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## PRINCIPAL DEVELOPMENTS IN THE EUROPEAN COMMUNITY FROM JUNE 1981 TO JUNE 1982

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## NOTE TO THE READER

For the past two years the Directorate-General for Research and Documentation has produced a document entitled 'Development of the Community'. The present collection, for the period June 1981 to June 1982, follows those covering the same period of time for the two previous years (PE 65.560 and PE 73.300). It aims to meet the need expressed by Members of the European Parliament to be able to follow the full range of Parliament's work.

It may be remembered that, in the run-up to the first European elections by direct universal suffrage, the same Directorate-General also produced a set of 'Fact Sheets' on the European Parliament and the activities of the European Community. These were extremely well-received at the time and many readers have since asked for them to be updated. This will be put in hand for the campaign leading to the June 1984 elections. The Secretary-General of the European Parliament has already given instructions to this effect.

These two types of document, one describing the European Parliament's activities in detail and the other summarizing the Community's activities, are complementary. They are linked by an order of contents which is identical as far as possible, apart from the introduction in the annual document of new chapters where Community activities make it necessary. In the present volume this has been the case for the action taken following the Mandate of 30 May 1980, activities in connection with the reform of the Treaties and the development of European Union.

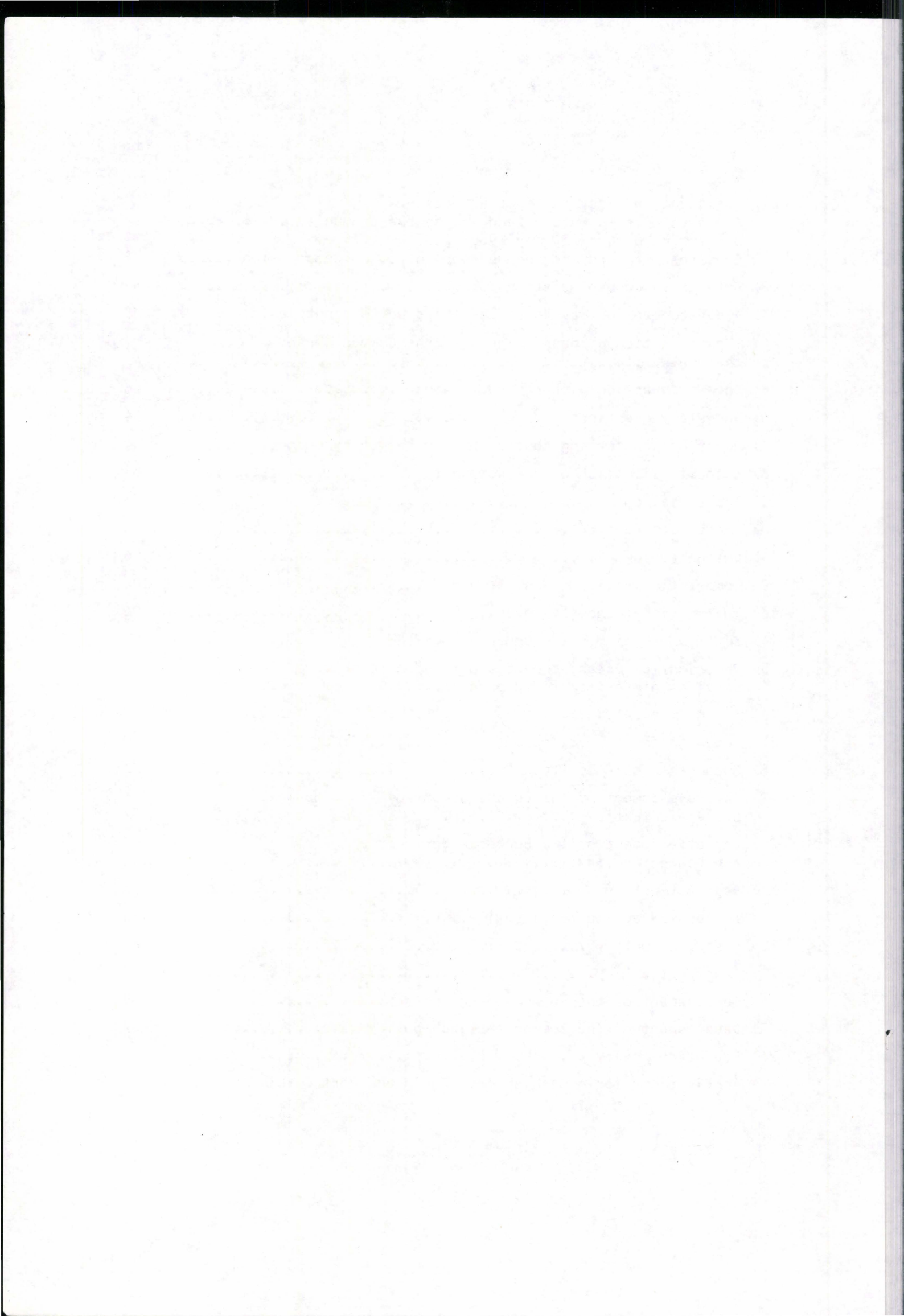
It is suggested that Members retain this text for use as a reference document for the forthcoming elections.

