution, as it stands, will be put to the vote at the end of tomorrow's sitting. The debate is closed.

16. Community trade policy and level of economic activity in the Member States

President. — The next item is the report drawn up by Mr Vandewiele (Doc. 143/78), on behalf of the Committee on External Economic Relations, on the effects of the Community's trade policy on the level of economic activity in the nine Member States.

I call Mr Vandewiele.

Mr Vandewiele, rapporteur. — (NL) Mr President, the report which comes before us at this late hour, which is an own-initiative report of the Committee on External Economic Relations, is closely linked with the reports of Lord Brimelow and Mr Cousté which we discussed recently.

The first part of the explanatory statement to the motion for a resolution draws attention to changes in the organization of world trade and developments in the Community's trade balance. The report goes on to quote recent statistics indicating the alarming increase in unemployment, particularly in four main sectors. Finally, the report asks: what can the Community do to normalize trade? And in this connection we must ask ourselves whether we still believe that protectionism is wrong? And if we do, to what extent and under what conditions should temporary measures be adopted to protect the sectors at risk?

Vandewiele

Our committee was divided in its discussions and Parliament too is divided on the interpretation of the term protectionism. And I am convinced that even the Commission is occasionally divided when it is required to adopt a position on this matter. You will find that I myself am somewhat hesitant on this issue although the general tenor of my report warns against the risk of excessive protectionism.

With a total foreign trade of 333 thousand million dollars, the European Community constitutes the largest trade block in the world.

The common external tariff clearly reflects the opening up of the Community to the outside world: it is on average 8 % (compared with 11.2 % for the United States and 6 % for Japan). This low tariff is only applied in full to a limited number of countries: the United States, Canada, Australia, New Zealand, South Africa, Japan, the Eastern Bloc countries, China, Vietnam and North Korea. It does not apply to a whole series of countries which have concluded preferential agreements with the Community and which, I am proud to say, export mainly free of customs duties to the Nine. This customs tariff will be substantially lowered again once the multilateral negotiations in GATT have been concluded.

The Community has taken advantage of this liberalization of world trade over a number of years, during which it recorded a substantial trade balance. However, its external trade balance is now persistently in deficit, to the tune 19 to 20 thousand million dollars in 1976.

It is obvious that in a Community to which there is very little restriction on access, where imports and exports represent about one quarter of the gross domestic product and where more than one job in four is concerned with products for export, the overall employment level is closely related to the volume of external trade.

The Community owes most of its prosperity to the conversion of raw materials, most of them imported. The value added by the skills of our farmers, workers and engineers constitutes the basis of the economic power of the Nine. The permanent nature of this power seemed to be assured as long as the Community was able to benefit from guaranteed and cheap supplies of raw materials and outlets assured by a worldwide monopoly. However, this situation came to an end with the appearance of new competitors on the world market (Japan, Eastern Bloc and South-East Asian countries and, increasingly, developing countries, and with the rise in the cost of raw materials.

Recent figures show that in its relations with its three major trading partners, the Community recorded a trade deficit of the order of 35 000 million dollars in 1976. I wonder if we are not being too noble, too generous, and if so, can we afford to continue in this fashion ?

Various sectors in the Community are asking whether the Community can continue to pursue the free trade policy it has adopted since the 50's or whether it should introduce a more restrictive system.

It is obvious that a system of generalized free trade can only operate provided that minimum rules of organization are observed.

The General Agreement on Tariffs and Trade (GATT) defines this minimum structure. It includes a number of rules which allow us to use safeguard measures under certain defined conditions.

We do not intend to call into question the justification for the Community's active policy towards the developing countries.

Neither do we hold the Community's trade policy solely responsible for the difficulties it is encountering in a number of sectors.

In some cases, the difficulties are the result not of the agreements themselves but of abuses or frauds committed within the Community: false certificates of origin, products claimed to be manufactured or processed in the Community whereas they originate in fact in third countries, etc. But one thing is certain: all industrialized countries are faced with the embarrassing problem of unemployment. On 1 January 1978, the number of registered unemployed in the Community was in excess of 6 million, that is 5.7 % of the working population of the Nine.

The European Parliament recently discussed the situation in the textile industry on the basis of the Normanton Report.

Between 1970 and 1975, the Community's share in total world exports dropped from 27 % to 22 %, whereas in the same period its share in total world imports increased from 15 to 24 %. It is understandable in the circumstances that both workers and employers in the textile industry should begin to question the Community's powers of resistance.

This type of increase could not fail to have repercussions on this branch of industry, which is the major employer in the Community. In 1972 it employed more than 3 627 000 people, but in my little country, Belgium, for instance, the number of workers dropped from 144 000 in 1974 to 116 000 at the end of 1977. In 1977, production was only 85 % of its 1974 level. And now we find that part of the Community's textile imports are still coming, not from under-developed countries, but from developed countries which still call themselves developing countries.

The moves which preceded the renewal of the Multi-fibre Agreement seem to have borne fruit. The Commission is to be congratulated on its energetic action in this connection. The bilateral agreements concluded in December 1977 with the principal exporters of low-priced textile products provide for stabilization of Community imports.

Vandewiele

The Community footwear industry also faces difficulties due to competition from countries with low wage levels. This industry seems to us to represent a typical example of sectoral difficulties due to excessive laxity in Community trade policy. Figures to this effect will be found in my report.

There is no international agreement for organizing trade in this area. If I am mistaken on this, I am sure the Commission will correct me. But Community manufacturers are calling for measures to be applied to regularize imports and to restructure production in this sector, which brings us to the problem of industrial policy. However, this is a problem I shall not deal with further here, because we are mainly concerned with trade policy. But I would point out that the two can no longer be dissociated.

In recent debates we have also discussed the crisis in the iron and steel industry. Important measures have been taken by the Council to put an end to the disturbances on the Community market. The Commission's aim was to arrive at bilateral voluntary restraint agreements in which the exporting countries would undertake to adhere to a certain price level. The volume of imports is calculated on the basis of deliveries made in 1976. From 1 January 1978, countervailing duties will be levied on imports of iron and steel products into the Community at excessively low prices.

The Community's share in world shipbuilding has decreased, steadily dropping from 51 % in 1960 to 22 % in 1976. The Commission recently announced that we should have to sacrifice at least 75 000 jobs, but even then we should not be able to envisage a thorough restructuring of this important sector.

Similar problems are also being experienced in the electronics sector, the leather industry, the fertilizer sector, but I shall not go into detail on that now. However, I would refer to the statement made by the heads of state and governments following the summit conference in Downing Street in 1977. They were all agreed to reject protectionism because 'policies of protectionism foster unemployment, increase inflation and undermine the welfare of our peoples. We are therefore agreed on the need to maintain our political commitment to an open and non-discriminatory world trading system. We will seek both nationally and through the appropriate international institutions to promote solutions that create new jobs and consumer benefits through expanded trade and to avoid approaches which restrict trade.'

While protectionism must be rejected, it is not acceptable for the Community authorities to stand idly by as imports flood in from third countries in more and more sectors of our economy.

The new world economic order now in the process of development will involve considerable sacrifices on the part of the European countries who have no raw

materials. We must be prepared for this, while realizing that the new redistribution of labour will give rise to an inevitable restructuring effort which will mainly affect the declining sectors and the most depressed regions.

The multilateral negotiations within GATT at present under way in Geneva must, as I emphasize also in my resolution, concentrate on clarifying and defining more precisely the whole question of the safeguard clause, which assumes such importance in the present circumstances. We hope that discussions on Article XIX concerning new conditions for using the safeguard clause will provide us with some means of protecting our industries, even if they are only to be temporary.

Mr President, the latest book by Galbraith has recently been published. For years I regarded him as one of the prophets of a liberal economy and to a certain extent of a social free economy or *Marktwirtschaft*. However, his book concerns the age of uncertainty into which, according to him, we are now moving. I should like to point out that we are all faced with this uncertainty. No one, no individual national parliament, or the Commission or the Council can claim to have definite and irrefutable solutions. This is why the Committee on External Economic Relations appeals to the Commission and Council to get together with Parliament and discuss what possible measures can be taken without undermining the spirit of the Treaties, which are still concerned with the free movement of people and goods and free world trade in the broadest sense.

We consider that the efforts made by the Commission to tackle the obvious abuses of competition have been successful, without the Community having to resort to protectionism. In the present circumstances, a number of further orderly marketing agreements would constitute, in our view, a means of reconciling the seemingly contradictory needs of maintaining employment and opening up frontiers.

However, your committee considers that competition remains an irreplaceable instrument for economic and social progress. We were all agreed on this, and I am proud to say that all the parties represented in this committee were able to reach a unanimous decision at the close of our difficult debate.

Mr President, we feel that the European Parliament as a whole should stress that protectionism can never be the answer to the Communities' current economic difficulties. However, we also feel that under certain circumstances a temporary limit on exports from certain third countries may prove indispensable to facilitate the necessary reorganization and restructuring of Community industries. The European Parliament welcomes the measures which have been taken to this end in the textile and iron and steel sectors.

Vandewiele

We hope that, wherever necessary, similar measures can be taken in agreement with the exporting countries concerned. In the face of the new challenges of a world which is undergoing radical change, the Community must apply novel and original solutions. We must make an imaginative effort to normalize trade without, at the same time, reverting to protectionism. It is in this spirit that I recommend to you our short resolution, unanimously adopted by your committee after arduous discussions. I should be pleased if Parliament, too could adopt it unanimously.

President. — I call Mr Martinelli to speak on behalf of the Christian-Democratic Group (EPP).

Mr Martinelli. — (1) The motion for a resolution submitted by Mr Vandewiele deals with the effects of trade policy on the level of economic activity of the Member States. This is a subject of very real importance at this moment and I would like to add some of my own thoughts to those already expressed by the rapporteur in his report in such depth and detail, although I believe I detected inconsistencies in some of the things he has just said.

For some years now we have been experiencing an increasing number of difficulties in expanding international trade, which is one of the mainstays of the Community's economy. Besides giving us a wealth of interesting facts and figures Mr Vandewiele has rightly pointed out that intra-Community and extra-Community exports represent about 25 % of the gross domestic products of the Nine, which makes the Community the world's largest exporter.

It goes without saying, therefore, that the Community has a vested interest in maintaining the freedom of international trade and must critically examine any measures that might tend to alter the established order in the light not only of the immediate impact of such measures but also of the possible repercussions they may engender.

Those who, finding themselves in immediate difficulties — some of which could have been foreseen — seek to introduce protectionist measures would do well to understand that they cannot invoke the principle of free trade for their exports while at the same time conducting a restrictive policy on imports. Or, to put it more bluntly, let no one imagine that they can protect jobs in their own countries against the threat from imports purely and simply by reducing employment elsewhere.

This is a simplistic view which nevertheless has been adopted by some employers who seem to see a solution to their problems in protectionism rather than in diversification, modernization and continual technological innovation, which are essential to a thriving economy.

These measures must of course be backed up by policies to encourage savings and sound financial manage-

ment so as to meet the economy's need for investment — large-scale investment. When inflationary processes eat into private savings and when ill-chosen public expenditure squanders resources that would have been better used to promote economic and social development by protecting and creating new jobs in viable sectors of industry, such restructuring measures are much more difficult to effect at the rate and with the results that are both possible and desirable.

The document presented by Mr Vandewiele — there is actually a difference in emphasis between his written report and his oral statement — also looks into the problems associated with the unscrupulous activities of certain exporters to the Community market and recognizes, as we all do, that free trade implies a minimum of rules, but the minimum must not be so low as to cause inefficiency and permit poaching. Poaching is not, and never will be, a recognized pursuit and it is a duty to defend ourselves against poachers.

But before we can accept the legitimacy of safeguard measures we need to look seriously — I mean honestly — at the nature of these activities which are having such destructive effects on both import-oriented economies like ours and export-oriented economies.

This is why Mr Vandewiele asks in his report that in the course of the Tokyo Round negotiations the procedure for invoking the safeguard clause in Article XIX of GATT be simplified and speeded up. This is why the Commission in the course of intensive, difficult and intelligent negotiations has performed the work necessary to permit adjustments in the organization of the market in certain sectors (for example textiles) in accordance with the situation of both the countries which export to the Community and that of our own producers. These orderly marketing agreements, which I was not the only one to view with aversion — not to say suspicion — when they were first introduced, have indirectly served to bring certain countries back to the observance of normal trading rules. And, taken as a whole, they cannot be seen as a revival of protectionist tendencies. I feel therefore that the Commission deserves praise for its work.

But let us also look at the other side of the coin: The governments of the industrialized countries and international institutions have for years been pursuing a policy designed to improve the economies of the developing countries, to help them diversify their agriculture, to progress from monoculture, to undertake on-the-spot processing of raw materials as well as their production wherever this is possible and economic, and helping those countries in the technical training of their manpower. There are allocations in our budget specifically set aside for vocational training, designed to help these countries to take an ever greater share in the rich flow of international

Martinelli

trade. The Lomé Convention and the development clauses contained in a growing number of agreements signed between the Community and third countries are a convincing testimonial to the intentions behind our aid.

Economists are continually coming up with new schemes to help further this policy which we here have played our part in shaping and sustaining. Already much has been achieved in the supply of massive plants and associated infrastructures which have been paid for with deliveries of the goods which they produce. And let me say that these plants offered by the industrialized countries and great institutions were the best that modern technology could come up with.

What then should our strategy be now? Should we put a stop to buy-back deals because these products would have a disruptive effect on our own markets, or should we rather organize our own industry better? Should we seek to hold back the industries of the developing countries, in the hope that we will be able to protect employment in our own obsolescent sectors of industry? And do we imagine that all these countries which look to the Community not just for economic aid but also for an example of a socially responsible society will be prepared to put up with the effects of such a shortsighted attitude?

Obviously our strategy will necessarily be a long-term one and it will need to be supported by tactics that will give our obsolete industries a reasonable time for renewal.

This, then, is our grand design for industrial restructuring. It is certainly a difficult area in which to make designs! But it is in a spirit at once of realism and of optimism that I have read Mr Vandewiele's report, in which he reminds us of the dangers should the Community seek to protect its domestic employment through protectionism, which can only lead to a lowering of the standard of living throughout the Community. Mr Vandewiele at the same time reminds us of the duty to institute a policy to protect those workers who will become redundant as a result of the reorganization and restructuring.

This is a difficult situation to have to face up to and it can only be resolved by cooperation between the various regions to achieve a more economic deployment and use of all the available manpower and resources. The Community cannot expect to be immune to problems and unemployment, no more than the United States or Japan can expect to flourish, so long as there are large areas of the world steeped in misery and poverty. This must be seen as axiomatic and when we look at the effects of the Community's trade policy on the level of economic activity of the Member States let us not forget that today progress — both economic and social — is indivisible throughout the world, or that — and this applies equally to the Community — whoever drags his feet and lags behind cannot expect others not to move forward.

President. — I call Mr Meintz to speak on behalf of the Liberal and Democratic Group.

Mr Meintz. — (*F*) Mr President, may I thank Mr Vandewiele for his report, with which we in the Liberal and Democratic Group are very satisfied. We are aware of the importance of today's debate and indeed some of the many points that might have been made on the subject have already been raised by members of my Group during the debates devoted to the resolutions on the practice of dumping, the threat posed to Europe by uncontrolled competition and on the multilateral negotiations in GATT. What is the running theme in these reports? It is the attacks on the freedom of international trade, which are not only damaging but totally incompatible with the principles of free trade. I shall not trouble to go over once again all the epithets used to describe such activities.

Voluntary restraint agreements, under which exporting countries bind themselves contractually not to allow deliveries to exceed a certain level, are replacing the traditional forms of import restrictions such as protective customs tariffs and import quotas.

Countries in which wages are high have developed particularly subtle ways of limiting cheap imports from the Third World, such as guide prices, recommended prices and minimum prices. There are also other restrictive trade measures which take the form of technical or administrative controls. The sheer variety of these measures is a tribute to the inventiveness of those that apply them and by these measures more and more countries attempt to protect their markets from external competition and they do this in the belief that they are helping to reduce the threat of unemployment.

We seem perhaps to have forgotten that there is a correlation between the growth of world trade — which rose from DM 260 000 million in 1947 to over DM 4 000 000 million in 1977 — and increased prosperity. What was for years regarded as the key to economic development and to the raising of living standards is now increasingly seen as a threat. The most remarkable thing is that these restrictive practices are not carried on overtly.

If the practical effect of a given measure is to restrict trade then, through some feeling of guilt, it is cloaked in a different guise. The word protectionism itself is banned from our vocabulary. We thus find ourselves in an almost grotesque situation where measures that are fundamentally obviously protectionist are promulgated as means of fighting protectionism. In fact, of course, their effect is quite the opposite. They boost protectionism to epidemic proportions.

Let us go on from there and consider the argument that protectionism is a weapon against unemployment. No one can guarantee that a protectionist measure against imports, by whatever name you may call it, will not have unforeseen consequences. No

Meintz

government is keen to reveal how many jobs in the given country are dependent on exports, in other words on the willingness of other governments to accept these goods into their countries without restriction. Rarely does anyone take the trouble to work out who picks up the tab for these protectionist measures. Who thinks of the consumers in his country forced to give up cheap imports? Who considers the trader and his lost business in imported goods? And who bothers to mention the jobs threatened by these measures?

No one any longer seems prepared to admit openly that protectionism makes little sense if its aim is to serve as a crutch to an industry that is tottering and no longer competitive.

Just one more word, Mr President, about our trading partners. It is obvious to everyone that there are increasing points of friction here. I do not need to go further into the past than to quote the words of Australia's Prime Minister, Mr Malcolm Fraser, who described the European Community as an obtuse and egocentric trading association which seeks to impose its rules on the rest of the world. I think I can rightly say that this would indicate a lamentable and dangerous development.

To conclude, I would say that we are now about to see a decisive change in our industrial structure, and the process of adaptation is going to be painful. But, however painful, it has got to happen, and putting it off will not make it any easier. Jobs are only safe where Europe's economy and its industry are in good shape. The Liberal and Democratic Group supports the motion for a resolution before us.

President. — I call Lord Ardwick.

Lord Ardwick. — Mr President, I just wanted to say a very brief personal word of congratulation to Mr Vandewiele on the clarity of his report and its common sense. I have spoken more than once in this Chamber about the difficulties we have in reconciling our philosophic belief in free trade, our real need for world free trade, and our need to prevent some of our industries from being suddenly disrupted. How can we reconcile these positions without hypocrisy and without charges of bad faith? I thought that Mr Normanton in his report on textiles came very close to getting this kind of reconciliation.

Going through this report, I thought that pages 22 and 23 summarized the position in which we find ourselves as well as anything I have heard or read. Mr Vandewiele says that any protectionist measure adopted by the Community would inevitably engender counter-measures on the part of the countries concerned, and the whole of international trade would be affected by reprisals. But while protectionism has to be categorically rejected, it is not acceptable, on the other hand, for Community authorities to stand by powerless as imports flood in from third

countries in more and more sectors of economic activity. Of course he recognizes too that the restructuring that we shall have to undergo, that we shall have to implement, is going to be a very painful process, but it is something which we have to accept. Indeed, it will be a vital part of the ambitious monetary and economic schemes of which we have been talking this week.