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POLITICAL AND INSTITUTIONAL ASPECTS

A. DEVELOPMENTS OUTSIDE AND INSIDE THE COMMUNITY

Introduction

During the period in question a variety of crises arose which strained international relations and often involved the European Community directly. The mechanisms for political cooperation between the Ten were strengthened and the Community proved able to react promptly to events.

As a result of the crisis in Poland and the proclamation of martial law by General Jaruzelski, relations between Washington and Moscow encountered new difficulties. The United States and its Western allies considered the events in Poland to be directly influenced by the Soviet Union which, by means of action by the Polish Army, succeeded in checking Polish resurgence.

A second crisis which, although more limited, was crucial for future relations between the Community and Latin America, occurred when the British Falkland Islands in the South Atlantic were invaded by Argentina. The occupation gave rise to armed conflict between Argentina and Great Britain which, although localized, was both large-scale and intense.

A third crisis occurred in the Middle East when Israeli forces invaded Southern Lebanon. The Begin Government's intention was to drive the PLO and Syrian forces out of the country. On the other hand, there have been possible positive developments in the Israeli/Egyptian peace process.

The European Community has been involved to varying degrees in these events and has either adopted joint positions or tried to react to them.

a) External developments

1. Poland

Following the proclamation of a state of war in Poland on 13 December 1981 the Member States of the Community issued a communiqué on 4 January 1982 condemning utterly the developments in Poland. Apart from appealing for the release of those arrested, the Ten noted 'the serious external pressure and the campaign directed by the USSR and other Eastern European countries against the efforts for renewal in Poland' (1). Subsequently, the European Council meeting in Brussels on 29/30 March pointed out that the Polish situation affected 'the relations of the Ten with Poland and the USSR, which bore a clear responsibility in this situation' (2). Greece, however, expressed reservations on this sentence. The European Parliament for its part adopted two resolutions on 17 December 1981; the first called for the re-establishment of civil and trade union liberties, to enable all the active forces in Polish society to participate freely in the search for a political solution of the crisis, reaffirmed Parliament's opposition to all external interference and urged the Council, the Commission and the Member States to provide all possible food aid to the people of Poland (3). In its second resolution, Parliament called on the Commission and the Foreign Ministers of the Community to come to the aid of Polish refugees (4).

The Middle East

2. General comments

The assassination of President Sadat of Egypt, the return of Sinai to Egypt, the continuing war between Iran and Iraq and the Israeli invasion of Lebanon are the main events that occurred in the Middle East in the twelve months from mid-1981 to mid-1982.



In the meantime the Ten continued their exploratory visits. In November 1981 Lord Carrington, the President-in-Office of the Council, visited Saudi Arabia. At the end of May and beginning of June 1982, it was the turn of Mr Tindemans, President-in-Office of the Council, to visit Kuwait, Saudi Arabia, Egypt and Israel to sound out the different governments as part of the Community's effort to bring about an overall peace. Mr Tindemans subsequently reported to the European Council in Brussels on 28/29 June 1982.