Mr President, sometimes we reproach the Commission for being too compartmentalized and for the lack of close cooperation between its departments. The close cooperation is probably there, but it does not always emerge in the statements which are made to us in committee and in this Parliament. But I wonder whether our Parliament, too, should not suffer the same reproach, because here we have a subject which is of vital concern to a number of our committees: the Committee on External Economic Relations, and the Committee on Development and Cooperation, which is concerned with the developing nations. I would like to suggest, Mr President, that a small working party from these committees should be set up to try to find a kind of corporate statement which fits all our needs and which can be regarded as a useful working philosophy for this Parliament, so that we can make it clear that we are free traders only up to a certain point and express this without hypocrisy and in terms which are generally acceptable to the people and to this Parliament.

President. — I call Mr Ortoli.

Mr Ortoli, Vice-President of the Commission. — (F) Mr President, I want first to thank the rapporteur for the work he has done. The document he has presented — I refer to the report and motion for a resolution — seems to contain ideas pretty much in line with those the Commission has put forward on various occasions, as several speakers have observed.

As I see it, Parliament's views on the formulation of trade policy have been by and large reflected in what the Commission has proposed and done over the last few years, and I see no major differences between us there.

I would also like to thank the other contributors, but, although Mr Meintz has left the Chamber, I must say that I was a little surprised by the quotation he gave which suggested that the Community's trade policy was obtuse and he used some other adjectives which I cannot now remember because I did not make a note but which seemed to me to be equally peculiar ...

Mr Martinelli. — (F) Those adjectives came from Mr Fraser, Prime Minister of Australia ...

Mr Ortoli ... Well, exactly, for we find that Australia's external tariff is probably more than double the Community's and that there are quotas for cars, electrical appliances, textiles, footwear and a number of other products, for which there may be a perfectly good reason, but I do not see that it justifies a

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Member of this Parliament repeating such statements as if the Community were somehow responsible. I am afraid I could not resist making that point.

Really I think we want to remind ourselves of one or two facts which will explain our policy and, I believe, justify it. Firstly, I wish to say something about this fear that strikes people at the thought of change. As you say, Mr Vandewiele, our trading balance is indeed in deficit and your report gives a number of figures. But may I point out that our trading balance has been virtually in deficit ever since 1958, so this is hardly a new phenomenon — and a variety of factors have given rise to it — although it is true that the situation deteriorated sharply in 1974, the first year of the oil crisis, and again in 1976, when difficulties arose as a result of the resurgence of inflationary trends within the Community. That is my first point.

Secondly, in connection with your observations on specific sectoral problems we may have to face, may I remind you that one of the sources of this deficit, our trade with Japan, has for some years now been receiving close attention from the Community at the very highest level. We have been having talks with Japan and the underlying theme of these has not been protectionism but the opening up of markets to enable us to achieve a better trading balance, indeed a perfect trading balance.

Thirdly, our balance of trade with the non-oil-producing developing countries is in surplus and, generally speaking, I see no particular cause for concern there. I should also mention that the share of these countries in our trade has been stable since 1970. It is necessary to realize this in order to understand that there are special problems — notably sectoral problems, as you said — and also more general problems with a certain group of countries, in particular the 'Janus' countries, where characteristics of a developing country appear side by side with those of an industrialized one. I think we must avoid generalizing, particularly since we are trying to formulate a genuine policy and not express sentiments.

I should say right away that I find far more common sense than sentiment in much that is said in the report. But I do believe that sentiment does have a place, particularly since, as Mr Martinelli suggested earlier, the Community must endeavour to present a 'human face' in its policies. This has been one of its chief concerns and it is something that we would all do well to bear in mind.

This concept is all the more valid if we expect developing countries to grow, if we accept the idea that they must grow. Forgive me for not putting it more passionately, but I do believe that they absolutely must grow and that it is the duty of all nations to help them to do so. Inevitably their growth will lead them into debt, and inevitably, sooner or later, they will have to repay their debts by promoting their external

trade. This is again something that must be worked into this working philosophy that Lord Ardwick spoke of.

Having said that, we cannot deny that the Community is faced with a number of problems and a number of alternative solutions, as your report shows very well. First of all we have done our best to implement a vigorous policy in certain sectors which received a severe hammering such that not only those sectors but our whole economy and the overall employment situation were threatened.

Mr Vandewiele, you cited textiles, iron and steel, and shipyards. Very appropriately you pointed out in your report that even in the case of textiles, iron and steel, and footwear — these are the three examples you mentioned in your report in 1976, which as I have already said, was a year characterized by a particularly large trading deficit for the Community — we exported more to these countries than we imported from them. This is the kind of finding that will tend to correct a number of hasty judgments one might arrive at. Nevertheless, as we have shown, the problem that you have raised and that the Commission has discussed is a real one which called for a certain number of solutions. And I believe that the textile agreement is a good example to follow. It led to a stabilization or even a slight increase in sales but, by preventing too rapid an expansion in sales, which would have created extremely serious employment problems, it dissuaded us from going ahead with poorly planned investment in the textile sector. It had the added virtue of covering the entirety of the exports involved and not just a part, without making the distinction you mentioned between a number of countries with common problems.

I believe that this is a good example of a course of action that offers adequate guarantees to the supplier and adequate guarantees to the importing countries. I will not go into the iron and steel industry in any detail — your report has already done that and, in any case, this is a subject that is debated in this House with great regularity. Let me just say that our shipyards policy is directed to achieving this sort of rational and sensible market organization, the same management of resources, on a world-wide basis. This underlines the fact that it is not Community policy to abandon whole sectors to the ravages of unfair competition. As your report rightly points out, we have an obligation to counter unfair competition where it occurs by recourse to international law or to Community law within the framework of international law. The Commission is entirely in agreement with what you say about unfair practices that infringe our laws. Mr Martinelli mentioned dumping and here again I believe that there is a case to be made for anti-dumping measures and, as you know, the Commission has never hesitated to act when it needed to.

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My second point is that all our efforts must be aimed at an improvement of the overall organization of world trade. You have spoken about the selective application of the safeguard clause under Article XIX of GATT and there is no need for me to say more since you know that the Community has adopted the same position.

Thirdly, all your remarks imply that the best way of resolving problems is by dialogue. As problems arise and when they are serious enough to demand a solution we should seek it in the context of international law, but we must be willing not only to explain our own difficulties but also understand those of the other side. This sort of dialogue at international level has in fact, I admit all too rarely, been at the origin of some of the market organization instruments now employed.

There are two points, however, on which I wish to dwell at some length.

The first is this: If we want to avoid being forced into an overprotectionist attitude from which we might find it very difficult to retreat — there is a fine dividing line between legitimate defence, which is only another name for protectionism, and what we call liberalism, which is the Community's true aim — then our most important task is the restoration of monetary stability in Europe, and indeed world wide. The present trading imbalances, the uncontrolled competition and the uncertainty are all partly due to monetary instability. I feel that by working towards monetary union ourselves we would be contributing to a greater stability in international economic relations, which is one of the keys to free trade in the world.

Having talked of money, the other thing I want to talk about is growth. We must remember that a quarter of our economy is dependent on external trade, as was pointed out earlier. But we must also remember that a quarter of our imports consist to a large extent of goods that we do not produce ourselves, and which we cannot therefore regard as competition. I refer to energy and to raw materials and farm produce that we do not produce ourselves and are obliged to import.

So there is a slice of our imports that we have to cover and accept as being necessary for our own development and well-being. We must realize that the figures that we quote for exports when expressed in terms of the GDP, can be somewhat deceiving, since, while it may be 25 % for some of the Member States and much more for others it is infinitely higher in certain key sectors, particularly of industrial production. There are a number of industries in our Member States that export considerably more than 25 % of their production. Admittedly, some of these exports are to the Community and in terms of balance of payments these are still regarded as external trade and

bring with them the attendant balance of payments and trading balance problems with which we are familiar. Perhaps when we have resolved our monetary problems this will be less true and probably disappear. But for the time being the Community exists as a geographical and trading entity but not when it comes to currencies. As a result, in financial terms our free trade is still foreign trade.

I believe it is important for us to be aware of this because if you look at the Community's past and at the past of our own countries, you cannot escape the conclusion that our growth has rested on the ability to adapt and to open up markets. The real and fundamental reason why we must not allow ourselves to slip progressively into protectionism, besides the doctrinal reason, is because it would be against our interest. Our interest is progress and growth and we can only further this interest by adapting and by opening up markets. In other words, protectionism has a braking effect, a disruptive effect on the economy which is incompatible with an economy that seeks to be self-perpetuating in a way that is inconsistent with economies that in recent years have opened up jobs, directly or indirectly, in those sectors in which there has been the fastest progress, as for example in the high-technology and specialized sectors such as engineering. There is a whole range of sectors that are vigorous, dynamic and creative and which, if we go back far enough, we will find were the sectors that generated employment while others were contracting and gradually losing their importance.

Unless we can see this we cannot appreciate where Europe's prime interests lie. I can say this with a clear conscience now that I have been able briefly to recount to you the actions we have undertaken, which show clearly that the Community has not countenanced chaos and abuse and that, on the contrary, we have done everything we had to do in the framework of our laws and international law, in the way of transitions, legitimate safeguards and the fight against abuse. You were quite right, if I understood you correctly, Mr Martinelli, to speak of social protection as being essential to the process. However, the keystone is still growth, and I mean growth in a stable monetary environment accompanied by the continual search for means of furthering the world economy of which, in the final analysis, we are the chief beneficiaries.

With this vision before us — and I believe that that is what lies at the heart not just of your report but also of the series of reports we have had in which either specific points or general problems of international economics were touched upon — if this is indeed the core of our policy — and you can no doubt sense the conviction with which I speak — we can surely also allow ourselves to consider our own interests and fight

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abuse. And may this awareness of our social responsibility, which is in fact a prime consideration in a number of the problems confronting us, be always reflected in our trade policy, in our industrial policy, in the corrective, preventive or protective measures that we take, and indeed in the overall policy of the Community.

President. — I call Mr Vandewiele.

Mr Vandewiele, rapporteur. — (NL) Mr President, I should just like to thank the honourable Members who were kind enough to express their unanimous approval of this report. In fact this makes me rather proud because, when we began our discussions in committee, I realized just how difficult it was to overcome certain prejudices. The fact that all the major groups agree unanimously with us and that Mr Ortoli has encouraged us to press on in this direction demonstrates clearly that, on this issue at least, the dialogue between Parliament and the Commission is certain to be productive.

President. — I note that no one else wishes to speak. The motion for a resolution, as it stands, will be put to the vote tomorrow at the end of the sitting.

The debate is closed.

17. EEC-Australia trade relations

President. — The next item is the oral question with debate (Doc. 285/78) by Mr van Aerssen and others, on behalf of the Christian-Democratic Group (EPP), to the Commission of the European Communities:

Subject: Trade relations between the European Community and Australia

In recent years it has been quite clear that relations between the European Community and Australia have not been developing in a satisfactory manner. According to reports the recent talks in Brussels produced no worthwhile results.

The Commission is requested to give a brief account of the present state of negotiations on the improvement of trade relations between the two partners. In particular:

1. Can the Commission outline the requests made by Australia and the Community's reply to the Australian Government's memorandum of October 1977?
2. Can the Commission comment on reports that in the past the Australian Prime Minister, Mr Malcolm Fraser, and the Minister for Special Trade Negotiations, Mr Vic Garland, have repeatedly complained about the allegedly protectionistic European Community trade policy and threatened retaliatory measures?
3. How can the political resolve to improve relations between the Community and Australia, which has so often been expressed by both sides, be translated into an effective agreement?
4. What possibilities does the Commission see of compensating Australia for the agricultural markets it lost as a result of the United Kingdom's entry into the

European Community? Are solutions to be found only within the framework of the GATT negotiations, or is there a possibility of bilateral solutions in addition to the concerted arrangements for stabilizing world markets under the terms of the Tokyo Round?

5. What are the prospects, in the Commission's view, for the development of long-term cooperation in other areas besides agriculture?
6. What contribution can the Community make in particular to the diversification of Australian industry and Australian exports, and what are the prospects for sales on the Community market of Australian semi-processed and finished products?
7. What effects have Community aids towards the increased use of domestic coal and coking coal and the Community's steel policy on Australian exports to the European Community?
8. Is the supply of Australian uranium for peaceful purposes one of the subjects being discussed in the current talks, and what is the attitude of both sides to this question?
9. What effects have the customs duties and import quotas introduced by Australia over the past two years had on Community exports to Australia, and how does the Commission view Australia's willingness to grant trade concessions and its opportunities for so doing?

I call Mr van Aerssen.

Mr van Aerssen. — (D) Mr President, our purpose in putting this oral question before the House is to help create a better atmosphere in the relationships between the European Community and Australia. We believe that relations between friends should no longer be prejudiced by one-sided declarations and distortions. With this in mind we have put to the Commission nine precise questions and we hope that the replies to these will help clear the air and, through joint discussion of our objectives, de-escalate the state of confrontation that has persisted in recent months.

What we want to see is a continuing dialogue as between friends and the development of a working arrangement between two such important trading partners. My colleagues and I want Parliament to act as go-between in the effort to bring about closer cooperation in the future between the two sides. Let us put behind us the mutual recriminations, such as the accusations by Australia that the Community is a small, narrow-minded trading association, or our own references to Australia as speaking with a forked tongue and pursuing a hypocritical trade policy. Let this debate mark a fresh start to our joint effort in the future.

I believe, moreover, that the European Community and Australia are very much dependent on each other. Australia's strategic importance to us, both now and in time to come, becomes all the clearer when we realize what are the two main objectives of present Soviet military strategy: first, through their policy in South Africa and Africa to cut the Community's oil supply

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lines — 80 % of our oil comes round the Cape of Good Hope — and second, which I think is possibly even more disturbing, to cut the United States off from its sources of minerals, especially chromium and magnesium, on which America is so heavily dependent.

I further believe that if the Community intends to strengthen cooperation and trade relations with the ASEAN countries then we must also recognize Australia's crucial role in this.

Thirdly, we all know that the Community is desperately short of certain minerals of which Australia has enormous reserves, which means, that we are dependent on Australia and need her friendship.

On the other hand, I believe the Australians know that they in turn are dependent on our help and goodwill and on good trade relations with us. The country is nearly the size of the United States and yet it has a population of only 14 millions. Consequently, the market is much too small and the possibilities much too limited for the inexhaustible riches of that country to be exploited without the aid of outside capital.

So Australia needs our help, she needs direct investment by the Community and she needs Community capital.

We should also recognize the Community's special importance to Australia. If I may draw your attention to the latest figures, these show that 25 % of Australia's imports come from the Community, and we are at the same time, after Japan, the major importer of their goods.

I believe that the Community's importance, in fact vital importance, to Australia should give us a strong sense of responsibility for the country's political and economic policies. I think that the anxieties expressed by Australia in this context are justified. I am not suggesting that all their political views are necessarily correct, but I do think that we should take these anxieties very much to heart. When you realize, for example, that Australia's exports of agricultural products to the Community have fallen by 80 % since the United Kingdom's accession and that agricultural products constitute 50 % of Australia's exports, then these are figures that cannot be ignored. And when, on the other hand, you see that the Community's trade balance with Australia shows a surplus of DM 2 000 million then it is obvious that we must take these anxieties seriously. Australia's criticism of certain export subsidies in the agricultural sector cannot be dismissed lightly by the Community.

Mr President, we must understand that we do have this special responsibility. Out of this sense of responsibility we must make clear to our Australian friends that they cannot continue to attack us when they themselves in the past two and a half years have been introducing a disguised form of protectionism

through a variety of administrative measures. I do not want to discuss them at any length but I am referring to the complicated system of quotas, administrative barriers to trade, duties on imports in excess of the permitted quotas, indeed a whole armoury of measures which are incompatible with the idea of free trade as expressed in Mr Vandewiele's report and subsequent debate and which we find unacceptable. I believe that the various protectionist measures that they have introduced have cancelled out their original 25 % reduction in customs tariffs.

However, Mr President, having voiced all these criticisms, as one must in any frank discussions between friends, we now want clearly to acknowledge the following: Firstly, the Australian Government has recently substantially eased regulations on foreign investment. Not only have they reduced the proportion of capital that must be in Australian hands from 50 % to 25 %, but they have also changed the rules governing the official authorization required by certain businesses so that companies established in Australia with a capital of DM 12 000 000 that is 5 000 000 Australian dollars, need no longer seek special permission from the Australian Government. I think we should applaud such a first step in the liberalization of foreign capital investment as a sign that the Australians are ready to join with us and work for the future.

Secondly, we should also recognize that the Australian Prime Minister made it quite clear he did not intend to make Australian supplies to the Community conditional on concessions from us in the agricultural sector. The fact that the Australian Government has dropped the idea of such a package, indeed no longer considers it worth further discussion, is to my mind a further sign that we can view our future relations with optimism.

Thirdly — and most commendably — the Australians have declared at the GATT negotiations that they are prepared to introduce a 40 % reduction in their tariffs. Despite what I said just now about the negative effect of the various administrative barriers, levies and so on, again I feel that this step of theirs indicates a movement towards our way of thinking and a willingness to work with us in the interests of free trade.

And, finally, I think it is very important that they have repeatedly declared their interest in constructive cooperation within GATT. I also believe that we can show the Australians that the solution to our common problems must essentially be sought in the framework of the GATT negotiations. For it must be plain that we must not, as a result of bilateral negotiations, give concessions, say, in the agricultural sector, which we cannot later grant to others. Our credibility in GATT would also suffer if we were to give the Australians concessions that the other GATT countries found unacceptable. Instead, we must see these bilateral talks

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as part of a two-pronged attack on our mutual problems, using them to prepare the ground for finding the solutions in GATT.

Mr President, I think the time is ripe for us to resume both the bilateral and multilateral negotiations in a spirit of mutual trust. I also think that it is time we reassured our Australian friends who fear that their coal exports to the Community may be in danger. In the last five years their coal export to the Community have trebled. They now send us 6.3 million tonnes and are worried that our policy of using Community coal for power generation may cut them off from our market. I think this fear is unjustified. After all, our policy of greater emphasis on the use of coal in power generation is not intended to cut other countries off from our coal market, and certainly it does not mean that Australia should lose its share of it.

I wanted to take this opportunity once again to allay the Australians' anxieties on this score. Mr President, if I may just summarize, the main purpose of our question is to relax the tension affecting relations between the European Community and Australia because we are both dependent on each other. By today's debate and subsequent discussions in committee we hope to create a better atmosphere for a continuing and useful dialogue.

President. — I call Mr Ortoli.

Mr Ortoli, Vice-President of the Commission. — (F) Mr President, it is true that relations between the Community and Australia have not been very satisfactory in recent years. It is true that the Community has been severely criticized by Australia, particularly for its agricultural policy. And I believe it is also true to say, as the previous speaker intimated, that many of the opinions expressed by our Australian friends are based on misunderstandings and an incomplete grasp of our standpoints and policies.