### 3. Implementation of the peace agreement between Egypt and Israel

At the end of November, France, Italy, the Netherlands and the United Kingdom decided to take part in the multinational force (MFO) in the Sinai to maintain peace in the region following Israeli withdrawal as provided for in the Camp David agreements between Egypt and Israel. The Foreign Ministers of the Ten published a declaration pointing out that the decision of the 'Four' reflected the will of the Community to promote an overall peaceful settlement in the Middle East by all possible means.

### 4. The Israeli annexation of the Golan Heights; repression on the West Bank

The Member States of the Community deplored the decision taken by the Israeli Parliament (the Knesset) to extend Israeli law, powers and administration to the Golan Heights, which was Syrian territory occupied by Israel.

The Ten also denounced the dismissal of the Palestinian West Bank mayors by the Israeli authorities.

## 5. Lebanon

The Ten roundly condemned the Israeli invasion of Lebanon in a first declaration issued on 9 June and decided not to go ahead with the signing of the Second Financial Protocol between the EEC and Israel. Subsequently, on 28/29 June the European Council called for the simultaneous and immediate withdrawal of Israeli and Palestinian forces from their positions around and in Beirut.

On 17 June the European Parliament adopted a resolution insisting that all non-Lebanese armed forces participating in the conflict should leave the country and condemning both the Israeli operations and the terrorist attacks against Israel that had preceded them. It also called for negotiations to restore security and peace in the region and invited the Commission and the Council to draw up a programme of aid for the victims.

## 6. The Falkland Islands conflict

The conflict between the United Kingdom and Argentina in the Falkland Islands (South Atlantic) was caused by the military occupation of the islands by the Argentine Government on 2 April 1982.

On the day of the Argentine invasion the Member States of the Community adopted a declaration condemning the action and calling for the immediate withdrawal of the Argentinian forces. The Ten subsequently decided to ban exports of arms and military equipment to Argentina and to ban imports of Argentine products to the Community. (The renewal of the latter ban was not however approved by two Member States, Ireland and Italy).

Following the military victory of the British armed forces, the Community decided on 20 June to abolish the economic sanctions immediately.

The European Parliament adopted two resolutions during the conflict: the first, adopted on 12 April 1982, supported United Nations Security Council Resolution 502 which demanded an immediate withdrawal of all Argentinian forces, and reaffirmed its agreement with the ban on arms exports to Argentina, urged the Council and the Commission to continue to review the possibility of taking further measures, and insisted that in any solution it was necessary to take fully into account the wishes of the Falkland Islanders (5). In the second resolution, adopted on 12 May, the European Parliament invited the Foreign Ministers to renew the Community embargo if no solution were reached by 16 May and urged them to keep constantly in mind that what was at stake in the Falklands conflict was the rule of International law, the authority of the United Nations and the solidarity of the Community (6).

#### 7. Afghanistan

On 17 December 1981 the European Parliament adopted a resolution declaring its intention to commemorate 21 March 1982 as Afghanistan Day (7). Following this commemoration, the European Council in Brussels on 29/30 March 1982 drew attention to the tragic situation in the country.

#### 8. Turkey

The European Council of 29/30 March 1982 received a report from Mr Tindemans, President of the Council, who had been instructed to visit Turkey to inform the Turkish authorities of the Ten's misgivings as regards respect for human rights in the country and to stress the need for a rapid return to democracy. Mr Tindemans reported that he had been assured that a referendum to approve the democratic constitution would take place in November 1982 and general elections in Autumn 1983 or in the Spring of 1984 at the latest.

The European Parliament adopted a resolution on 8 July 1982 urging the Turkish authorities to meet and if possible bring forward the deadline for free elections by secret ballot, and calling on the Turkish Government to allow political and trade union figures not convicted for serious offences under the laws in force before 12 September 1980 to participate in public debate again. Parliament also invited the Commission to recommend to the Council of Ministers that it adopt the Fourth EEC-Turkey Financial Protocol as soon as a return to democratic life had finally been achieved.