Since we believe that we should be on the best of terms with that great country we have done our utmost to dispel these misunderstandings and to correct the impression Australians may have of the Community's actions. Our willingness to talk and our desire for a dialogue has been borne out by a first meeting between Mr Jenkins and Mr Fraser, by contacts in Brussels in June between the Commission and a delegation led by Mr Garland, immediately followed by a further meeting between Mr Jenkins and Mr Fraser and by a fair number of contacts between Mr Gundelach and Mr Garland, among others. So both sides have played their part in trying to establish a dialogue and I would not say that this dialogue has been fruitless.

I am not suggesting that we have ironed out all the problems, and I shall come back to them in a moment, but then we never expected to get any substantial and conclusive results in matters that, particularly in the case of agriculture, come under multilateral negotiations and decisions rather than bilateral agreements.

A number of questions have been put to the Commission, the first of which concerns the demands made by Australia in what has been called the Howard Memorandum and which touched on such things as priority given to beef and veal, problems over increasing the quota, problems over fixing import prices, export refunds, controls on the sheepmeat market, problems over milk products, sugar, wheat; it was rather a long list and all these various points were dealt with in detail by Vice-President Gundelach in his talks in June.

I shall refrain from going into detail on these highly technical matters and shall instead confine myself to giving you the essentials of our position, as spelled out by Mr Gundelach to the Australians. This was that the most sensible and most promising approach, given that the fundamental points are being negotiated multilaterally in Geneva, was to look at the problem in the context of GATT together with all our trading partners. This does not mean, as we have shown, that we were not prepared to talk but that the obvious forum, and indeed the mandatory forum given that there are other interested parties involved, is GATT.

For our part we made some constructive proposals on this score. You have touched on them in your question. I am speaking, for example, of the draft concerted arrangements, which our partners are eager to explore and which we want to thrash out with them. I am convinced that this open and genuine approach can, within the framework of a major round of negotiations like GATT, produce a number of solutions to the problems that exist, solutions that will serve the best interests of both sides.

Secondly, we have heard Mr Meintz cite what has been said about the Community's trading policy, which has been accused of being protectionist. I have already said and I now repeat that we should not enter into this kind of debate, for if we were to start comparing external tariffs or import quotas the debate could not but become heated. While we must talk of these matters we should do so calmly. Whilst it is true that Australian exports of agricultural products to the Community have dropped, we must not forget that this was to some extent a logical and more or less foreseeable consequence of the United Kingdom's entry into the Community.

Let us not forget either that we ourselves suffered very severe crises with beef and veal, which led us to take certain measures that we have been trying gradually to change. Since these measures have been fully debated in this Parliament I will not go over them again.

As for what you say about possible retaliatory measures, I believe we made it clear to our Australian friends that there was no justification for such threats for the reasons I have given and, besides, they would get no one anywhere. In fact, the real solution lies in a better understanding and a clearer appreciation of the problems seen in an international context.

Ortoli

Coming to your third question, when we speak of concluding agreements with Australia, and we are talking here of formal agreements, we must remember that the problems that have been raised are essentially multilateral in character. I do not mean that we should not continue our bilateral discussions or that there will not from time to time be purely bilateral interests to discuss with the Australians — you have mentioned a few that I will come back to in a moment. All the same, the topics that have been at the forefront of our discussions belong in a multilateral forum. Without, however excluding bilateral discussions, which, as I said, are already taking place with Australian representation.

You have raised the question of industrial and general cooperation with Australia. I am sure that if we look at things calmly, as I have suggested, we will see that there are wide areas of common interest and good prospects for developing relations between the continents of Australia and Europe. Australia is rich in a number of products that you have mentioned and has rosy future in many sectors and Europe is the foremost commercial power in the world and could make a significant contribution through its trade with Australia. It is worth noting that, quite apart from uranium, the Australian mining sector already accounts for 20 % of Europe's imports of mineral ores, so we can say that the prospects are already very much a growing reality. I believe, therefore, that both sides have an interest in developing closer industrial ties, since these could obviously extend well beyond the mining sector.

In contrast, you have talked of restricting industrial cooperation. This has never been in the mind of either the Commission or the Community. I have mentioned some of the problems we have encountered in the Australian market to do with tariffs or various regulations relating to certain industries that we regard as very sensitive, like electrical appliances, motor cars, to say nothing of textiles and footwear. But when you talk of long-term cooperation then for these various reasons we are not yet ready to formulate proposals regarding specific sectors or industrial products. In my opinion the only road to cooperation between Europe and Australia is through closer contact between the two and through better mutual understanding. In our relations with our partners and sometimes in our partners' relations with us there are many things that should not have been included in the debate. This also supposes that we look at the areas in which we can usefully encourage cooperation case by case. I do not believe that we are at a stage yet when we can develop this kind of programme of industrial cooperation and I am going to talk of coal as I shall also talk of steel.

The European steel market opened up to the Australians at a time of difficulty for Europe. As you know Australian steel exports went through a period of very strong growth and the Australian share of the Euro-

pean market was not inconsiderable. All these facts have been fully taken into account in the arrangements we have discussed with them. When it comes to discussions with our Australian partner Europe is perhaps not as black as it is painted.

Your figures for coal speak for themselves: between 1973 and 1977 Australian exports of coal trebled. Personally, I am very pleased with that, even though it happened during an energy crisis when there was a real need for coal but when, on the other hand, one might have been tempted to put through special measures to protect the European coal industry. In the event we did not do this and I can speak with some knowledge since I was at the time President of the Commission. Instead we accepted the idea that diversification, which is talked about so much, and independence did not just mean the independence gained by virtue of production within the Community but also implied diversification in terms of coal — not just oil and gas — and diversification in terms of suppliers, and Australia is one of them.

Consequently I was personally very pleased with how things turned out. Now, why should anyone be afraid of something when it is part of a reasonable Community policy, particularly given our difficulties, in the face of declining reserves of coal in the Community — not because of any reckless extension of the use of Community coal — in conserving what has up to now been our main source of wealth and is probably also our most durable source of energy? Should anyone be worried that we may be anxious to bridge some of the difference between the cost of our own coal and the cost of imported coal to cover a part of our needs for electricity generation? I really do not see this creating serious problems for the Australians. In fact I am convinced that the policy I have just outlined and the proposals I have referred to show clearly that there is no question of any real threat.

You have asked if there are any negotiations in hand for an agreement between Australia and the Community on the supply of uranium. No such negotiations are taking place in the current round of discussions but, as you know, the Commission has asked the Council for a mandate to negotiate an agreement on the security of transfer of nuclear materials and the Council is currently considering such a mandate.

There you have my reply, probably incomplete since you have asked so many questions, to the problems that you have raised. Life has its hard realities. Clearly, the Australians have to face up to their problems as we have to face up to ours. But there is a way to resolve these problems and that is through a willingness to understand each other and to talk. It is a beginning, but a very important beginning. I do not believe that our attitudes have hardened since the problems became more acute. We must find a suitable forum for discussing these problems and the proper forum for agricultural produce is GATT.

Ortoli

If we look at things objectively, we will see that we, too, have our own problems to resolve in our relations with Australia but these should now, as you have said, be pushed into the background. There are, indeed, a number of areas where for many reasons our interests lie in common and perhaps we should seek to develop these for the benefit of both sides.

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

Mr Fitch. — Mr President, I agree with Mr van Aerssen when he says that the purpose of this debate should be to create the right sort of atmosphere for successful negotiations. A lot of recrimination about the past, in my opinion, is quite useless. That does not mean to say that we should not be quite candid about some of the difficulties which affect negotiations between the Community and Australia. The Commissioner, I think was rather optimistic. He outlined a number of meetings that had taken place. I am sure they have. But I think it would be true to say that, as yet, little progress has been made. I would not deny that; I am sure some progress has been made, but I think it is fair comment to say that the talks at the moment are in abeyance.

The Commissioner has given a very full reply to the questions that were put to him, and this will enable me to be brief. I may say that I hope this is the first of many debates on this very important topic. I must say this to our Australian friends: they have suggested — and I use the term 'suggest', which is a very moderate term — that the EEC is a protectionist organization, or has protectionist policies. But they have indulged themselves in protectionism, with such things as their duties — and this has been mentioned, I know — on cars, electrical equipment, brandy, footwear and textiles. In fact, the level of their tariffs is certainly higher than the level of EEC tariffs. I am not going to quote any figures; I think it is dangerous to quote figures, because they change so frequently, but I think there is certainly a gap. I do not think it is a considerable gap, though I am open to correction, between the Australian tariff and the EEC tariff on these particular goods. Certainly, quite recently, they subject imports to quotas, they have introduced an extra tax of 12.5 % which will give price as well as quantitative protection to their industry. So it cannot be said, Mr President, that they themselves are not pursuing a protectionist policy. I am sure they feel that they are perfectly justified in so doing. But it is no use denying it.

The EEC is keenly aware of Australia's difficulties, as the Commissioner has said, and appreciates her position as a traditional supplier of agricultural produce to the United Kingdom. Nevertheless, it has little room for manoeuvre in this area. The European Community is almost — in some cases more than — self-sufficient in practically all temperate agricultural products.

It cannot absorb further imports of, for example, beef and dairy produce, which are so important to Australia. If imports of such products were substantially increased, Community production would have to be reduced, with consequences for employment in agriculture and agricultural processing. Alternatively, the Community produce could be stored, but at even greater expense than surpluses of recent years. I think a very strong case has to be made for this. The Australians also complain that Europe is selling surplus farm produce on world markets at subsidized prices. Mr Garland, Australia's minister for special trade relations, had talks in Brussels in February and June 1978, and he said Australia could not accept the continuation of the present situation of unbalance between trading opportunities. Unless the Community moved from its present unrealistic and unacceptable position, Australia would be forced to reassess the basis of its trading and economic policies with the Community, including its purchasing policies. I am not quite sure, Mr Commissioner, whether in fact they have taken any retaliatory action as yet, but certainly this statement implies the possibility that some retaliatory action will be taken. This could apply to the purchase of defence equipment or, for instance, sales of uranium.

On the question of uranium, Mr Fraser was quoted by *Le Monde* on 15 June of this year as saying that he would like the discussion of trade in uranium to be kept separate from the talks at present taking place.

The best contributions we can make is to enter these talks — as I think the Community have done — in a friendly manner, and that friendly manner would be helped, I think, if Mr Fraser in future would see that his language is a little more temperate than it has been sometimes in the past.

President. — I call Mr Meintz to speak on behalf of the Liberal and Democratic Group.

Mr Meintz. — (F) Mr President, the Liberal and Democratic Group was extremely pleased with the question put by Mr van Aerssen and his colleagues. Back in March of this year my colleague Mr De Clercq had put a written question to the Commission, which replied that Mr Jenkins and Mr Fraser had reached agreement in June 1977 on procedures for improving mutual understanding and achieving closer cooperation between the two parties.

I am grateful to Mr Ortoli for showing us this evening that, notwithstanding the reservations voiced by Mr Fitch, these various meetings have led to attempts at cooperation, even though the points of friction between the Community and Australia have not been altogether eliminated.

As Mr van Aerssen developed his question it became clear to me that he had touched on so many of the points that I had intended to make that there really would be no sense in my going over the same ground.

Meintz

However, I wish on behalf of my Group to state clearly that in our view there is a close interdependence between Australia and the Community and if, Mr Ortoli, I earlier repeated Mr Fraser's assessment of Europe it was more to illustrate something which I believe constitutes a real threat — namely, the way we are seen by the outside world — than to describe an attitude towards a partner.

In my opinion, if we are to arrive at a balance of interests that satisfies both parties then we must make sustained efforts in that direction. I would add that my Group feels that such efforts should not be just on a bilateral level but also on a multilateral level, for example in GATT, as you have in fact already suggested. That is why we are happy with the replies we have heard to this question.

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

Mr Scott-Hopkins. — Mr President, I shall try to eschew the emotionalism which I am sure you would expect from those of us who are speaking on behalf of the United Kingdom. We all know the ties which exist between Australia and ourselves.

I am very grateful to Mr van Aerssen for having put this question down. I only regret it cannot get more publicity throughout the Community. I would thank also Mr Ortoli for the replies that he has given. He must know how important to the United Kingdom and public opinion is our trade with our old Commonwealth countries and Australia in particular. I was a little sad when he was saying that everything has got to be done within GATT. There is quite a wide area as far as agriculture is concerned which I would have thought would be much better dealt with outside GATT.

One of the points about this which has been raised already by Mr Fitch is that the disposal of the surpluses from the Community has undoubtedly disrupted the trade of countries like Australia, New Zealand and others in Third World markets. We are, to put it at its lowest, unscrupulous when we have a surplus: when we want to get rid of it we just get rid of it and to hell with anybody else who happens to stand in our way. I am not sure that that is the best way of going about things; I would have thought that bilateral talks on this level would be worth while. What astonishes me is that our Australian friends, who know what our problems are, have not used their well-known ingenuity to find other agricultural products which they can grow and which they can export to us. Doubtless they will try to do that.

I want to turn to the question of uranium. I understand that there have been problems. There was going to be a bilateral agreement — was there not — between Australia and the United Kingdom. This was objected to, and I would ask Mr Ortoli what the present situation is. I rather gather that the Australians

want to put a kangaroo on every single molecule of uranium they export. This, quite obviously, is unacceptable. I hope that the Council is going to give the same mandate to Commissioner Brunner as was given to him for the negotiations with Canada, which similarly wanted a maple-leaf on every single molecule they exported to the Community. But we reached a very agreeable arrangement with the Canadians for the export of uranium ore, not only to the United Kingdom but to Europe. I hope that similar negotiations can take place with our Australian friends, and that they will come to the same satisfactory conclusion. This is extremely important not only for the United Kingdom but for every country within the Community, and it is equally important for improving relations with Australia. I hope that we shall not take too long to do that.

I say in conclusion, Mr President, that I sincerely hope that this will lead to further and more thorough discussions and debates in this House. Five minutes are obviously not enough, as Mr Fitch found, but this is the regulation and we have to stick to it. We really ought to have a substantial debate on this topic. Relations with Australia, and other countries down under, are of the greatest importance to the future development of the Community, and I trust that now that Mr Ortoli has taken over from Mr Haferkamp in these external matters, we shall have more information on this topic in future debates, which will be greatly to our advantage and to that of Australia.

President. — The debate is closed.

18. *Regulations on the development of an agricultural advisory service in Italy*

President. — The next item is the report (Doc. 305/78) drawn up by Mr Vitale, on behalf of the Committee on Agriculture on:

- a proposal from the Commission to the Council for a regulation on the development of an agricultural advisory service in Italy.

I call Mr Vitale.

Mr Vitale, rapporteur. — (1) Mr President, the proposal for a regulation before us submitted last spring as part of what is called the Mediterranean package: a whole series of measures, most of which have been adopted by the Council.

Whatever the criticisms which — let me say — may be levelled at this Mediterranean package, the positive and salient fact about it is that at last it seems to bring into the common agricultural policy a more flexible approach, with specific aids for the solution of structural — and highly specific — problems of some of the Community's regions. The proposal for a regulation on the development of an agricultural advisory service in Italy, which the Committee on Agriculture yesterday adopted with amendments, represents, in our view, a bold step in this direction. The Commission has recognized that the opportunities offered to

Vitale

farmers by the Mediterranean package — for instance, the possibility of replacing 'dry' by irrigation farming (entailing truly revolutionary changes in respect of farm organization, use of technological resources and knowledge of the market) — would not be exploited in many areas, such as the Italian Mezzogiorno, where there are large numbers of small farmers who inevitably, through no fault of their own, are still firmly attached to traditional techniques, and farming methods and social structures.

This is why there is a need — which the proposed regulation is intended to meet — to create an agricultural advisory service to help the farmers adapt to the objectives of the common agricultural policy and to ensure maximum efficacy of the measures comprised in the Mediterranean package. Until now the common agricultural policy — and also the national policies — have all too often been confined to offering to the farmers material incentives, while pushing to the background the question of educating and extending the knowledge of the people to whom these incentives were addressed. We are all familiar with the unfortunate consequences of such conduct.

The committee, therefore, feels — and the motion for a resolution says so — that the inclusion, among the measures to benefit Mediterranean agriculture, of one specifically concerned with advisory services for Italy should be welcomed. I think it must be obvious why the proposal concerns Italy alone. But perhaps we should repeat here what we have said on another occasion, when the question of producers' associations was being discussed in connection with another measure which was also confined to one Community region.

We believe that there must be corrective measures in those areas where they become necessary, not only in the interests of the areas concerned, but of the Community as a whole and of the objectives which it is pursuing. And it must be clear that once again intervention is urgently required in Italy, more specifically in the Mezzogiorno, for the following two reasons: it is there that the most serious inadequacies in agricultural advisory services exist and also because it is the farmers of these regions that are required to make the greatest effort of structural change under particularly difficult conditions and in the face of great financial risk.

Despite the criticism often made, it is a fact that today in Italy, after decades of neglect, a big effort, supported by all the political forces of the majority, is being made to put agriculture in the centre of the picture. There is now extensive legislation to return to cultivation abandoned or fallow land, to raise the general level of productivity, to provide emergency aids in specific sectors. There is certainly no shortage of plans and programmes in Italy, nor can it be said that the existing problems have not been identified, but — and this is the point — in many cases the recipient of these incentives, the individual partner to these programmes and plans, is not forthcoming. For the recipient, the partner, is frequently the small

Mezzogiorno peasant who, largely through lack of the necessary knowledge, is unable to take advantage of them. This is the situation generated by fragmentation of agricultural holdings, by the difficult conditions of farming, by the lack of infrastructures — and this is why measures to help the agricultural producers to get themselves organized and to raise their standards of knowledge are of such critical importance.

Let me illustrate how enormous is the gap in this respect between Italy and the rest of the Community: a country containing nearly one half of all the Community's agricultural undertakings has only 5% of all the agricultural technicians operating throughout the Community. In Italy there is on average one technician for every 1 500 farms, when the Community ratio is one for every 220 farms. In these conditions, any structural policy, such as that introduced, for instance, by Directive No 159, or the measures of the Mediterranean package, must imply, as a precondition, some reduction, at least, of this difference over the next ten years.

The proposal approved yesterday — unanimously, I repeat — by the Committee on Agriculture provides for a common measure, to be implemented over a period of twelve years, to establish an agricultural advisory service in Italy. The Commission proposes to create a public institute comprising inter-regional centres, for the training of advisory leaders and general and specialist advisers. It then prescribes the staffing arrangements of the institute, course duration and content, student numbers etc. The EAGGF will reimburse 75% of the expenditure, or up to 79 million units of account. The Italian Government is to draw up the plan for establishing an agricultural advisory service within the limits suggested by the Community and on the basis of these proposals.

On the operational measures proposed, your rapporteur has expressed some doubts — which are shared by the committee — and for this reason a number of amendments have been proposed to the Commission's text which yesterday were unanimously adopted by the Committee on Agriculture.

It is one thing to lay down the general aims, the limits of expenditure, the necessary controls and the general arrangements for implementing this common measure — there is no question that these should be embodied in a Community regulation and that the outline plan to be drawn up by the Italian Government should be contained precisely within the framework fixed by the regulation; however, to lay down, as this proposal for a regulation does, details of the establishment of an institute comprising three inter-regional centres, is in your rapporteur's opinion — which, I believe, is shared by the committee — an error both of principle and of method. It is a methodological error, because the Community is concerning itself with a matter which immediately creates a conflict between the Italian State and the Regions, since, institutionally, agricultural advisory services in Italy lie within the competence of the Regions.

Vitale

In fact, at a special meeting which was held at the Italian Ministry of Agriculture, the Regions rejected the proposal as contrary to the Italian institutional system. This, in our or, at least, in your rapporteur's, opinion is an error of method.

The error of principle is that, basically, the Commission's proposal is for a centralized, bureaucratic structure, with uniform, standardized curricula and a single administrative board. But what Italy needs in this area is a structure as decentralized as possible, with differentiated programmes of instruction adapted to local needs, so that it can train specialists able to fit in with local technological, social and cultural conditions, which differ from area to area; moreover they must not only be technical experts, but they must enjoy the confidence of the local communities with which they will work.

This is why the committee has adopted an amendment deleting the detailed provisions for the structure of the institute and its inter-regional ramifications and providing instead — thus improving also the methodological aspect of the proposal — that decisions as to the choice and status of the bodies which are to carry out this common measure should be left to the Italian State.

Another amendment concerns the need to concentrate the effort in certain Italian regions, notably the Mezzogiorno. Given that the resources available are extremely limited, and the needs of the southern regions by far the most pressing, the committee is asking that 50 % of the total finance for the common measure be reserved for the Mezzogiorno.

As regards qualifications for admission to the courses, the Commission proposes that the latter should be open to candidates with a university degree appropriate for agricultural advisory work. This is a criterion at once too broad and too narrow; too broad, because the only Italian university degree that satisfies it is the degree in agricultural science, which therefore should be specified in the text. It is also too restrictive because there seems to be no reason why graduates of institutes of agricultural technology should not be admitted to the courses. As we have said before: the idea is not to train academic scientists, but active, down-to-earth advisers who can not only transmit information but can also help the advancement of agriculture by establishing direct contact with the farmers, based on mutual confidence; graduates of agricultural technical institutes who are themselves often the sons of peasants and belong to the local culture can — in the opinion of your rapporteur, which yesterday received the committee's broad support — perform an invaluable function not only in diffusing knowledge but in helping the farmers to get organized and in promoting their social advancement.

One last point made by the committee concerns the effectiveness of control over the implementation of

the measure; it is a difficult question since the measure is projected to continue over a period of twelve years. It is important — and no one disputes this — for the Community institutions to be able to exercise effective control over the overall results in relation to the aims of the measure, but, on the other hand, it must also be possible to adapt the initial programme to current conditions which are likely to change over such a long period. Twelve years is quite a long period in our age. The initial programme, therefore, should be regarded merely as a working basis, binding — certainly — but capable of subsequent adaptation to changing circumstances. We must thus reconcile the principle of control by comparison of the results with the aims, with the possibility of subsequent adjustment, i.e., of a certain degree of flexibility; the adjustments which may be needed may concern both the content of the plan and the financing arrangements in the light of monetary depreciation, which over a span of twelve years may become a determining factor.

Article 15 of the Commission's text provides for annual checks and the submission of a report to Parliament. Control in this form would, in the committee's opinion, be purely formal and fragmentary. It would be much better to provide for a triannual report accompanied by proposals for any necessary revisions. On this point, too, the committee has adopted a specific amendment.

Finally, attention should be drawn to the novelty of the Commission's proposal that the EAGGF contribution should be 75 %. I do not believe that this 75 % can be regarded as a new standard. It is, rather, an exceptional measure, not a precedent that we can expect to see applied in other cases of market or structural policy measures. It is, indeed, fully justified since the measure is altogether different from all the other EAGGF interventions. In this particular case, while it can be said that the aim of raising agricultural productivity is in the interests of the whole Community, it is also true that raising the technical standards of many millions of small farmers will result in social and cultural advancement of the entire rural society. These are aims which transcend the normal objectives of the EAGGF and indirectly encroach on the tasks of the Social Fund and of the Regional Fund. It should also be noted that the overall expenditure is rather modest in relation to the need.

With these observations and proposed amendments, your rapporteur, and the committee whose support he has enjoyed in this debate, is of the opinion that the Commission deserves credit for having identified an extremely important problem within the area of the common agricultural policy and for having attempted to find a specific solution tailored to the Italian situation.

Vitale

Your rapporteur hopes therefore, that, with the necessary amendments, the proposal will obtain the House's approval.

President. — I call Mr Lange.

Mr Lange, Chairman of the Committee on Budgets. — (D) Mr President, I fully agree with what Mr Vitale said a moment ago. Mr Berkhouwer made a statement on the matter this morning. However, to avoid the recurrence of the situation where a speaker finds himself addressing five or six fellow Members or an almost empty House, I suggest that, if the enlarged Bureau, in its wisdom, decides to add an item to the agenda, the House should be informed of this in writing, i.e. by an addendum to the agenda. If that had been done, this situation would not have arisen. So much for the agenda.

As chairman of the Committee on Budgets, I should like to comment on the regulation. We approved it. But although Mr Vitale explained all the amendments adopted by his own committee, he omitted to mention that a suggestion by the Committee on Budgets regarding the Standing Committees, referred to in Article 16 (3), had been adopted.

On this issue there is, therefore, no difference of opinion since we have repeatedly expressed our misgivings regarding the activity of the Standing Committees and the way in which the procedure of these committees has hitherto been manipulated, giving the Council the right of recourse and *de facto* excluding both the Commission and Parliament. This is something we have been trying hard to prevent. As far as we are concerned, the matter is clear.

President. — We have noted the good advice. Although I personally do not believe that a printed notice would have reached more people than an oral one, nonetheless something should be done about the system. We have therefore noted your views.

I call Mr Pisoni to speak on behalf of the Christian-Democratic Group (EPP).

Mr Pisoni. — (I) Mr President, I only wish to say that we shall be voting for this measure and to congratulate the Commission for having realized that we must concern ourselves not only with structures but also with people: they are, in fact, a more productive investment because, if we manage to change the farmers then they, in their turn, can make their undertakings viable and the structures operative.

President. — I call Mr Ortoli.

Mr Ortoli, Vice-President of the Commission. — (F) Mr President, I wish to begin by stating briefly that I agree with what Mr Lange has said. I was informed at 7.50 p.m. that the report would be debated this evening. I am not a specialist on advisory services — even in agriculture — and I must say that I am unable

to read a text which, as Mr Vitale's long presentation has shown, is highly technical, while discussing Australia and the growth of external trade. Despite the Commission's good intentions, there is still a problem to be dealt with.

My second comment concerns the importance of the document. I believe that if one were capable of identifying the really important issues then, the day it entered into force, there would be large headlines in the Italian newspapers, for the reasons Mr Vitale and Mr Pisoni stated. Although these matters are not spectacular, they determine the development of agriculture. This was a real need; I hope it will now be met.

Thirdly, I cannot approve a text which we have not been able to consider in detail. It was sent to us late and, in addition, I did not think it would be debated today.

I cannot, therefore, take a stand either on what Mr Lange stated at the end of his speech, nor on what you said regarding two or three of the major points on which the committee's proposals should make a difference.

Nonetheless, and without wishing to anticipate how the Commission will view the matter, I think I can assure you that we never intended to change the constitutional responsibility as laid down under Italian law which, in this area, devolves on the regions.

Like you, we are trying to be effective. The last thing the Commission wishes to do in proposing the setting up of an institute, is to be bureaucratic. The aim of the proposal is to ensure that there will be a place where proper coordination and proper assessment of an effort, which is inevitably diversified, can take place. It does not wish to impose a monistic solution. It is trying to ensure that, given the immense diversity, the fundamental problem of training advisors and preparing them for the job should be solved in a way that will guarantee the standard we require. This is not bureaucracy; on the contrary, it is the desire to have a system with the high degree of flexibility you referred to, but which, nonetheless, is unified by the search for effectiveness.

These are the remarks I wish to make, and they explain what we are proposing.

Moreover, when you say — and when the Commission says — 'concentrated in the Mezzogiorno' I have no answer to give. I am the first to recognize that the Mezzogiorno constitutes a major problem. But neither in this case can I give a commitment on behalf of the Commission, since I do not know whether other problems exist. I have the feeling that there are also problems outside the Mezzogiorno. This means that, by implementing this major decision, we shall have to assess precisely what measures are needed to ensure that — while recognizing the appropriate priorities — Italian agricultural economy can, over the period

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which you correctly estimate as covering 10, 12 or 15 years, derive the maximum benefit.

President. — I note that there are no more requests to speak. The motion for a resolution, as it stands, will be put to the vote at the end of tomorrow's sitting.

The debate is closed.

19. *Directives on floods in the Hérault valley and irrigation in Corsica*

President. — The last item on the agenda is the report (Doc. 306/78) by Mr Pisoni on behalf of the Committee on Agriculture, on :

the proposals from the Commission to the Council for

- I. a directive concerning the flood protection programme in the Hérault valley
- II. a directive relative to the programme for the acceleration and guidance of collective irrigation works in Corsica

I call Mr Pisoni.

Mr Pisoni. — (I) Mr President, it is the practice in this Parliament that, when no amendments are proposed, the rapporteur refers the House to his written report, and I think that this is perhaps the best way of dealing with this topic. But, to tell you the truth, the written report was submitted only yesterday and because of pressure of time it has not been possible to make those small adjustments to it which are always required. I shall therefore give you some brief clarifications and refer you to the written report for any other information you may need.

The report, which concerns two proposals for directives, can be regarded as relating to matters complementing the Mediterranean policy. Mr Vitale's report was also concerned with the Mediterranean policy. The two measures we are to discuss now concern the south of France. A further proposal on afforestation of the Mezzogiorno has still to be presented. The two proposals for Council directives are part of the general agricultural policy programme : one provides for aid for the Hérault valley, for remedying flood damage caused by the Hérault river and preventing the floods themselves. Apart from causing damage to the agricultural undertakings, the recurrent floods make overall planning extremely difficult. It is therefore proposed to act on a plan submitted by the French Government, the cost of which, calculated in 'green' units of account, is estimated at about 28 m u. a. The proposed EAGGF contribution of 10 m u. a. would represent about 35% of the estimated cost.

This seems to raise no particular problems : 35% seems a reasonable contribution ; what we did wonder about was whether the programme was based on precise data and whether the proposed amount would be adequate. The Commission has replied that it had based its proposal on a operational programme

submitted by France, so I take it we need have no worries on that score. What needs to be emphasized, both in relation to this and to the other directive, is that this measure is not an end in itself, for its real aim is to create conditions for restructuring the entire Hérault valley. It lies, as we know in the Languedoc-Roussillon region, one of the main producers of ordinary table wines, and the Hérault department has virtually a one-crop economy, producing almost 17% of all French wine. This area, for which another measure has already been adopted, is in particular need of restructuring and transformation ; the present radical measure should therefore be seen as a preliminary step toward restructuring the vine-base economy. This is why we regard it as enormously important.

The second measure, concerning Corsica, deals, on the other hand, with irrigation. It provides for the irrigation of 15 000 hectares — 10 000 in the eastern plain and another 5 000 in various other parts of Corsica — of land which is no longer to be devoted to the cultivation of vines but to be converted to other crops, especially of forage crops, of which there is an acute shortage in the Community.

It is estimated that the overall irrigation programme will cost about 30 m u. a. with the EAGGF contributing 50% of the expenditure. This, too, is a programme submitted by the French Government ; 15 m u. a. are to be paid over a period of 5 years.

I do not have before me the final text of the report as drawn up by the parliamentary committee. An amendment has been added to the report, which I hope will be available tomorrow morning : without the text, I cannot exactly recall its wording, but the objective is perfectly clear : Parliament asks the Council and the Commission for the implementation schedules of these plans and for information about the cultural transformations which are likely to take place as a result of these changes. That is the tenor of the amendment which has already been adopted by the committee and which ought to be included in the report.

After this brief introduction, referring the House, as I have already said, to the written text, I call on the Members to vote for this measure which forms part of the broad programme, now only beginning, of a genuine Mediterranean policy.

President. — I call Mr Ortoli.

Mr Ortoli, Vice-President of the Commission. — (F) Mr President, I should just like to thank Mr Pisoni for his report, to say that I regret having read it late and even more that, although I read it carefully, I did not find in it what he has just said. The copy I received does not contain the amendment he has just referred to. Therefore I should like to apologize on behalf of the Commission for not taking any position on the text which will be voted tomorrow. As I have neither

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read it nor seen it I am unfamiliar with it. This continues to raise some procedural problems.

Nonetheless, I feel that the general line adopted is quite clear, and I have no difficulty in agreeing with what was said at the end. It is a very important decision and this is something which, as a Corsican, I cannot overlook!

President. — I note that there are no more requests to speak. The motion for a resolution, as it stands, will be put to the vote at the end of tomorrow's sitting. The debate is closed.

20. *Agenda for next sitting*

President. — The next sitting will take place tomorrow, 15 September 1978, at 9 a.m., with the following agenda:

- Procedure without report;
- Vote on urgency of the motion for a resolution by Mr Mitchell;
- Vote on the motion for a resolution contained in the Pisoni report on wine;

- Report by Mr Inchauspé on certain wines from Tunisia (without debate);
- Report by Mr Amadei on bovines and beef from Yugoslavia (without report);
- Oral question with debate to the Commission on the protection of the purchasing power of frontier workers;
- Oral question with debate to the Commission on the European Foundation;
- Oral question without debate to the Commission on European Investment Bank loans;
- Oral question without debate to the Commission on the levying of import charges by Netherlands 'Produktschappen';
- Motion for a resolution on a fishing agreement between Spain and the European Community;
- Motion for a resolution on aid to the Sahel regions (an oral question on the Sahel is included in this debate).

End of sitting

— Voting time

The sitting is closed

(The sitting was closed at 9.25 pm.)

ANNEX

Questions to the Commission which could not be answered during Question Time with written answers

Question No 18 by Mr Scott-Hopkins

Subject: Intra-Community trade in onions

What is the Commission's view of the effects of intra- and extra-Community trade in onions on the returns to producers of onions, particularly with respect to the United Kingdom?

Answer

The Commission perceives that the production of onions maintain a certain stability. As regards imports, a similar stability is noticeable in the United Kingdom while for the Community as a whole, imports originating in third countries are increasing.

The Commission considers that the returns to producers cannot be forecast because of the speculative character of this production and the consequences of this speculation on the price level.

Question No 22 by Mr Power

Subject: EEC agricultural fair

Would the Commission support the suggestion that a strictly EEC agricultural fair should take place, on an annual basis, and alternating between each Member State, in order to promote the sale of Community agricultural produce?

Answer

The Commission is of the opinion that the big national fairs such as the 'Salon Agricole' in Paris, 'Grüne Woche' in Berlin, the 'Royal Agricultural Show', etc. are attracting more and more exhibits from different countries within the Community.

The Commission believes, therefore, that instead of creating further exhibitions it should use the facilities of the existing fairs, to organize days especially dedicated to European agriculture.

Question No 23 by Mr Fitch: postponed

Question No 24 by Mr Vitale

Subject: First instalment of aid from the EAGGF Guidance Section for 1978

Why has Italy received no more than 764 690 EUA (out of a total of 30 906 456) for only 3 projects (out of a total of 138) from the first instalment of aid from the EAGGF Guidance Section For 1978, as indicated in the official note from the spokesman's Group (July 1978) on the Commission's decision dated 30 June this year?

Answer

1. Pursuant to Article 13 (2) of Regulation (EEC) No 355/77, the Commission can only consider, for the purpose of granting aid under the first instalment, projects submitted before 1 January. Following the administrative reorganization the Italian Government could only submit the three projects financed before that date.
2. However, to avoid penalizing the Italian beneficiaries, the Commission immediately forwarded, in August, an instalment of aid for Italian projects under the second instalment. This special instalment comprises 49 projects and more than 16 000 million lira (= 15 million EUA) in aid.

Question No 25 by Mr De Clercq

Subject: The Commission's conclusions on the nuclear hearings

The European Bureau of the Environment has expressed disagreement with two of the Commission's findings, namely that the development of nuclear energy from a fission base is inevitable and that the reprocessing of nuclear waste is essential.

Does the Commission intend to justify its conclusions in greater detail?

Answer

The Commission organized public discussions on nuclear energy at the end of 1977 and the beginning of 1978 with a view to enabling the interested groups to express freely their views on the development of nuclear energy.

The European Bureau of the Environment took an active part in these discussions and, through its chairman, thanked the Commission for its action and congratulated it on the atmosphere of impartiality in which the discussions took place.

After hearing the different speeches the Commission drew the appropriate conclusions and communicated them to the Council of Ministers.

It should be recalled and stressed that the actions undertaken by the Commission following the discussions include the setting up of a periodical information procedure between the Commission and the EBE which is intended to prevent misunderstandings and errors of interpretation.

For its part, the Commission does not intend to revise its conclusions.

Question No 26 by Mr Edwards: postponed

Question No 27 by Mr Nyborg: postponed

Question No 28 by Mrs Dahlerup: withdrawn

Question No 29 by Mr Schyns

Subject: Protection against ionizing radiation

Is it true that the Euratom Directive of 1 June 1976 laying down the revised basic safety standards for the health protection of the general public and workers against the dangers of ionizing radiation has not been adopted by a number of Member States? Which Member States have not done so, and for what reason?

Answer

Although a number of Member States have not yet formally adapted their legislation to our Directive of 1976, in most cases their national legislation goes further or as far as the Directive requires. Since the establishment of the Directive (with a two-year deadline) new recommendations have been emitted by the International Commission on Radiological Protection which are being taken into account in a newly revised Directive, and some Member States are waiting to receive this revision before amending their legislation.

Question No 30 by Mr Cifarelli

Subject: Plan for a bridge over the Straits of Messina

Does the Commission intend to respond favourably to the Italian Government's proposal to finance, in conjunction with the EIB, the studies on the construction of the bridge over the Straits of Messina, and if so, in what way will it participate in it?

Answer

As the Honorable member is aware, applications for loans or guarantees addressed to the European Investment Bank by a Member State are submitted to the Commission for its opinion. The Commission is required to deliver its opinion within not more than two months (Article 21 of the Statutes of the EIB).

As the European Investment Bank has so far not received a request for funds for the bridge over the Straits of Messina it has not been able to submit it to the Commission for its opinion. The Commission clearly cannot state in advance what its opinion will be on a request which has not been communicated to it nor could it do so without examining the file supporting the request.

Question No 31 by Mr Kavanagh: postponed

Question No 32 by Mr Brown

Subject: Piano industry

What action does the Commission propose to take to prevent the flooding of member countries with dumped pianos thus putting at risk the European piano industry?

Answer

The Commission is aware that certain musical instruments, in particular pianos, are imported from various third countries at prices which are relatively low and inferior to those charged by Community producers.

However, at the present time, it is not in possession of information showing that these imports amount to dumping, as defined by Article VI of GATT and Community legislation.

It is primarily a matter for the Community industry affected by possible dumping practices to draw up a documented complaint which, after consideration by the Commission and other Member States, would enable an official enquiry to be opened and justify action by Community bodies, should dumping and serious damage be demonstrated.