#### 9. CSCE

The Conference on Security and Cooperation in Europe, which in February 1982 was again adjourned until November, has made no perceptible progress. Mr Tindemans attended the February meeting and delivered a statement on behalf of the Ten.

#### 10. Strengthening of political cooperation

In October 1981 the Foreign Ministers of the European Community adopted the third report on European political cooperation in which provision was made to strengthen its mechanisms and in which the Ten adopted many of the suggestions and requests made by the European Parliament in the resolution adopted in July 1981 (8) on European political cooperation and the role of the European Parliament.

Subsequently Parliament adopted four resolutions on strengthening the structures of political cooperation in which it expressed its wish to be involved in the formulation and monitoring of a common external policy (9)

## b) The Community's internal development

### 11. Enlargement

Negotiations on Portuguese and Spanish accession continued in the period June 1981 to June 1982 and highlighted the difficulties encountered by the Community and both the applicant countries.

Fears that over-hasty accession could complicate issues in a Community of Twelve prompted the European Council of 28/29 June 1982 to request the Commission to draw up a list of the problems that enlargement would create for Community policies and each of the Member States. This decision could delay the accession of the two applicant countries beyond the date of January 1984. Parliament invited the European Council and the Council of Ministers to confirm the date for the accession of Portugal and Spain as not later than 1 January 1984, invited the Commission to submit to it not later than February 1982 a report on the state of negotiations and asked the Council to deliver an opinion on that report (10).

### 12. Implementation of institutional resolutions

At its session of July 1981, Parliament adopted 5 resolutions on institutional matters - on relations between Parliament and the Council, the National Parliaments, and the Economic and Social Committee; on the right of legislative initiative of Parliament; and on European Political Cooperation and the role of Parliament (11). These reports proposed a generally pragmatic approach to the development of Parliament's relations with these bodies, on the basis of joint declarations or inter-institutional agreements and without amendment of the Treaties. In December 1981 a further resolution, on relations between Parliament and the European Council, was adopted (12) and in February 1982 a final resolution on the role of the European Parliament in the negotiation and ratification of Treaties (13). The Institutional Sub-Committee of the Political Affairs Committee has been renamed the Sub-Committee on the Application of the Treaties' Institutional Provisions and has been given the task of following up the implementation of these seven institutional resolutions.

There has already been an encouraging response by the Council, Commission and Foreign Ministers to the proposals advanced by Parliament in these resolutions, and the sub-committee is preparing to press for implementation of the remaining proposals. The Council has accepted all the proposals made for greater information to be given to Parliament, and most of those for closer consultation of Parliament by the Council (14). The Foreign Ministers of the Federal Republic and of Italy, Messrs Genscher and Colombo, in the draft European Act which they put forward in November 1981, have taken up the proposals on the conciliation procedure and on voting by majority (15).

The Commission has accepted several of the proposals for improvement of the conciliation procedure which Parliament put forward in its resolution (16) but the Council has not so far done so. Similarly the Commission has accepted several of Parliament's proposals that it should have a greater role in the negotiation and conclusion of treaties and agreements; but the Council have made no response (17).

### 13. Seat of Parliament

The Grand Duchy of Luxembourg brought an action before the Court of Justice of the European Community on 7 August 1981 for annulment of Parliament's resolution on this matter of July 1981 (18). This resolution had called on national governments to fix a single seat for the Community institutions, pending which decision Parliament would hold its sessions in Strasbourg and meetings of its committees and political groups, as a general rule, in Brussels. In a resolution in December, Parliament recorded the need to achieve as soon as possible an improvement in its working methods, and confirmed the content of its resolution of July. Parliament also expressed its regret that no progress had been made on this matter.

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- 4 - OJ No. C 11/82, 18.1.1982
- 5 - OJ No. C 125/73, 17.5.1982
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- 8 - OJ No. C 234/67, 14.9.1981
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- 12- OJ No. C 11/192, 18.1.1982
- 13- OJ No. C 66/68, 15.3.1982
- 14- Bulletin of the European Parliament, No 11, 10.5.82, PE 78.554, p.57
- 15- Bulletin of the European Communities, No 11/1981, point 3.4.1,  
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- 16- COM(81) 816 final, 4.1.1982
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- 18- OJ No. C 234/22, 14.9.1981.