SITTING OF FRIDAY, 15 SEPTEMBER 1978

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IN THE CHAIR : MR MEINTZ

Vice-President

(The sitting was opened at 9.00 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. *Documents received*

President. — I have received :

- a) from the Council, a request for an opinion on :
the proposal from the Commission of the European Communities to the Council for a regulation on common

rules for imports of certain textile products originating in third countries (Doc. 304/78)

which has been referred to the Committee on External Economic Relations as the committee responsible, and to the Committee on Economic and Monetary Affairs, the Committee on Social Affairs, Employment and Education and the Committee on Development and Cooperation for their opinions ;

b) from the Commission,

the report on the financial situation of the Communities at 30 June 1978 (Doc. 310/78)

which has been referred to the Committee on Budgets ;

c) from Mr Nolan,

a motion for a resolution, pursuant to Rule 25 of the Rules of Procedure, on the promotion of sports in the European Community (Doc. 312/78)

which has been referred to the Political Affairs Committee.

3. Procedure without report

President. — At Monday's sitting, I informed the House of the proposal from the Commission to the Council for adoption under the procedure without report provided for in Rule 27A of the Rules of Procedure. Since no Member has asked leave to speak and no amendment to the proposal has been tabled, I hereby declare it approved by the European Parliament.

4. Petitions

President. — The Committee on the Rules of Procedure and Petitions has informed me that it considers Petition No 4/78 admissible, and has referred it to the Legal Affairs Committee for its opinion.

5. Urgent procedure

President. — I have received from Mr Albertini, Mr Noè, Mr Ajello, Mr Lezzi, Mr Amadei, Mrs Squarcialupi, Mr Mascagni, Mr Ripamonti, Mr Brugger, and Mr Viale a motion for a resolution, (Doc. 311/78), with a request for urgent debate, pursuant to Rule 14 of the Rules of Procedure, on the numerous deaths and extensive damage caused by the floods in the Ossola region in northern Italy.

I shall consult Parliament on the adoption of urgent procedure at the first sitting of the next part-session.

6. Decision on urgency

President. — I now consult Parliament on the adoption of urgent procedure on the motion for a resolution (Doc. 308/78) on Community aid to the flood victims of the Ganges and Yamuna rivers.

Are there any objections?

Urgent procedure is adopted.

I propose that this motion be placed on today's agenda as the last item.

Are there any objections?

That is agreed.

7. Vote

President. — The next item is the vote on the motion for a resolution contained in the report (Doc. 205/78), by Mr Pisoni, on the taxes applicable to wine and alcoholic beverages.

I put the first four indents of the preamble to the vote.

The first four indents are rejected.

After the fourth indent, I have Amendments Nos 6, 7 and 8, tabled by Mr Scott-Hopkins, on behalf of the European Conservative Group, calling for the following three new indents to be inserted:

- Amendment No 6: considering that alcoholic beverages imported into certain Member States are subject to discrimination, compared with domestically produced beverages,

- Amendment No 7: having regard to Article 95 of the EEC Treaty which reads 'No Member States shall impose, directly or indirectly, on the products of other Member States any internal taxation of any kind in excess of that imposed directly or indirectly on similar domestic products',

- Amendment No 8: having regard to the discriminatory measures applied to spirituous beverages, which impede intra-Community trade and prevent free competition, to the considerable disadvantage of both consumers and producers,

What is Mr Pisoni's view?

Mr Pisoni, rapporteur. — (I) Mr President, I feel that these amendments can be accepted.

President. — I put Amendment No 6 to the vote. Amendment No 6 is adopted.

I put Amendment No 7 to the vote.

Amendment No 7 is adopted.

I put Amendment No 8 to the vote.

Amendment No 8 is adopted.

On paragraph 1, I have Amendment No 1, tabled by Mr Scott-Hopkins, on behalf of the European Conservative Group, calling for this paragraph to be replaced by the following new text:

1. Regrets that the Council has not yet been able to introduce an acceptable scheme for the harmonization of taxation incident upon beverages in the Member States, and hopes that it will soon arrive at conclusion acceptable to all Member States;

What is Mr Pisoni's view?

Mr Pisoni, rapporteur. — (I) Mr President, the rapporteur is opposed to this amendment and considers that the original wording of this paragraph reflects more closely the aims of the resolution.

President. — I put Amendment No 1 to the vote. Amendment No 1 is rejected.

I put paragraph 1 to the vote.

As the outcome of the vote by a show of hands is doubtful, I ask the House to vote by standing and sitting.

Paragraph 1 is adopted.

On paragraph 2, I have Amendment No 2, tabled by Mr Scott-Hopkins, on behalf of the European Conservative Group, calling for this paragraph to be replaced by the following new text:

2. Does not consider that the motion for a resolution tabled by Mr Pisoni and others is acceptable as a basis for discussion, being impractical and unduly biased in its recommendation;

What is Mr Pisoni's view?

Mr Pisoni, rapporteur. — (I) Mr President, this amendment is contrary to the spirit of the motion for a resolution and I ask that it be rejected.

President. — I put Amendment No 2 to the vote. Amendment No 2 is rejected.

I put paragraph 2 to the vote.

Paragraph 2 is adopted.

On paragraph 3, I have Amendment No 9, tabled by Mr Scott-Hopkins, on behalf of the European Conservative Group, calling for this paragraph to be deleted.

What is Mr Pisoni's view?

Mr Pisoni, rapporteur. — (I) I am against the amendment, Mr President, and ask the House to reject it.

President. — I put Amendment No 9 to the vote. Amendment No 9 is rejected.

I put paragraph 3 to the vote.

Paragraph 3 is adopted.

On paragraph 4 I have Amendment No 3, tabled by Mr Scott-Hopkins, on behalf of the European Conservative Group, calling for this paragraph to be replaced by the following new text:

4. Expresses its serious concern that certain Member States practice discrimination in matters of advertising, to the disadvantage of alcoholic beverages originating in other Member States;

What is Mr Pisoni's view?

Mr Pisoni, rapporteur. — (I) I am against this amendment because it calls for the removal of a paragraph which I feel is fundamental.

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

I put paragraph 4 to the vote.

Paragraph 4 is adopted.

On paragraph 5, Amendment No 10, tabled by Mr Scott-Hopkins, on behalf of the European Conservative Group, calling for this paragraph to be deleted, has been withdrawn.

I put paragraph 5 to the vote.

Paragraph 5 is adopted.

On paragraph 6, I have Amendment No 4, tabled by Mr Scott-Hopkins, on behalf of the European Conservative Group, calling for this paragraph to be replaced by the following new text:

4. Calls upon the Council to make a statement outlining its position on the subject of harmonization of taxation of alcoholic beverages;

What is Mr Pisoni's view?

Mr Pisoni, rapporteur. — (I) While in the original wording the Council is asked to make a binding political statement, this amendment implies a statement that would not be in any way specific. I therefore consider that the original wording is more conducive to solving the problem.

President. — I put Amendment No 4 to the vote. Amendment No 4 is rejected.

I put paragraph 6 to the vote.

Paragraph 6 is adopted.

On paragraph 7, I have Amendment No 5, tabled by Mr Scott-Hopkins, on behalf of the European Conservative Group, calling for this paragraph to read as follows:

7. Instructs its President to forward this resolution to the Council and the Commission of the European Communities:

Mr Scott-Hopkins has informed me that he is withdrawing this amendment. I put paragraph 7 to the vote.

Paragraph 7 is adopted.

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

The resolution is adopted.

8. Regulation on certain wines from Tunisia

President. — The next item is the report (Doc. 301/78) without debate, drawn up by Mr Inchauspé, 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 Community tariff quotas for certain wines having a registered designation of origin, falling within subheading ex 22.05 C of the Common Customs Tariff, originating in Tunisia (1978-1979).

I note that no one wishes to speak. The motion for a resolution will be put to the vote, as it stands, at the end of the sitting.

9. Regulation on imports of adult bovines from Yugoslavia

President. — The next item is the report (Doc. 302/78) without debate, drawn up by Mr Amadei, 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 extending the period of validity of Regulation (EEC) No 2862/77 on levies applicable to imports of certain adult bovine animals and beef from Yugoslavia.

I note that no one wishes to speak. The motion for a resolution will be put to the vote, as it stands, at the end of the sitting.

10. *Purchasing power of frontier workers*

President. — The next item is the following oral question with debate (Doc. 286/78) by Mr Dondelinger, on behalf of the Committee on Social Affairs, Employment and Education, to the Commission:

Subject: Protection of the purchasing power of frontier workers

In its answers to several written questions and one oral question the Commission has stated that it has no intention of recommending measures to remedy the unfavourable effects of fluctuations in exchange rates, for example through a compensatory mechanism.

The European Communities publication entitled 'The incidence of fluctuations in the rates of exchange on the calculation and payment of social security benefits for migrant workers', specifically states that the losses suffered by any group of migrant workers must be regarded as a personal risk arising from the freedom to choose employment within the Community and that there is accordingly no reason for this extra financial burden to be assumed by the Community.

Nevertheless, certain national delegations felt that it would be expedient to seek a solution to this problem on a Community basis by drawing on the resources of the European Social Fund.

Does not the Commission consider that this situation is an injustice to persons who are in no way to blame for the effects of fluctuating exchange rates, contrary to the objective set out in Article 2 of the Treaty of Rome of promoting 'an accelerated raising of the standard of living', and that the Commission should seek ways and means of eliminating all forms of injustice?

I call Mr Dondelinger.

Mr Dondelinger. — (F) Mr President, honourable Members, more than a year and a half ago, in January 1977, I put a question to the Commission on the erosion of the incomes of active and retired frontier workers because of the depreciation of certain national currencies. In his answer on that occasion, Mr Ortoli, Vice-President of the Commission, stated that it was not possible to implement any direct Community measures to make up for those losses and added that although exchange rate variations were unfavourable to some frontier workers they benefited others. But the problem is not limited only to the internal frontiers of the Community; it also arises in the frontier regions of third countries where it would be difficult to find a solution.

As for economic compensation at Community level, that would involve a particularly cumbersome and complex mechanism which might cause distortions incompatible with the Treaty. That was Mr Ortoli's answer and it is in line with the views held by the Commission for several years.

Parliament has been interested in this problem for some time now. Since 1969 there have been about ten written questions on the consequences of exchange rate variations for active and retired frontier workers. The first debate on the subject was held in this

assembly in October 1969 on the basis of an oral question. Mr Sandri, then Vice-President of the Commission, said that at social level there was no need to dwell on the inconvenience caused by the situation for that category of workers for which certain compensatory measures had to be taken. He felt that the necessary measures could be adopted either by the country of employment or the employer or the country of residence or by some of them jointly. But he had to admit that that was only a theory then since none of the Community countries had taken any action to solve the problem except for the French Republic and the Kingdom of Belgium which had concluded a special agreement. Intervention by the European Social Fund was not possible under existing legislation, but given the prospect of a reform and in view of the fact that the Social Fund should help to maintain the living standards of workers in certain circumstances, it might in fact be envisaged as a means of coping with situations resulting from exchange rate fluctuations.

During the same part-session Parliament adopted its resolution of 9 October 1969 on the social consequences for workers and especially frontier workers of monetary devaluations and revaluations. I shall not quote the whole text; it can be found in the relevant Official Journal.

Since then the European Parliament has devoted various reports to active and retired frontier workers and their special problems. The various comments and proposals made in these reports and the opinions delivered by the committees asked for their opinions are still as relevant today as they were then.

That, very briefly, is a summary of Parliament's action in this field. As far as I know, the Commission has during the same period drawn up four documents on the special problems created for active and retired frontier workers by devaluation in the country of employment.

The first document is a note on the problems of Belgian frontier workers in France, in which the Commission notes that the tension existing between frontier workers and their employers often assumes major proportions when exchange rate fluctuations and evaluations are too sharp.

The second document is a note on the problem of frontier workers and currency devaluation, in which the Commission concludes that an analysis of the situation shows that there is a basic conflict between the desire not to jeopardize the economic and monetary aspects of the Community's policies of alignment by introducing discriminatory compensatory measures and the human problems caused by the lack of stable exchange rates due largely to obstruction of the economic and monetary alignment policy. So far the Commission has been firmly opposed to any type of compensation at Community level. That means in other words that it has been more sympathetic to economic than social arguments.

Dondelinger

The third document is a basic document on the problems of frontier workers as a result of exchange rate variations, in which the Commission reaches a conclusion for which I hold it alone entirely responsible. It states that countries with a higher rate of inflation than others also generally have a higher average increase, i.e. than the nominal income in a country with a weak currency rises more rapidly than in a country with a strong currency. An extreme case was Germany in 1923 when millions of marks were made during one hour and during the next were not enough to buy even a loaf of bread.

The fourth and last Commission document and the one of most concern to us dates from October 1977 and deals with the effect of exchange rate variations when calculating social security payments to migrant workers.

This document, for which the Commission does not want to accept responsibility, as it states at the beginning, starts with a summary of events since Parliament's resolution of 9 October 1969. It seems that no solution had been found to the problem then, since the Administrative Commission on Social Security for Migrant Workers felt that it did not come within its terms of reference.

As regards the legal aspects, the document points out that Community social security provisions for migrant workers authorize the transfer to another country of social security benefits granted by the country of employment. Depending on circumstances, differences and variations in exchange rates can be either advantageous or disadvantageous to the recipients. The document reveals however that a special solution was found under the Nordic Convention under which a migrant worker receives this pension from the country in which he resides after a transitional period of three years during which he receives his pension from the country he has left.

The document gives the attitude of the various Member States to this problem. In a royal decree of 9 May 1972, Belgium took steps to compensate certain groups of frontier workers.

Denmark has done nothing.

The Federal Republic of Germany feels that for the time being there can be no question of applying or introducing compensatory mechanisms at Community level.

France has always said it was opposed to the introduction of compensatory payments in connection with monetary adjustments and that the problem could not be resolved at Community level.

Ireland's opinion is that a solution should be sought at Community level, possibly with contributions from the European Social Fund.

Italy has announced that solutions ought to be found at Community level.

Luxembourg feels that no final solution can be found until there is economic and monetary union but that until then special measures, in the form of compensatory payments by the European Social Fund, ought to be taken to compensate for the negative effects of currency fluctuations.

The Netherlands have announced that some bilateral agreements with Greece, Austria, Portugal and Turkey would provide for the recalculation of existing pensions if exchange rates fluctuated by more than 10 %. They feel in any case that the problem is not the responsibility of national social security services and that it should be solved through monetary agreements.

Lastly, the United Kingdom feels that recourse could be had to the European Social Fund to cover losses due to currency fluctuations.

That, Mr President, honourable Members, is the position today. Despite Mr Sandri's fine words almost ten years ago, the Commission has still not put forward any concrete proposal.

I should like to mention a few statistics. In 1948, the annual average exchange rate applied for FF 100, i.e. one new franc today, was BF 19.41. In 1958 100 old francs were worth only 11.48 Belgians francs. In 1968 one new franc was worth BF 10.08 and last year, 1977, only BF 7.19. In 1960 BF 7.94 were needed to buy 100 Italian lire and 7.92 were needed in 1970, but now the rate has fallen to 3.77. The pound sterling, which was worth BF 93.72 in 1973 when the United Kingdom joined the Common Market, is now only worth BF 61.11. Although this fall has been partly absorbed by periodic adjustments in those countries, the adjustments have not been able to compensate for the losses suffered by retired frontier workers in strong currency countries such as the Federal Republic of Germany and Belgium.

I should like, Mr President, to quote one extreme case. I know a retired frontier worker, in my town who has worked all his life on the territory of the French Republic and now gets a pension from the Caisse autonome nationale, the social security system for miners, called the CAN by the French. In December last year his French pension amounted to FF 1 814.60 which at that time was worth FL 13 036. On 1 January, pensions increased by 8.1 % in France but in March, when the French franc had dropped somewhat because of the internal French situation, the result was as follows: he got FF 1 963.36 or FF 148.76 more, which gave him BF 12 908 or BF 128 less than in December although there had been an actual rather than a merely nominal increase of 8.1 % in France. Since then, the French franc has increased slightly in value again, but as you can see, the increase in no way compensates for loss of income in a strong currency country.

Dondelinger

It is not the underprivileged that are responsible for economic and financial slumps in the Community. It would therefore not only be wrong but quite unjust to make old and retired people, invalids in many cases, who do not even live in the country in which they have worked and cannot therefore lodge complaints, suffer as a result.

In conclusion, Mr President, the Commission and the European Parliament have conflicting views on this problem, which, affects a certain group of frontier workers in the Community. The problem cannot be solved unless a special fund is set up. Since, as I have just said, a majority of the national delegations are in favour of such a solution, with possible participation by the European Social Fund, I would ask the Commission to start negotiations immediately with Member States' governments and to submit to us and the Council as soon as possible a proposal for a regulation based on Article 117 and more particularly Article 118 of the Treaty of Rome which are aimed at ensuring equality in living and working conditions and social security provisions for retired workers. It is time for the European Community to stop concentrating only on economic aspects and to start acting resolutely on behalf of its citizens and meet the needs of workers and retired people.

President. — I call Mr Cheysson.

Mr Cheysson, Member of the Commission. — (F) Mr President, as the honourable Member has rightly pointed out, this subject has already been the subject of numerous debates in this Assembly and of documents submitted by the Commission — on its responsibility — or of information documents such as the most recent one mentioned by Mr Dondelinger. As recently as 1977 Mr Van der Hek and Mr Albers put a question on this matter as did Mr Bangemann in October. Numerous replies have therefore been given.

Fluctuations in exchange rates undeniably affect the actual amounts paid to frontier workers in social security benefits and above all retirement and invalidity pensions. To ensure that all points of view are put, I should like to emphasize that in most cases these fluctuations tend to favour frontier workers.

The vast majority of these workers live in a country with a weak currency and work in a country with a strong currency and they therefore benefit from more favourable conditions of pay.

There are nevertheless a limited number of cases in which frontier workers and retired persons are affected by unstable exchange rates. As Mr Dondelinger acknowledged, partial compensation has been made by adjusting social security benefits and pensions and also because prices and the cost of living increase less

sharply, in real terms, in countries with a soft currency than in countries with a hard currency.

The Commission, does, however, recognize that problems do exist. But — and I can only confirm what has been said by my colleagues on various occasions — it feels that at the present moment it would be neither desirable nor appropriate to envisage Community measures, in view of the complexity of any Community intervention in this field (the rapidity and multiplicity of fluctuations in exchange rates, changes in the rates of social security benefits, the amount of compensation in relation to the actual standard of living, establishing which people are involved, defining the monetary transfers to be taken into account, the inclusion of other monetary transfers to be taken into account, the inclusion of other monetary transfers apart from the transfer of salaries and pensions, implementation, control). A further difficulty is that, if the workers concerned were given compensation, there should be a levy on those workers who benefit from exchange fluctuations. We and our legal departments still consider any financial compensation at Community level to be incompatible with the Treaty of Rome.

We admit that, in a few cases, retired people are adversely affected by diverging national economic and monetary policies, but in these cases it is for the governments of the Member States to take the necessary measures at national level to remedy this situation and to achieve the economic and monetary objectives agreed at European level and rightly mentioned by Mr Dondelinger. This is precisely why one of the member governments has already taken such action to help its nationals who work in neighbouring countries.

Mr President, this debate in fact touches on an even more important subject, that is, that there can be no real solution to this problem without economic and monetary union. This would set a limit to the injustice affecting frontier workers. The common market and the Community as such imply freedom of movement, unity and hence a monetary community and without that there can be no solution.

President. — I call Mr Santer to speak on behalf of the Christian Democratic Group (EPP).

Mr Santer. — (F) Mr President, after the statement by Mr Dondelinger covering all aspects of this matter and the explanations provided by Commissioner Cheysson, I must say that this assembly is only too familiar with this problem.

Mr Dondelinger rightly referred to the European Parliament's resolution of 9 October 1969, which was adopted unanimously by the Members present. In it,

Santer

we welcomed the conclusion of bilateral agreements whereby the losses suffered by workers and their families were partially compensated, but we regretted that these negotiations took place outside the Community framework and without the participation of the Commission.

We emphasized that nothing had yet been done to help workers in certain Member States — either at bilateral or Community level — and we expressed the hope that, pending the establishment of a common monetary policy, the Commission would seek Community solutions without delay (for example, as part of regulations on the free movement of workers, social security for migrant workers and the European Social Fund) to alleviate the adverse effects on European workers and their families which result from the devaluation or revaluation of currencies.

We asked the Commission to submit to the Council as soon as possible concrete proposals for Community measures.

That was on 9 October 1969. Now, nearly ten years later, we are still only at the exploration stage, although the situation has worsened since that time as a result of the monetary and economic upheaval with which we are all familiar. There are now two important reasons why we must act immediately. Firstly we must of course guarantee to maintain the purchasing power of salaries and social security benefits, *including* pensions, received by frontier, seasonal and migrant workers in general and their dependents; secondly, we must oppose any restriction on the free movement of workers as laid down in the Treaties and governed by Council regulations. Hence what we, as the European Parliament, requested in the past and are now requesting again falls within the terms of the Treaty of Rome and must be dealt with at Community level. We should therefore stop carrying out studies, Mr President. All aspects of this matter are well known and we should therefore put the conclusions of the various reports into action, since otherwise we risk losing credibility in the eyes of European public opinion on the eve of direct elections.

President. — I call Mr Pistillo to speak on behalf of the Communist and Allies Group.

Mr Pistillo. — (*I*) This is an old question, Mr President, and it drags on and on, without a solution being found. All sorts of proposals, as Mr Dondelinger has just reminded us, are considered in various countries but, once again what we have now here are some particular proposals which, in the absence of agreement between the States, have no legal force and which, above all, have no Community-level initiative behind them. neither is there any force in the argument, which we have heard so often, and to which Commissioner Cheysson has also referred that, whilst it is true that many workers suffer from the effects of monetary

fluctuations, it is also true that there are other workers who, at some moments and to a certain extent, benefit from these fluctuations. I do not believe that this is an argument that can be validly opposed to what Mr Dondelinger has been saying.

It is our view that the Community must put itself in a position to be able to protect, through an automatic intervention mechanism, the workers who are adversely affected by changes in the exchange rate. For these fluctuations, unfortunately, cannot be regarded as a sporadic and temporary phenomenon. Until some relative stabilization can be achieved in the monetary field, and until fluctuations can be contained within tolerable limits active measures, we believe, must be taken, and we agree with the questioner that they should be taken along the lines that have been here proposed.

Part of the resources of the Social Fund can, in our view, be used to deal with this question. Another way, of course, would be to try to achieve agreement among the Community Member States on intervention to protect the purchasing power of frontier and seasonal workers, that is, of the workers who suffer as a result of monetary depreciation, and, above all, of changing exchange rates. What is essential, we believe, is that initiatives should be taken and practical proposals put forward: we cannot go on forever just tabling questions, holding debates and exchanging ideas. We must get away from the present situation of inaction, not to say outright indifference, in the face of this problem.

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

Mr Albers. — (*NL*) Mr President, we support the questions put by the member of our group, Mr Dondelinger and his remarks on behalf of the Committee on Social Affairs, Employment and Education.

This committee is in no doubt that the greatest possible effort must be made in the field of frontier work and the migration of workers to eliminate the disadvantages caused by exchange rate fluctuations. Consequently, we find the answer the Commission has repeatedly given us to be particularly disappointing. The Commission cannot shrug off the responsibility it has incurred as a result of the European Economic Community having championed the free movement of workers in its Member States. We are very much in favour of this free movement. We have, as it were, a shopwindow for workers that offers more opportunities than existed before the European Community was created. We encourage people to go to other countries. So much for internal movement.

But economic developments also meant that during a period of boom involving major investments people were tempted to come to the European Community

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from the Mediterranean countries and so have the opportunity to earn more. And so it is not fair to point out that these people also gain advantages from fluctuations in exchange rates. You can hardly use this argument, because although it may apply to very high incomes, we are talking about people who are dependent on relatively low incomes in which they place their hopes, expecting their outgoings to be covered by income after they have worked for a while. For their incomes in practice to be lower than they had calculated is a severe blow for these workers.

We can, of course, try to find solutions on a bilateral basis to the difficulties that arise in frontier work. The Dutch-German parliamentary conference has put this item on the agenda for its meeting on 6 November so that there can be a discussion on what it means for workers to go back and forth across the frontier between Germany and the Netherlands. And there are very many of them.

But I know now that when the representatives of the German Bundestag and the Dutch First and Second Chambers meet, they will listen to statements — and I hope that these will include a statement by Commission experts — and then they will say, 'Yes, but what have we met here to do, what are trying to achieve? There is after all, a European Community which encourages free movement, and is it not in fact its task to look into ways of eliminating these disadvantages?' When those Members of the European Parliament who will be present at this meeting start spluttering, referring to all kinds of Treaty provisions and articles which make this impossible, and when we quote the statements made by Commissioner Cheysson here this morning, I can assure you that it will be far from the first time that there has been disappointment in the European Community. We will then undoubtedly be asked how we intend to approach the forthcoming elections, what have we to offer the people?

If, then, we cannot advance one small step today, if we are not offered the prospect of better ways of solving this problem, I feel that the 410 representatives soon to be elected will want to put this subject on the agenda as a priority item and that there will be tension between the Commission and Parliament if the necessary proposals are not put forward.

President. — I call Mr Dondelinger.

Mr Dondelinger. — (*F*) Mr President, I should first like to thank my colleagues Mr Santer, Mr Pistillo and Mr Albers, who put forward the opinions of their respective groups and who have shown that Parliament is now showing the same concern for the problem of frontier workers and retired persons and the depreciation of their income as it did nine or ten years ago.

I am sure Commissioner Cheysson will not be offended if I say that his reply did not satisfy me. He said just now that there are some cases of depreciation of income; in the document dated October 1977, the Commission itself refers to 122 866 cases between 1969 and 1976: this is an enormous figure and in my opinion it is not enough merely to say that we must do something about it. We cannot put off this matter indefinitely, although there are other sectors in the Community which it is sometimes much easier to help — not only the common agricultural market but the iron and steel industry and other industrial groups. I believe that the poorest of our citizens are also entitled to respect and to Community funds.

President. — The debate is closed.

11. *European Foundation*

President. — The next item is the following oral question with debate (Doc. 280/78) by Mr Albers, Mr Seefeld, Mr Dondelinger, Mr Schreiber, Mr Kavanagh and Mrs Dunwoody to the Commission;

Subject: The European Foundation and Youth Policy

1. At the Copenhagen summit the Heads of State or Government of the Member States took a final decision to set up a 'European Foundation'. This decision defines the legal procedure in such a way that the Foundation can begin its activities without delay.

What legal and organizational measures have been taken to give effect to the Copenhagen decision and what is the timetable for the future?

2. The Heads of State or Government intend that the Foundation's activities in Europe should be particularly directed towards young people. At the same time care must be taken to avoid duplications of effort with existing institutions already operating in this field.

What plans are there for coordination with the European Youth Foundation and the European Youth Centre in Strasbourg, both of which have done much for youth work throughout Western Europe for over five years and also cooperate closely with those responsible for youth policy in the Community?

3. To ensure the coordination of the organization of youth work, an important aspect, the Copenhagen decision also provides for the coopting on to the Foundation's board of leading figures from other organizations active in the same field.

When may the Commission be expected to submit its proposal on this subject to the European Parliament for consideration and forwarding to the Council?

I call Mr Albers.

Mr Albers. — (*NL*) Mr President, I will yield the floor if the Commission would like to answer the questions that have been put.

President. — I call Mr Cheysson.

Mr Cheysson, Member of the Commission. — (*F*) Mr President, it should be pointed out that at the European Council meeting in Copenhagen, the Heads of State of Government of the Member States decided that the European Foundation would be set up by means of agreements concluded by the representatives of the Member States' governments meeting in the Council. The European Council's decision stated that the legal instrument for setting up the Foundation should be an International Convention, ratified by the national parliaments, which is a well established procedure. The Council is currently drafting this Convention. The Commission is participating actively in this work by helping to find solutions to a number of problems, such as the participation of the Community as such in the agreement, the rules governing the Foundation bodies and how it is to be financed. This work is being done by an ad hoc group and it would be premature at this stage to estimate how long it will take. However, it is likely that the Council will be consulted before the end of the year on the outcome of this work.

Since the legal instrument chosen by the European Council to set up the European Foundation is an agreement quite separate from Community affairs, the Commission has not been — nor will it be — required to submit a formal proposal in accordance with the powers conferred on it by the Treaty.

Nor will the Commission always be in a position to provide Parliament with detailed information on this matter, since the responsibility for carrying out this work belongs to the governments of the Member States. Where appropriate, questions should therefore be addressed to the Council of Ministers, and through their intermediary, to the governments.

However, Mr President, I can add some information. Like Parliament, the Commission is obviously concerned to avoid any duplication between the Foundation's activities and those of other institutions or organizations working with young people at national bilateral and international levels. The representatives of the Member States are also very concerned about this and the Convention should take account of this aspect, in accordance with the explicit directives issued by the European Council. These directives refer in particular to national foundations, such as the Amsterdam Foundation, relations between the European Foundation and the European Youth Foundation, and between the European Foundation and the European Youth Centre in Strasbourg.

Similar agreements should be concluded between the Foundation and a number of European Institutions, to avoid any duplication of effort and to ensure that the Foundation's activities complement existing projects; hence there should also be an agreement with the Council of Europe.

President. — I call Mr Albers.

Mr Albers. — (*NL*) Mr President, I should like to thank the Commissioner for the information he has just given us. He said that the Commission is not primarily responsible, although it is concerned in the development of this European Foundation, particularly as regards the Youth Foundation.

I should like to put a supplementary question on this. The Committee on Social Affairs, Employment and Education has received requests from the European Youth Forum. This forum, which is subsidized by the European Community among other bodies, would like to have a say in all problems facing young people, such as unemployment and, of course, all the various youth activities. My supplementary question is: Is the Community not getting involved in or spending money on aims that, as my fellow group member Mr Seefeld stated very clearly in March during the debate on the European Foundation, can be pursued, as the Socialist group sees it, through existing institutions and arrangements? This is the view we maintain, and it leads us to ask these questions again. Does the Commissioner not feel that there is some danger in this? I understand that we will all soon have an opportunity in our national parliaments to point to this drawback of the European Foundation and if possible, to do something about it. But I should like to know if the European Youth Forum will be given an opportunity at an early stage to present its opinion on this development within the European Foundation.

President. — I call Mr Pisoni.

Mr Pisoni. — (*I*) Mr President, when this European Youth Forum was created, it was hoped that it would become a fully fledged partner, we hoped that it would become a rallying point for all the youth organizations and an intermediary between the world of the young and our Institutions. That was our aim at the time, but it may be that at the time the situation was different from what it is now, for there was ferment among the young, there were demands that had not been channelled. Many years have passed since then, and, although conditions have changed, the objectives and aims which we set ourselves then have not changed. We therefore cannot understand how it is that this Foundation for the young has not been provided with all the resources necessary to make of it that fully fledged interlocutor that we wished to see, and why is it that so much time has been lost in setting it up. We know that not all of the blame attaches to the Commission, but it is also true that the Commission has not done all that it could have done to promote the creation of this Youth Forum and to make of it what it was meant to be in the intentions of those who suggested its establishment and in the Commission's own proposals.

Pisoni

I wish, therefore, to second Mr Albers and I, too, would like to hear from the Commissioner what he has to say on the operational failure of the Foundation and of the use that has been made of the funds intended for it.

President. — I call Mr Cheysson.

Mr Cheysson. — *Member of the Commission.* — (F) Mr President, I should first like to deal with a point raised by Mr Albers. If it develops as the Commission would like, the European Youth Forum will obviously be one of the institutions which will conclude with the European Youth Foundation an agreement establishing rules for cooperation and avoiding duplication.

To return to the European Youth Forum as such: it was in The Hague in 1969 (May 1968 was still a vivid memory), that the Heads of State or Government insisted on the need to involve young people in the construction of Europe. You will remember that the Commission organized a colloquy soon afterwards, in June 1970, which led to the proposal in 1972 to set up an ad hoc body.

Subsequent work on this matter proved rather tricky in view of the increasingly obvious hesitation on the part of the Council. The Economic and Social Committee intervened, and fortunately the European Parliament not only emphasized its interest in this matter but actually forced the budgetary authority to enter the appropriations needed to establish a temporary secretariat to precede the setting up of the Forum.

I would point out to Mr Pisoni that these appropriations have been increased annually: they originally totalled 50 000 units of account per year and were increased to 190 000 units of account in 1977, and now stand at 220 000 units of account for 1978. This is due to Parliament's insistence. During the same period, as was appropriate, international youth associations and national committees have met on several occasions and as you know, their last plenary assembly, which was held in Rome in June 1978, decided to set up officially the European Youth Forum of the European Communities.

Young people have pointed out their wish for independence and this is both desirable and appropriate. We must continue to support the Forum and we hope that Parliament will maintain its interest in this matter so that the financial support mentioned by Mr Pisoni will not fade away just as the project is coming to fruition.

President. — The debate is closed.

12. *European Investment Bank loans*

President. — The next item is the following oral question without debate (Doc. 279/78), by Mr Patijn and Mr Dankert, to the Commission:

Subject: European Investment Bank loans.

The European Investment Bank recently granted a loan of DM 110 million to a consortium which is laying a pipeline for the transport of natural gas from the Soviet Union and Iran to Western Europe. The loan was granted to the MEGAL Finance Company, which was established especially for this project and in which the German Ruhrgas group and the French State gas corporation 'Gaz de France' have a 50% and 43% stake respectively.

The MEGAL Finance Company is registered in the Cayman Islands, a group of islands renowned as one of the world's most attractive tax havens.

1. Can the Commission state whether such European loans are often granted to companies which are registered in such tax havens or whether this is an exceptional case?
2. Does the Commission not feel that this is actively abetting tax evasion through the use of tax havens?
3. Can the Commission give an assurance that in future the European Community will not grant loans to companies registered in tax havens?
4. Can the Commission state what measures it has taken to restrict the use of tax havens in line with its announced intentions?

I call Mr Albers, who is deputizing for Mr Patijn.

Mr Albers. — (NL) Mr President, I really do not have very much to add to this oral question. I feel it would be fair to mention that Mr Notenboom has put question concerning a loan by the European Investment Bank to a company registered in a tax haven. The question was submitted to the Commission in writing at the beginning of August. I very much hope that when the questions put by Mr Patijn and Mr Dankert on behalf of my group are being answered, Mr Notenboom's questions, on exactly the same subject, will also be discussed.

President. — I call Mr Cheysson.

Mr Cheysson, *Member of the Commission* — (F) Mr President, in continuing the dialogue on this subject with Mr Albers this morning, I should like to start by emphasizing that European Investment Bank loans in the Community are intended for the financing of investments which will contribute to development within the European Community itself. This approach complies with Article 130 of the Treaty of Rome. Thus on 8 June 1978 the Bank signed a finance contract for DM 110 millions, to contribute to the cost of constructing a gas pipeline on German soil to provide German industry with an essential source of energy, in the form of gas supplied by the Soviet Union and Iran. This pipeline is being constructed, as the report quite rightly says, by the MEGAL Company Sarl, whose capital is owned by Ruhr-Gas S.A., a German company, and two public undertakings, the French Gaz de France and the Austrian ÖMD. These

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undertakings considered it advisable — and this was a matter for their internal responsibility — to channel external finance through a subsidiary with a registered office outside Germany, in a territory whose name was a foregone conclusion, the Cayman Islands.

The German authorities with direct responsibility were naturally informed of the establishment of the subsidiary and the location of its registered office, since this was a project of the utmost importance to them. As the investment was made within the territory of the Federal Republic of Germany, the loan was examined by the Bank and the Commission, in consultation with the relevant German authorities. These delivered a favourable opinion, with no reservations or specific comments whatever. We were therefore assured that the finance operation to which the Bank had agreed would contribute to economic development in Germany and we had no opportunity to pursue the matter further.

However, Mr President, the question by the honourable Members enables me to bring up an important subject to which the Commission attaches great significance.

In its report on the tax system applicable to holding companies, the Commission drew attention to the problems arising out of the use of tax havens by certain undertakings. In this regard, it suggested measures which could and should be taken to combat this phenomenon: these include, first and foremost, the strengthening of cooperation within the Community. With this in mind, on 19 December 1977 the Council approved a Directive concerning mutual assistance by the competent authorities of the Member States in the field of direct taxation. This Directive constitutes the first of a series of measures implementing the Council Resolution of February 1975 on measures to combat international tax evasion and avoidance.

When sufficient progress has been made on the consideration of the other proposals now before the Council on direct taxation, the Commission plans to suggest further measures to increase the effectiveness of the system for combating fraud and international tax evasion at Community level; this is an intolerable matter at any time, but never more so than at present.

The Commission would like to point out that the proposal for a Directive on the harmonization of systems of company taxation and of withholding taxes on dividends is another factor in the prevention of tax evasion.

President. — I call Mr Albers.

Mr Albers. — (NL) Mr President, I should like to thank the Commissioner for his answer. There is no lack of goodwill at the Commission as regards putting an end to this form of tax avoidance. However, did I

understand the Commissioner to say that, despite the Commission's intention, the Member States retain the possibility of approving this kind of practice?

President. — I call Mr Cheysson.

Mr Cheysson, member of the Commission — (F) Mr President, it is in fact strictly the responsibility of a private-law company, whether it be a State corporation or a private firm, to decide on its management procedures and in particular on its methods of finance. Unless there are irregularities, therefore, this does not seem to be a matter for intervention. However, it is most important that our governments, in cooperation with each other, should prevent the use of particularly substantial finance channels from making tax evasion feasible, since this practice is, I repeat, intolerable.

President. — The debate is closed.