B. THE MANDATE OF 30 MAY 1980

It is now more than two years since the Council entrusted to the Commission a mandate which it was to fulfil by the end of June 1981.

It may be helpful to recall the precise terms of the mandate which relates to structural changes to be made to the Community budget:

'The examination will concern the development of Community policies, without calling into question the common financial responsibility for these policies which are financed from the Community's own resources, or the basic principles of the common agricultural policy. Taking account of the situations and interests of all Member States, this examination will aim to prevent the recurrence of unacceptable situations for any of them. If this is not achieved, the Commission will make proposals along the lines of the 1980 to 1981 solution and the Council will act accordingly'.<sup>1</sup>

After reflecting for one year the Commission in June 1981 submitted an initial report presenting a coherent set of guidelines aimed at giving fresh impetus to the construction of Europe<sup>2</sup>.

At the same time Parliament conducted a thoroughgoing examination of the question and adopted two important resolutions: one on restructuring economic and monetary policies in accordance with the decision of 30 May 1980 and the other on the future shape of the European Communities' budget<sup>3</sup>.

During the two-year period, Parliament held four debates on the action to be taken by the Commission on the Mandate of 30 May 1980.

(a) Submission of the report by the Commission

On 7 July 1981 Mr Thorn, speaking on behalf of the Commission, outlined the substance of the report drawn up in June 1981 by that institution, of which he is President<sup>4</sup>. Declining to limit the budget restructuring exercise to a purely financial evaluation of the budgetary implications of the existing common policies, the Commission declared its intention to launch a series of



measures taking the form of specific proposals following a short-term timetable. These measures, which would be justified by greater operating efficiency at Community level, would entail breaking through the one per cent ceiling on VAT which was currently imposing an artificial limit on the Communities' ability to function.

For the Commission, the main priorities of the Communities' economic strategy were:

- tighter coordination of national monetary and economic policies and decisive progress in expanding the European Monetary System;
- systematic exploitation of the opportunities of the vast domestic market;
- reduction of energy problems by coordinating national resources and by making greater use of Community instruments;
- promotion of investment in technology and European integration in the field of research and innovation;
- an active competition policy designed to safeguard the competitiveness of industries in the Community.

As regards agriculture, the Commission reaffirmed the basic principles laid down in the Treaty, although calling for a change of policy on agricultural price guarantees to ensure that the growth of agricultural expenditure remained lower than that of own resources. The Commission proposes a provisional settlement to the problem of the British contribution relying on a mechanism based on each Member State's share of the Communities' agricultural expenditure, that expenditure being at the root of the United Kingdom's net deficit. Ultimately the creation of new policies should restore balance to the budget and solve this problem. The Commission in addition stresses the importance it attaches to the proper functioning of the institutions and to compliance with the required procedures, notably compliance with the rules on majority voting.

The attitude of the political groups has been broadly favourable to the Commission's proposals although there was some comment that they were presented in a rather vague form which very possibly might not be followed up by specific proposals. Mention should also be made of the fairly general wish expressed by the political groups for the ultimate raising of the rate of one per cent of VAT paid over to the Community and of the lack of enthusiasm for the financial mechanism proposed by the Commission.

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(b) Pending specific proposals

In October 1981 the Commission presented a number of documents heralded in its June 1981 report on the Mandate<sup>5</sup>. These documents are not in the strict sense proposals for a decision or regulation but merely communications containing proposals for guidelines, priorities and strategies. Since then the Commission has met twice, on 14 and 23 November - before and after Parliament's part-session - in connection with the meeting of the European Council held in London on 26 and 27 November 1981.

On 17 November 1981 Parliament returned to the question on the basis of an interim report by Mr Hopper on behalf of the Committee on Economic and Monetary Affairs<sup>6</sup>. Essentially the rapporteur made three points: Members' disappointment at the indefinite nature of the texts which the Commission had sent to Parliament, the confusion between the notions of budgetary redistribution, 'juste retour' and convergence of economic policies and lastly the lack of a Commission proposal to give practical effect to Parliament's resolutions seeking the creation of a general budgetary equalization system to assist the less well-off Member States.