13. *Levy of import charges by Netherlands 'Produktschappen'*

President. — The next item is the following oral question without debate (Doc. 67/78), by Mr Jahn, to the Commission:

Subject: Levy of import charges by the Netherlands 'Produktchappen' (producers' associations)

In numerous written questions, and most recently in **Written Question No 48/77**,¹ I have asked what conclusions the working parties and the Commission have reached regarding the compatibility of the import charges levied by the Netherlands 'Produktschappen' with the EEC Treaty and what action the Commission intends to take. This matter was originally taken up by the Commission following a letter dated 5 August 1970 from the REWE-Zentrale. I myself have been putting questions to the Commission on this matter since 8 August 1974 without, however, receiving a satisfactory answer. I therefore again ask the Commission:

1. What conclusions were reached by the Working Party and the Commission on the compatibility of the import charges levied by the Netherlands 'Produktschappen' with the EEC Treaty?
2. What is in fact preventing the Commission from reaching a conclusion, given that, in trade between Member States, measures having an effect equivalent to customs duties have been banned under the EEC Treaty since 1 January 1970, and discriminatory taxation has been prohibited under the same Treaty since as long ago as 1 January 1963?
3. What action does the Commission now intend to take?

I call Mr Vandewiele, who is deputizing for Mr Jahn.

Mr Vandewiele. — (NL) Mr President, Mr Albers undoubtedly has an interest in the question put by Mr Jahn.

¹ OJ No C 180 of 28. 7. 1977, p. 12.

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He would like more information from the Commission on the taxes levied by the Netherlands *Produktschappen*. At the moment I have nothing to add to Mr Jahn's question.

President. — I call Mr Cheysson.

Mr Cheysson, Member of the Commission — (F) Mr President, the study by the Commission leads me to make the following conclusions. First, the charges levied by the *Produktschappen* are based on Dutch law and hence on a State decision.

Second, charges levied indiscriminately, and using the same criteria, on imported and national products are compatible with the Treaty. At the present stage of its investigations, the Commission finds that this is the case with regard to the charges levied by the *Produktschappen*. It is therefore incorrect to speak of import charges when the levy is common to both imported and domestic products.

Third, such levies could be incompatible with the Treaty establishing the EEC if the resulting income was intended to finance an operation specifically benefiting the domestic product alone, even though it was identical to imported products. This would then be a case of unfair public aid granted to domestic production. Where such State aid, as defined by Article 92 (1) of the Treaty, was so financed by charges of this kind, the imported products would have to benefit from the same aid as domestic production to remain compatible with the Treaty. The complaint by the REWE-Zentrale mentioned by the honourable Member was based on the use made of levies charged by the *Produktschappen* in the case of such products as fruit juice, preserved fish, frozen spinach and wine.

On the basis of the information available, which, as the honourable Member knows, is difficult to obtain, the Commission has no comment to make with regard to the aid financed by levies charged on these products, since such aid appears to apply to both domestic and imported products.

As reported in the press, and as my colleagues, particularly Mr Vouel, who is responsible for the competition policy, have reported to Parliament on various occasions, the Commission gives close attention to problems in this area in the Member States. It keeps State aid under constant review. Hence it investigates each individual complaint submitted to it, on the basis of the considerable and extensive development of case law at the Court of Justice.

President. — I call Mr Vandewiele.

Mr Vandewiele — (NL) Mr President, I should like to thank Mr Cheysson very much indeed for his explanation. If Mr Jahn, who is not present today, wishes to put supplementary questions as a result of this answer, he will presumably have an opportunity to do so at a forthcoming part-session.

President. — This item is now concluded.

14. *Fishing agreement between Spain and the European Community*

President. — The next item is the motion for a resolution (Doc. 299/78/rev.) tabled by Mr Bangemann, on behalf of the Liberal and Democratic Group, and Mr Vandewiele, on behalf of the Christian-Democratic Group, (EPP), on the delay in the conclusion of a fishing agreement between Spain and the European Community.

I call Mr Vandewiele.

Mr Vandewiele. — (NL) Mr President, as Mr Bangemann is not there, I should very briefly like to say a few words about the motion for a resolution that has been tabled.

It is in no way our intention at the moment to open a debate on the very root of the matter. But like Mr Bangemann and his colleagues, my group would like to express its concern over the delay in the conclusion of a fishing agreement between Spain and the EEC. We do not in any way want to point an accusing finger, but we know from press reports and from eyewitness accounts that there was some very serious unrest in fishing circles in Spain at the end of August. We therefore wish to give expression to our anxiety, our sympathy with these worried people and above all our desire to see the Commission adopting a very positive approach now in order to conclude an interim agreement as quickly as possible. It is feared that a number of measures taken unilaterally by two Member States will threaten the existence of part of Spain's traditional fishing fleet. We therefore ask the Commission to speed up the current negotiations.

Now that the discussions on Spain's accession to the EEC are underway, we feel everything must be done to prevent the climate of good understanding from being disturbed.

We would also put it to the Member States concerned, Ireland and the United Kingdom, that as traditional fishing countries they can surely understand the serious problems arising for Spain's fishermen.

I should like to make a very precise suggestion. One of the subcommittees of the Committee on Agriculture is the Fisheries Subcommittee. As soon as the Commission has finished drawing up a number of proposals, I should like to see the Fisheries Subcommittee given the chance to discuss the problem with all the political groups that have expressed concern in this matter. Finally, I should like, in Mr Bangemann's absence, to propose a small amendment. We have made a mistake in the text by addressing the Council. We meant to ask the Commission to conduct negotiations. If you agree, the word 'Council' in paragraphs 2 and 3 of the resolution should be replaced by 'Commission'.

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

Mr Prescott. — Mr President, the Socialist Group has considerable sympathy with the motion for a resolution. It is a tremendous difficulty that we are witnessing at the moment. We are pleased to see that the negotiations have begun, which is the important point, and we hope a satisfactory solution can be achieved. Such things are much easier said than done, and the matter is further complicated by the fact that the Community itself has not been able to reach agreement. That, indeed, is one of the essential prerequisites for conducting meaningful negotiations so that trade arrangements with non-Community countries in areas within the Community or outside can be determined with regard to the various fishing quotas that are necessary. We in our group remember that a number of Spanish fishermen, particularly from the Basque area, came to see us to point out the extreme difficulties they face with the catch restrictions. We are also aware that these restrictions may well have reflected the tendency in this industry, as indeed in all our countries, to withhold some of the facts about their catches. It is in fact, an endemic feature of all fishing industries, whether in the Community or outside, that many of them do not tell the truth about the situation. They exploit the resources until there is very little left. There are no goodies or baddies in the situation. I think there are many cases in Britain which are just as bad as any that can be found in France and conservation priorities can be found in each of our countries. But that does not help the immediate problem of the Spanish fishermen, who may well find themselves unable to get the raw material which much of their industry depends. I might say that the concern they may feel about the Community fishing policy is felt equally strongly in my own area of Hull, which has also faced the considerable consequences of having had to depend for its main fishing resources on an area outside what is now termed the 'Community water area'. I personally do not accept the idea of a Community water area; in fact, I think it has only complicated the situation; all I can say is that we support the situation that is given.

One interesting fact I noticed was that the tonnage of the Spanish fleet has increased, while the numbers of men employed in it have diminished. Another feature common to all our industries is that it is always the men that bear the brunt of such difficulties rather than the employers, who in the end, whatever the difficulties, seem to come off far better than the ordinary working man.

The final point I would like to put before I make a request to the House — I do not know whether Mr Vandewiele has already made this request, he may well have done — is that the Socialist Group feels, given the importance of the negotiations already

begun by the Commission. The resolution should clearly be referred to the committee and the Fisheries Sub-committee, of which I think Mr Vandewiele is a member expert in our group in this case, Mr Mark Hughes the chairman of the Fisheries Committee apologizes for not being able to attend the sitting this morning because of a commitment in London today, and would very much appreciate it if the motion could be referred to the committee. I think the complications are due, not simply to the Spanish problem in itself, but to the Spanish Government's reaction offering indemnity to the fishermen if they are prepared to enter, against instructions, into areas for which they have no licences. So, again there is another tinderbox, another area which may be a constant source of agitation and anger, particularly with a country that is bidding to become a member of the Community.

That really, is my final point. It is quite clear that fishing is again going to be a very important political matter in the negotiations for enlargement, and I am in a way pleased that it is Mr Cheysson today who is answering since Mr Gundelach cannot be here, particularly as the Lomé negotiations are now turning to the importance of fishing in connection with aid to the Third World. I would impress on Mr Cheysson the point, which I have read in some background material on this matter, that the Spanish fishing authorities may find it an advantage to look for joint ventures in distant waters. It was the distant waters of some of the Lomé countries that I had in mind when I exchanged views with him on where there might be joint cooperative ventures, including perhaps a Spanish one in the near future, should Spain, as I hope become a member of the Community.

I hope the House will decide this morning to refer this motion for a resolution to the committee.

President. — I call Mrs Ewing.

Mrs Ewing. — I would like to agree with Mr Prescott's proposal that this matter go back to committee. Looking round this House, Mr President, one can see that this is hardly a well attended debate. Despite the presence of the few enthusiasts who make a point of coming when such an item is on the agenda, one wonders what good such a debate will do. To refer back to committee would make sense, because then this item would be considered by a lot of people who have a burning interest in it. I am certain a report from the Committee would command a great attendance in the House and a worthy debate would arise out of it. I would make a very heartfelt plea that this not be left as it stands today.

It is known to this House that I have interested myself since I became a Member in fishing, representing as I do, a fishing constituency, though not one similar to Mr Prescott's; his is of course very

Ewing

dependant on distant water-fishing, whereas my fishing communities depend on inshore fishing.

I have always welcomed enlargement in principle, Mr President, because it seems to me that one of the most dramatic improvements of this century has been the return to democracy in Spain and Portugal. This makes one want to extend the hand and say: please come in if we can possibly arrange it. But I have always felt — and I have said this in the House of Commons repeatedly, though I think this is the first opportunity I have had to say it in this House — that there is a tinder-box situation here. There are warning lights for anyone who looks at the present situation in fishing. If the Spaniards are increasing their fleet, they must have some definite plans for where they are going to get the fish for that increased fleet. Unless they were inspired enough to think along the lines of Mr Prescott's solution and enter into arrangements with distant countries, I suggest they have been increasing their fleet in the hope that they are going to come into Community waters. If they had been the goodies — or at least no worse than the baddies of our own fleet — then one really has to ask why it is that their own fishing grounds — surrounded by water as their country is — are so denuded of fish, while the waters round the British Isles are so rich in fish. In the long term, while we cannot say that our fishermen are saints when they are asked to say what their catches were last week, we can look at the long-term proof, and say: here we have a rich pond fished by a certain Community, and there we have ponds over-fished to exhaustion by other communities. To that extent we in Scotland are severely concerned to know that great chunks of the Spanish fleet are fishing in The Minch, appropriately enough outside the twelve-mile limit. They are regularly seen there by my fishermen, who now have to come from the east coast of Scotland round to the west for a livelihood. We wonder if the Spanish fleet has been increased so that they too can join in the ludicrous situation we have been faced with ever since a non-agreement was on Britain's accession allowed to be cobbled by the then Conservative government, which was so eager to take Britain into the Common Market that if it sold out the fishermen of England, and those of Scotland in particular, it did not matter as long as they got us in.

That remains as true today as it was then, except that enlargement of the Community to include Spain, without spelling it out in some fair way to the Spanish fishermen, is going to aggravate what is already a tinder-box situation. As I have repeatedly said, this is the rock on which the relationship between an independent Scotland, should there be one, and this Community will most assuredly perish, even although, as I have said before, on any other account — even the delicate one of oil — I am perfectly certain arrangements could be made.

But here we read of thousands of jobs being jeopardized in what I think is a very emotive motion for a resolution without explanation as to what that has to do with the Community at the moment. Where are these thousands of jobs being jeopardized? Spain is not in the Community yet. I feel that we should have far more information than we have, before this subject is discussed.

My purpose is just to remind this House of the interests, of the inshore fishermen of Scotland, who represent 60 % of the fishpond on Britain, the interest of the other fishermen of Britain, and Ireland; and to remind the House that there is so little fish for these men's livelihood that we have had to accept self-imposed bans affecting everyone in the Community including our own fishermen. While it would be nice to talk in very general terms about our friends the Spaniards, it would be unfair to them if we did not get some clearcut arrangement which takes account of the contribution of the Member States. Only then can we begin to consider what, if anything, we can do for Spain when the Community is enlarged.

President. — I call Mr Covelli.

Mr Covelli. — (I) Mr President, I fail to understand the approach of previous speakers to this motion for a resolution: to my mind it could not be clearer. The aim is to prevent delays which could be prejudicial — also at the political level — to our relations with a country which is about to join the European Community.

I therefore fail to see why problems concerning Scotland, British offshore fishing problems, should be inserted in a resolution the purpose of which is crystal clear: to demand an explanation for the delay in concluding an agreement as opposed to temporary concessions which might be politically prejudicial to an understanding — to a first step to Spain's accession to the European Community. Those who are demonstrating their sense of responsibility by attending this debate should not be penalized for their trouble, Mr President. Therefore, since a debate has been opened on this motion, let it also be voted? Too bad for the absentees. I believe that we serve the European Community's cause by condemning and bringing home to the Council its failure to deal with certain urgent matters which — in my modest opinion — at this sensitive stage in our relations with Spain have repercussions that extend even to the survival and protection of democracy. For we ought to be encouraging democratic initiatives on the part of Spain. Nor do I believe that our indulgence in the face of delays, this willingness to tolerate the Council's negligence, can be to the political benefit of the European Community.

Therefore, contrary to the arguments that I have just heard — arguments which I really cannot understand,

Covelli

or perhaps understand only too well — I ask that a vote be taken on this resolution which, in my modest opinion, is in the interest of both the European Community and that of Spain.

President. — I call Mr Albers.

Mr Albers. — *(NL)* Mr President, I have been present at a number of lengthy fisheries debates in this House. You have probably noticed that until now the Dutch have never had a great deal to say on the subject. However, I can assure you that our fishing industry also faces a number of serious problems, and it galls me to see that once again we seem to be discussing nothing but the Scottish problems, although they are not really our concern today.

I would point out that we are engaged in negotiations with Greece, which also presents problems, such as the import restrictions on textiles. Now that is a problem which is typical of our negotiations for the accession of new member states to the Community. But what will the rest of the world think of our European Community if, every time we hold debate on accession, we just end up discussing our own problems?

I think we should see to it that the difficulties which have arisen in connection with Spain do not serve as an excuse to delay negotiations. I would ask the Commission to do everything it can in this connection, notwithstanding the difficulties which we are experiencing in our own countries.

President. — I call Mr Cheysson.

Mr Cheysson, Member of the Commission. — *(F)* Mr President, Mr Prescott and Mrs Ewing have suggested that the basic problems underlying this matter, and they go beyond the areas in which the Spanish do their fishings, should be referred to the relevant committee. I shall therefore confine my remarks to what is the subject of the present debate, namely a draft resolution in response to the difficulties which have arisen with Spain this summer and more recently.

However, I should like to digress slightly, Mr President, as Mr Prescott has asked me what stage we have reached in our deliberations with the African countries; I should like to tell him that the number of African countries at present showing interest in a negotiation on the granting of fishing rights to Community fishing vessels continues to increase and now in fact exceeds the total number of ACP countries. I have to say that we are greatly assisted in this by the abusive conditions in which the fishing fleet of a very large European country, which is mainly outside the Community, is operating in certain African waters.

Coming back to the motion for a resolution, Mr President, I should first like briefly to describe the legal

situation since the establishment of a fishing zone of up to 200 miles in the Community. From that time on it was decided that only those fishermen from third countries which had traditionally fished inside the zone, and those who were covered by a formal fishing agreement with the Community, would be authorized to continue fishing.

This framework agreement having been concluded, the detailed conditions are then fixed by the Community after consultation with the Third Country concerned. It was within this framework that on 3 November 1976 the Council authorized the Commission to initiate negotiations with a view to concluding a fishing agreement with Spain. These began on 16 November 1976, thirteen days later; they continued throughout 1977 and into 1978, without getting anywhere. On two occasions, Spain itself adjourned the fishing negotiations and it is not indiscreet to say that the main difficulty centred on the validity of the London Agreement of 1964 and the Franco-Spanish Agreement of 1967, which referred in particular to fishing rights between six and twelve miles off our coasts.

While these negotiations have been going on, since 1 February 1978 the system applicable to Spanish fishermen has since been based on an autonomous decision by the Community set out in Regulation No. 204/78, which calculated the number of permits on the basis of the size of catch which Spanish fishermen are to be authorized to obtain in Community waters within the framework of the conservation policies which we have adopted. The number of permits was therefore fixed at 121, i.e. a number of boats markedly lower than the number of units fishing in the same areas beforehand.

Since this system was introduced — for the 121 permits the Member States concerned have noted violations by Spanish fishermen fishing without permits on frequent occasions.

The authorities of the Member States concerned were thus induced to stop certain vessels and impose sometimes heavy fines. The Spanish Government then decided unilaterally, on its own authority, without any intervention whatever by the Community or the Commission, to recall every single vessel deprived of its permit. This was a rather surprising decision — and legally debatable, as Spanish shipowners pointed out to their own government — and as you know, it has since been suspended. It was this unilateral decision by Spain which sparked off the very strong reactions in public opinion, especially in the areas concerned, which are rightly reflected in the motion for a resolution. And I must acknowledge that the Spanish authorities themselves have stressed that the press had distorted matters by laying the blame on this measure taken unilaterally by the Spanish Government, and in which we had in no way been involved.

Cheysson

The Commission has steadfastly emphasized — and does so now before Parliament with all the authority which a statement to Parliament represents — that it is ready to negotiate a framework agreement with Spain at any time, and that it desires to resume negotiations with Spain as soon as possible. The Ambassador, the head of the Spanish mission to the Community, was again notified of the fact on 6 September by my colleague Mr Gundelach. We want to obtain a framework agreement as soon as possible; consultations will follow on the detailed definition of fishing rights under the normal procedure. It is possible — and quite probable — that arrangements under the agreement will be more generous than the autonomous system that exists at the moment.

We must not forget, however, that all this comes within the general framework of the conservation policy, and this is obviously the link between the present debate and the more general aspects of our fisheries policy. Hence our conservation policy, which involves some sacrifice in order to safeguard the future of the fishing industry, must apply everywhere, and must apply within the framework of all our agreements with the fishermen of third countries. We must also, in the case of Spain, work towards a genuine reciprocity in fishing rights, which is not the situation at present. The negotiations are difficult; we hope to push them through; but until they are completed, we shall have to continue with the autonomous system.

President. — I call Mr Vandewiele.

Mr Vandewiele — *(NL)* Mr President, I should like to thank the honourable Members who have so unexpectedly given a new dimension to this modest debate.

You will have noticed that, as rapporteur, I spoke only very briefly on the motion, and I would point out to Mrs Ewing that I did not want a full debate on the subject. For that we should have had a report. It is abundantly clear from Mr Cheysson's statement that the whole problem is indeed a complex one, which is why I shall not go into it further, although I should like to thank him for his statement. Since he has told us that both parties are at the moment discussing whether the negotiations should be continued, and that the Commission would like to have an outline agreement as soon as possible, I think we can be satisfied. This is why, following the suggestion made by Mr Prescott, Mr Hughes and others, I wish to refer the motion to committee. This will give us the opportunity of further discussion with the Commissioner responsible. I formally move that the resolution be referred to the appropriate committee.

President. — I call Mr Prescott.

Mr Prescott. — I was going to put the case, Mr President, for reference to committee, but it seems that Mr

Vandewiele has made that recommendation. We would like to support the recommendation and thank the Commissioner for his comments, particularly his last remarks, which only highlight again the need for reciprocity between us in negotiations. That is what makes this a most fundamental and difficult problem. We support reference to the committee for that proper close analysis.

President. — Pursuant to Rule 26 (2) of the rules of Procedure, the motion for a resolution is referred to the Committee on Agriculture as the committee responsible.

15. *Sahel*

President. The next item is a joint debate on:

- the motion for a resolution (Doc. 297/78) tabled by Mr Berkhouwer and Mr Croze, on behalf of the Liberal and Democratic Group, Mr Spénale, on behalf of the Socialist Group, Mr Bertrand, on behalf of the Christian-Democratic Group (EPP), Mr Scott-Hopkins, on behalf of the European Conservative Group, Mr Sandri, on behalf of the Communist and Allies Group, and Mr de la Malène, on behalf of the Group of European Progressive Democrats, on all to the Sahel; and
- the following oral question with debate (Doc. 309/78) tabled by Mr Dewulf, Mr Bersani, Mr Deschamps, Mr Vergeer and Mr Lücker, on behalf of the Christian-Democratic Group (EPP), to the Commission:

Subject: Situation in the Sahel

The news from the Sahel is alarming: once again this African region which was so badly hit in 1974 is threatened by drought and famine.

The European Community and the Member States will be called upon to participate in emergency aid. What progress has been made in preparing such schemes?

I call Mr Vandewiele.

Mr Vandewiele. — *(NL)* Mr President, I am pleased that the groups have decided to get together to draw attention to a number of problems which will shortly become the concern of public opinion throughout the world. On behalf of the Christian-Democratic Group, I should like to join with the representatives of the other groups in supporting this motion for a resolution, while reiterating our concern at the alarming reports which have been received about the Sahel region. According to my information we could be faced with the same tragic situation as in 1974. Once again part of Africa faces the threat of drought and famine. Commissioner Cheysson, who knows this area well, since he has been there several times, will no doubt be giving us further information. However, there are two points of the motion tabled by Mr Dewulf, Mr Bersani and others which I should like to comment on briefly.

Vandewiele

Firstly, rapid action must be taken to relieve the famine without delay. I hope that we shall hear more about that aid programme shortly.

Secondly, I would point out that this Parliament has repeatedly called for a multi-annual plan to enable the Sahel region to overcome its present difficulties with the help of Community technical and financial aid aimed at combating the problem of soil erosion and dealing more effectively with the drought.

This objective forms part of a whole series of plans which Commissioner Cheysson has outlined to us on previous occasions, and which will undoubtedly be one of the first things to be discussed when we meet with the African countries within the framework of the Lomé Convention. Mr President, I consider it an honour and a privilege, in a debate which unfortunately must be short, to be allowed to express the concern felt not only by our group but by the entire Parliament at the plight of these people, which calls for the utmost solidarity on our part.

President. — I call Mr Cheysson.

Mr Cheysson, Member of the Commission. — (F) Mr President, may I first express the Commission's gratitude to Mr Dewulf for asking this question, and indeed to all the political groups which have called for this debate on the basis of the motion now tabled by the honorable Member. I think it is a good idea for us to reconsider from time to time the urgent problems facing the population of the Sahel region, bearing in mind their precarious economic situation, in climatic conditions with which you are familiar. These countries are afflicted by drought at irregular intervals, often unexpectedly, in areas which change from one crisis to the next. We all remember — as the honourable Member has said — the great drought which lasted almost five years and covered the entire northern area of the Sahel, extending as far as Ethiopia and Somalia, between 1968 and 1973. The following year it rained, too much in certain areas, causing an invasion of rodents and insects which had been checked by the drought. In 1977 some countries were affected again. On the map they did not represent the same level of suffering as before; they stretched further along the coast, going down very surprisingly, as far as Conakry in Guinea.

So far — I don't know whether a Parliamentary speaker is entitled to touch wood, but I shall do so — 1978 has gone well. The rains have arrived at the normal time, or slightly earlier; they have been abundant but not excessive; except in Cape Verde, which for the ninth year running has had no rain at all, the other Sahel countries have had a promising start to the rainy season. We must wait until October, and the last rains, to know for sure, but it seems hopeful that 1978 will be a productive year in this area. Nevertheless the problems remain and the crises will recur.

Before turning to emergency aid, it might be worth remembering that several years ago the Sahel countries agreed to set up institutions, begin studies and draw up medium and long term action programmes. In 1973 an inter-State committee, known as CILSS, was set up to combat drought in the Sahel region, bringing together eight Sahel countries, and the most dynamic body, known as the Club of the Sahel, was created in March 1976, at a dramatic meeting held in Dakar.

The aim of both bodies is to define a strategy enabling this region to achieve self-sufficiency, and cushion the impact of the bad years. The Commission did of course take part in every stage of the work of these bodies. It is a member of two teams, one concerned with rain and the other with stock-breeding, and more particularly it is the moving spirit in the team dealing with marketing and storage prices. Storage means a storage policy, and that means having the physical storage capacity to prepare for the bad years. The subject of marketing and prices should not come as a surprise; farmers must be encouraged to produce, and there must be a reasonable prices and transport policy, so that the population does not live from one year to the next but can prepare for the bad years too.

We have also contributed to the work of these teams in material terms, as we have financed part of the study work, provided a full-time assistant and, under the second instalment of the Regional Fund in the Lomé Convention, we are granting direct aid to a Sahel institute which will be set up in Bamako. Thus in November 1977 a first report on long-term cereals policies was proposed. Further research is still required, but at the Conference of the Club of the Sahel in Ottawa in early 1978, it was already possible to draw up a 'first generation' plan covering substantial activities and allocating 3 000 million dollars over a period of some ten years.

Within the framework of the specific projects of the first generation plan, the Commission has already committed, under the Lomé fund, 174 million EUA for the eight Sahel countries concerned.

Since I am now dealing with finance, I should like to point out that the scale of total Community intervention in these eight countries is substantial, a word I have no hesitation in stressing. It amounts to a loan, or to rather a grant, of the order of 800 million EUA which we have made available to these eight countries. Indeed, the latter have had 374 million EUA within the framework of the Fourth European Development Fund and the Lomé Convention Fund; 174 million have just been allotted to projects planned by the Club of the Sahel but the rest will also be allocated to rural and infrastructure projects, programmes to combat erosion etc. On the regional aspect, 59

Cheysson

million EUA cover various cultural projects, and infrastructure projects directly linked to access to the areas threatened by the drought. STABEX should be taken into account in this regard, since in the Sahel countries it is a means of compensation for damage caused by drought; it compensates for export revenue lost as a result of drought. As you know, we have just launched a massive operation for Senegal, at an outlay of 19 million EUA. The total STABEX figure for these countries is 45 million EUA.

Exceptional aid has also been granted to these countries, and Parliament has sometimes played a major role in this area; for instance, exceptional aid from appropriations includes 18 million EUA for seed purchases, livestock feeding stuffs and the facilities provided at the height of the major drought, and regular and emergency food aid. Perhaps I may remind this Assembly, whilst apologising for overwhelming it with figures, that from 1970 to 1977, the Community sent these countries, as an emergency measure in addition to its regular programme, 450 000 tonnes of cereals, 55 000 tonnes of skimmed milk powder and 11 000 tonnes of butter-oil, an operation which, in terms of world prices rather than Community prices, represents 127 million EUA. And this is still leaving out what we have done for Ethiopia and Somalia over the same period, amounting to another 50 million.

Finally, as I have just said, the Community has made available to the Sahel countries getting on for 800 million EUA over the last few years, within the framework of coordinated programmes or emergency operations in response to urgent needs. I do not claim it is enough — far from it — but I do say that Europe has not waited for the collective operations which are now, fortunately, under way, to intervene on its own; and this is only right, in view of the responsibilities which we have taken on together with these friends and allies of ours.

President. — I call Mr Vandewiele.

Mr Vandewiele.— (NL) Mr President, the Commissioner's statement is proof that our brief debate has not been in vain. We put questions with a view to receiving answers, and I am more than pleased with the information we have just been given. Although it is true that it is not enough and that still more must be done in the future, we have at least shown the world that in dramatic circumstances such as these we are capable of providing special aid. I thank the Commissioner for his statement and I hope that our modest debate will have convinced the world press and world opinion that Europe is not simply paying lip service but is actually taking effective action.

President.— I note that no one else wishes to speak. The motion for a resolution will be put to the vote, as it stands, at the end of the sitting.

The debate is closed.

16. Ganges floods

President.— The next item is the motion for a resolution (Doc. 308/78) tabled by Mr Mitchell, on behalf of the Socialist Group, on Community aid to the flood victims of the Ganges and Yamuna rivers.

I call Lord Murray, who is deputizing for Mr Mitchell.

Lord Murray of Gravesend.— Mr President, in the past couple of weeks there has been a natural disaster on the Indian sub-continent of a kind which it is very difficult for those of us in Western Europe to comprehend without having seen it. The flooding of the Ganges and the Jumna rivers has affected the lives of 40 million people. Translated into the terms of the Community, it would mean that over two thirds of the population of the three largest Member States were affected. This disaster has killed hundreds and hundreds of people, and made thousands homeless. The waters are still rising, and we now have the problem of cholera and gastro-enteritis epidemics affecting large numbers of the population.

I am therefore asking the House and the Commission to take urgent action. By voting to deal with the problem by urgent procedure, the House showed that it regards this as a very urgent matter. The Commission is empowered under Article 950 to take action — it specifies blankets, food and medical aid. I would like to see Parliament today press the Commission to act with the greatest possible speed in this matter and to demonstrate, as it has done in the past, that the EEC is not just an organization representing the richer countries of Europe, but also has a human face. All over the world, and particularly in Britain funds are being started to do something to alleviate this very serious disaster.

As the Members are aware, Parliament and the EEC have been forming closer ties with the Indian sub-continent particularly with India. Indeed this week the Speaker of the Indian Parliament, came to this House. I hope that with the adoption of this motion for a resolution today, these links will be further strengthened showing that the people of Europe are deeply concerned by and aware of the problems facing India, Nepal and Bangladesh. The problem is very serious. We want to hear Commissioner Cheysson state that the Commission will do all in its power to move quickly and expeditiously to help. As I said at the beginning of my remarks, the impact of this disaster is very difficult to grasp. I hope that the House and the Commission will move accordingly.

President. — I call Mr Vandewiele to speak or behalf of the Christian-Democratic Group (EPP).

Mr Vandewiele. — (NL) Mr President, my statement on behalf of the Christian-Democratic Group is merely a symbolic gesture. If all the groups agreed that Mr Mitchell's resolution deserved urgent consideration, it means that Parliament is unanimous in supporting these proposals. I should like to express our concern for and sympathy with the victims of the Ganges floods. We hope to hear from the Commission, not that it intends to give immediate consideration to the possibility of doing something, but that it intends to take immediate action to implement some of the measures outlined so ably by the previous speaker, whose views I am happy to endorse.

President. — I call Mr Cheysson.

Mr Cheysson, Member of the Commission. — (F) Mr President, as soon as news of the disastrous floods in India, in the valley of the Ganges and the Yamuna, was received, the Commission conveyed its sympathy to the Indian government through a telegram sent on 7 September by President Jenkins.

Although floods are a regular occurrence during the monsoon, they have never, for over 80 years, reached such dramatic heights in these two valleys. The rains were the heaviest that have ever been recorded for a century; a very serious situation is also unfolding now — the deterioration of the valleys of these two rivers and the deforestation of the southern slopes of the Himalayas which both create conditions favourable to a rapid flow of rainwater, depositing sediment on the river beds which can have very tragic consequences. The situation was made worse at the end of August by the fact that the sedimentation built a sort of natural dam across the upper valley of the Yamuna and, when this natural dam gave way under the weight of the river, the result was the disaster which Mr Mitchell has very aptly described.

One third of India's population — 200 m inhabitants — lives in these two valleys. A few of India's large cities, such as Delhi, Allahabad, Patna and Ranchi, are thus affected; lands have been devastated; the number of people officially announced as dead is over 1000, and I fear that, the death toll will be several thousands. Thirty to forty million people are affected — they have lost their houses or seen their lands devastated. Thank God, the floods lost momentum on their way across India and Bangladesh was much less affected.

Mr President, as soon as we received this news, we acted as we have always done when there was a disaster, and even if it were on a smaller scale. Acting on our own initiative, we immediately consulted the organizations which are in a position to intervene at once like the Red Cross and various UN institutions. We decided — and action is being taken — to imme-

diately send to India, via the Red Cross — 500 tonnes of powdered milk and via various non-governmental organizations — 1000 tonnes of milk, making nearly 1 million European units of account at world prices, to be charged to the budget.

In President Jenkins's telegram which I referred to earlier, the Commission also stated that:

We will consider immediately and expeditiously any request by the Government of India for Community participation in measures to alleviate distress and help prevent a repetition of this catastrophe.

Even before receiving your instructions, we had, therefore, made a formal offer to the Indian government of a credit which will be charged to Article 950 and which would permit us, as the honourable MP stated, to cover immediate needs such as blankets, tents, medicines, etc. The threatened outbreak of cholera is indeed a very serious element.

We also hope that it will be possible to discuss with the Indian government more long-term measures that are necessary to once again provide the basins of these rivers with a retention capacity that can cope with heavy rains and prevent similar disasters.

Mr President, even before your resolution was tabled, these are the steps we had taken, but it is clear that your resolution will widen the scope of our action. May I just ask its author whether he does not deem it opportune to refer not only to Article 950 but also to food aid which the Community can provide? In other words, would he accept to say, in line three of the motion for a resolution for food aid and Community aid ...?

President. — Lord Murray, can you accept the amendment which Mr Cheysson has proposed?

Lord Murray of Gravesend. — Yes, most certainly, Mr President. I would also like to thank Commissioner Cheysson for his very thoughtful, kind and compassionate answer on behalf of the Commission.

President. — I shall now consult Parliament on this amendment. The amendment is adopted. The necessary alteration will be made to the motion for a resolution.

I note that no-one else wishes to speak. The motion for a resolution will be put to the vote, as amended, at the end of the sitting.

The debate is closed.

17. Votes

President.— The next item is votes on motions for resolutions on which the debate has closed.

We shall begin with the *Hansen report (Doc. 250/78): Directive on the marketing of certain seeds.*

President

I put the motion for a resolution to the vote.

The resolution is adopted.¹

President. — I put to the vote the motion for a resolution contained in the *Vandewiele report (Doc. 143/78): Community trade policy and the level of economic activity in the Member States.*

The resolution is adopted.¹

President. — I put to the vote the motion for a resolution contained in the *Vitale report (Doc. 305/78): Regulation on an agricultural advisory service in Italy.*

The resolution is adopted.¹

President. — I put to the vote the motion for a resolution contained in the *Pisoni report (Doc. 306/78): Directives on floods in the Hérault valley and irrigation in Corsica.*

The resolution is adopted.¹

President. — I put to the vote the motion for a resolution contained in the *Inchauspé report (Doc. 301/78): Regulation on wines from Tunisia.*

The resolution is adopted.¹

President. — I put to the vote the motion for a resolution contained in the *Amadei report (Doc. 302/78): Regulation on imports of adult bovines from Yugoslavia.*

The resolution is adopted.¹

President. — I put to the vote the *motion for a resolution tabled by all the political groups on the Sabel region. (Doc. 297/78).*

The resolution is adopted.¹

President. — I put to the vote the *motion for a resolution tabled by Mr Mitchell (Doc. 308/78): Ganges floods.*

The resolution is adopted.¹

18. *ACP-EEC Consultative Assembly*

President. — I propose that the list of members appointed to the ACP-EEC Consultative Assembly be published as an annex to the final edition of the minutes of this sitting.

Are there any objections? That is agreed.

19. *Dates of the next part-session*

President. — There are no further items on the agenda. I thank the representatives of the Council and the Commission for their contributions to the proceedings.

The enlarged Bureau has proposed that Parliament should hold its next part-session from 9 to 13 October 1978 in Strasbourg.

Are there any objections?

That is agreed.

20. *Approval of the minutes*

President. — Pursuant to Rule 17 (2) of the Rules of Procedure, I am required to submit to Parliament for its approval the minutes of this sitting, which were compiled during the proceedings.

Are there any objections?

The minutes of proceedings are approved.

21. *Adjournment of the session*

President. — I declare the session of the European Parliament adjourned.

The sitting is closed.

(The sitting was closed at 11.25 a.m.)

¹ OJ C 239 of 9. 10. 1978.

*ANNEX**List of Members appointed to the ACP-EEC Consultative Assembly*

Mr Adams, Mr van Aerssen, Mr Aigner, Mr Albers, Mr Albertini, Mr Amadei, Mr Andersen, Mr Baas, Mr Bersani, Mr Bordu, Mr Brégégère, Mr Broeks, Mr Borsnan, Mr Caro, Mrs Cassanmagnago Cerretti, Lord Castle, Mr Cifarelli, Mr Colombo, Mr Corrie, Mr Covelli, Mr Croze, Mr Cunningham, Mr Damseaux, Mr Dankert, Mr Delmotte, Mr Deschamps, Mr Dewulf, Mr Dondelinger, Mrs Dunwoody, Mr Ellis, Mr Faure, Mr Feit, Mr Fellermaier, Mr Fioret, Lady Fisher of Rednal, Mr Flämig, Miss Flesch, Mr Forni, Mr Fuchs, Mr de Gaay Fortman, Mr Galluzzi, Mr Geurtsen, Mr Glinne, Mr Hamilton, Mr Hansen, Mr Herbert, Mr Hoffmann, Mr Holst, Mr Howell, Mr Inchauspé, Mrs Iotti, Mr Jakobsen, Mr Johnston, Mr Jung, Mr Kaspereit, Mr Kavanagh, Mrs Kellett-Bowman, Mr Klepsch, Mr Lagorce, Mr Lezzi, Mr Ligios, Mr Lücker, Mr Luster, Mr McDonald, Mr de la Malène, Mr Martinelli, Mr Meintz, Mr Mont, Mr Müller, Hans-Werner, Lord Murray of Gravesend, Mr Nielsen Brøndlund, Mr Noè, Mr Nolan, Mr Normanton, Mr Notenboom, Mr Nyborg, Mr Osborn, Mr Patijn, Mr Petersen, Mr Pianta, Mr Pisani, Mr Pisoni, Mr Prescott, Mr Pucci, Lord Reay, Mr Rivierez, Lord St. Oswald, Mr Sandri, Mr Santer, Mr Schmidt, Mr Schreiber, Mr Schwörer, Mr Seefeld, Mr Shaw, Mr Soury, Mr Spénale, Mr Spicer, Mr Spinelli, Mrs Squarzialupi, Mr Vanvelthoven, Mr Vergeer, Mr Vernaschi, Mr Vitale, Mrs Walz, Mr Wawrzik, Mr Wurtz, Mr Zagari, Mr Zeyer.