The President-in-Office of the Council<sup>7</sup> informed Parliament of the state of progress of work within his institution. Reasonable progress had been made in relation to policies other than the CAP, but on the CAP itself he was less optimistic. How was a reconciliation to be achieved between the aims of the Common Agricultural Policy, the development of the other policies, the current limits on own resources and the prospect of the Communities' enlargement? As for ways of preventing the recurrence of an unacceptable budgetary situation, the President stated that the Council was not within view of a solution and that as a result a situation was developing which was likely to call into question directly the functioning of the Community.

Mr O'Kennedy explained the Commission's position: it would be unreasonable to expect the Commission at that time to make specific recommendations on the budgetary aspects because the three factors referred to by the Council were interrelated parts of a whole and could not therefore be treated separately or in isolation from one another: the lack of agreement on agricultural expenditure meant that it was not possible there and then to make recommendations with regard to the budget.

It was impossible for the debate which followed these two statements to arrive at any conclusion. Parliament could not usefully or clearly express its

views on the implementation of the Mandate of 30 May until the Commission had given its full and final reply to the Mandate. Mr Hopper's report was referred back to committee.

(c) Deadlock in the Council, hesitation in the Commission

Following the meeting of the European Council on 26 and 27 November, Mrs Thatcher, President-in-Office, stated<sup>8</sup> that the European Council had reached agreement on a number of points but that disagreement remained on four matters: the question of milk as a whole, the guidelines on agricultural expenditure, Mediterranean agriculture and the budgetary question as such. This being so, the European Council had referred the matter back for discussion to the Foreign Ministers for them to prepare recommendations to be submitted to the following Council, while continuing to strive for an overall agreement on all those points.

The question of the Mandate of 30 May was once again included on the agenda of the February part-session. In an oral question with debate<sup>9</sup> Mr Hopper, the author of the question, asked the Commission what were its intentions in the light of the continued failure to reach agreement within the Council on the Mandate of 30 May.

On behalf of the Commission Mr Thorn said he had done what he had been asked to do. He had submitted texts on the non-agricultural aspect, he had presented proposals for agricultural prices and associated measures reflecting the spirit of the Mandate. As regards the problem of the British budget contribution, the Commission had suggested a temporary mechanism intended to relieve the British budgetary situation and at the same time to preserve the nature of the Community budget.

On the question of setting up a more general financial mechanism<sup>10</sup>, Mr Thorn pointed out that the United Kingdom's budgetary problem was more the result of the insufficiency of Community expenditure in favour of the United Kingdom than the excessive level of the British contribution to the Community budget. In his view, a financial mechanism affecting the revenue side of the Community budget would not remove the British deficit and would even run the risk of causing difficulties for other Member States. Mr Thorn's objections to setting up a financial mechanism of this kind concerned the relatively insignificant sums that the Community budget was capable of transferring and the possible reaction of Member States which might well accept an attempt at redistribution through the financial mechanism but which might subsequently

be unwilling to extend it to other Community policies. In Mr Thorn's view, the solution to the problem of unacceptable budgetary situations lay in the development of policies that were of common benefit and possibly in the adaptation of new resources matching the paying ability of the Member States, the regions and indeed of individual citizens. The Council, for its part, observed that the Commission had not submitted to it any proposal for the creation of a financial mechanism as envisaged by Parliament and that it had no intention of asking the Commission so to do<sup>11</sup>.

In his speech on the occasion of the presentation of the 15th annual report, Mr Thorn drew Parliament's attention particularly to the fact that if the compensation to the United Kingdom was to be financed out of own resources, the budgetary appropriations necessary would virtually exhaust the margin of such resources still available.

Following this debate, Parliament adopted two resolutions, the first on a motion from Mr Hopper and others and the second on a motion tabled by Sir Henry Plumb on behalf of the European Democratic Group<sup>12</sup>. Parliament reaffirmed the general character of the mandate whose purpose, far from being limited to solving problems peculiar to certain Member States, should be to examine the common policies as a whole and to give fresh impetus to the development of the Community. Parliament wanted rapid progress in the discussions on the budgetary and agricultural aspects of the Mandate; it also called on the Commission to present a special programme of action by 1 June 1982 with a view to the full use of the executive powers conferred upon it by the Treaties in the social, economic, commercial, agricultural and industrial fields, together with a detailed timetable. This point concerning the action programme is preceded by a recital referring to the Commission's accountability to Parliament under Article 144 of the EEC Treaty (motion of censure).

(d) Partial and provisional agreement in the Council

During the night of 24 to 25 May 1982 the Council reached provisional agreement for the financial year 1982 on the British contribution. On the basis of a net contribution by the United Kingdom of 1,530 million ECU, the compensation for the 1982 accounts (to be entered in the budget for the financial year 1983) would be 850 million ECU. The Commission commented on this agreement at Parliament's sitting of 15 June 1982. The provisional agreement corresponded to the possibility anticipated in the Mandate that its aims might not be achieved. If this were the case, 'the Commission will make proposals along the lines of the 1980-1981 solution and the Council will act

accordingly'. As regards the other two parts of the three-part question on which the Commission hoped to see parallel progress, albeit without linking progress in one part to that achieved in another, it stated that it had decided first to propose broad options concerning the major fields of activity: energy, agriculture, industry and then subsequently to move on to more detailed operational proposals<sup>13</sup>.

Mr Tindemans, President-in-Office of the Council indicated that the details of the provisional agreement on the British contribution would still have to be filled in at the end of June in order to determine the proportions in which the burden would be borne by the various Member States and that in any event a definitive solution for the period after 1982 would have to be devised in November 1982. He also referred to various decisions of the Council taken within the framework of the Mandate which were intended to promote investment. As regards new policies and the agricultural policy, the London conclusions (November 1981) had not yet been formally adopted. At the invitation of the Commission, the succeeding Danish presidency would do everything within its power, said Mr Tindemans, to guard against any loss of momentum.

At the June 1982 part-session Parliament for the fourth time returned to the question of the implementation of the Mandate conferred upon the Commission on 30 May 1980<sup>14</sup>. It is not possible to summarize here the 57 paragraphs of the resolution<sup>15</sup>. However the main points are as follows:

- the Mandate exercise cannot be considered as being closed by the provisional agreement on the United Kingdom's budgetary problem. On the contrary, the Mandate provides an excellent opportunity for revitalizing the Community;
- the purpose of the Mandate is to promote convergence, i.e. to coordinate the economic policies of the Member States, to reduce economic and social disparities, to guide the Communities' economic policy towards qualitative growth taking particular account of ecological criteria for the protection of man and the natural environment;
- the decision-making mechanisms must be strengthened. Accordingly, the Commission is invited to submit to Parliament and to the Council substantive proposals concerning the reform of the Communities' decision-making procedures;
- the raising of the ceiling on own resources must enable the Community to develop other Community policies, but this requires control over the growth of agricultural expenditure;

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- the long-term solution to the problem of situations unacceptable to certain Member States lies in the balanced development of new Community policies and in the reform of existing policies. Parliament expressed serious reservations as to the mechanism proposed by the Commission based on agricultural expenditure. Instead it preferred a general financial mechanism as envisaged in its Resolution of 15 November 1979. This mechanism would enable the Community to develop policies without constantly having to consider the financial implications of each such policy on the different Member States. It would contribute to the convergence of the economies of the Member States by introducing the principle of progressivity in the collection of revenue which would link the volume of the contributions to the budget to criteria such as per capita income and the economic strength of each country;
- the principle of the 'juste retour' was condemned. The Commission was invited to carry out a study aimed at assessing the advantages and disadvantages of belonging to the Community for each Member State with reference to non-budgetary matters.

After referring to its resolution on improvements to be made to the Common Agricultural Policy, in the remainder of the resolution Parliament stressed the priority to be accorded to the development of Community policies other than agriculture, such as social and regional policies, industrial strategy, monetary policy and energy policy.

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- 5 See working document 1-307/82, p. 43
- 6 Working document 1-682/81, 11 November 1981
- 7 Debates of the European Parliament, November 1981 part-session, No. 1-277
- 8 Bulletin of the European Communities No. 11-1981, paragraph 1.1.4
- 9 Debates of the European Parliament, February 1982 part-session, No. 1-280
- 10 See resolution adopted on 15 November 1979 proposing the creation of a permanent system of financial equalization between the Member States (OJ No. C 309, 10 December 1979)
- 11 Answers by the Commission and Council to questions Nos. 35 and 62, provisional edition of proceedings of sitting of 16 June 1982
- 12 OJ No. C 66, 15 March 1982
- 13 Debates of the European Parliament, provisional edition, sitting of 15 June 1982
- 14 Working document 1-307/82 and annexes, 14 June 1982
- 15 See provisional edition of the Minutes of Proceedings of the sitting of 17 June 1982, PE 79.234

C. TREATY REFORM AND THE DEVELOPMENT OF EUROPEAN UNION

Since direct elections to the European Parliament, the Community institutions and the relevant national authorities have shown renewed interest in giving fresh impetus to integration and the creation of European union on the basis of the existing Communities.

The different proposals can be seen as alternative solutions. Indeed, the choice by the Member States and the European institutions of any one of the projects submitted could well entail rejection of the others since it is not possible to pursue simultaneously a number of divergent objectives. It is equally possible that the final decision would be to choose not one proposal alone but an amalgam of different features from a number of proposals.

It may therefore be helpful to review not only the work of Parliament on this subject but also the proposals of the Commission and the Member States although the temptation will be great to adopt the solution involving the least change irrespective of the logic and the potential benefits of joint action and pooled resources.

The following description of proposals for relaunching the Community therefore includes the German-Italian initiative, the French Memorandum, the Mandate of 30 May 1980, the European Parliament's institutional resolutions and, lastly, the work of its Committee on Institutional Affairs.



## 1. The draft European Act

The Council is currently considering a German-Italian initiative in the form of a draft European Act<sup>1</sup>. This document was forwarded on 6 and 12 November 1981 by the Italian and German governments to the other Member States, to the European Parliament and the Commission.

In signing this Act the Member States would reaffirm their political will to develop the whole complex of their relations and to create a European Union having the following aims: to strengthen the European Communities, develop a common foreign policy, provide for consultation on questions concerning the security and independence of Europe, establish cooperation in cultural matters, strengthen the common European legal consciousness and create a legal union in order to be able to cope through coordinated action with international problems of public order and terrorism.

With regard to the institutions, the European Act envisages that the Community's decision-making structures would be brought together under the responsibility of the European Council. Parliament would debate all matters concerning the Communities and European political cooperation and receive a twice yearly report from the European Council. Its role would be extended particularly as regard the conciliation procedure and the conclusion of international treaties.

The number of Councils would be increased to include the Ministers for Cultural Affairs and Justice. The draft Act envisages strengthening the role of the President-in-Office in European political cooperation and setting up a secretariat for European political cooperation. As regards voting procedures in the Council, the invocation of vital national interests would have to be substantiated by a written statement of reasons to prevent Member States from unreasonably blocking Council decisions intended to be taken by majority vote. Lastly, the Court of Justice would be endowed for the purposes of drawing up new international

treaties between the Member States with powers corresponding to those which it has now for the interpretation of the existing Treaties and, possibly, powers of arbitration.

The draft European Act is accompanied by a draft declaration on economic integration. The matters dealt with include a functioning internal market, the European Monetary System, the growing convergence of the economies of the Member States, the European economic area and the stabilization of democracy in Europe.

On 19 November 1981 Mr Genscher, Minister of Foreign Affairs of the Federal Republic of Germany and Mr Colombo, Minister of Foreign Affairs of the Italian Republic presented the draft act of which they are the authors to the European Parliament.

Mr Genscher stressed that the draft act provided for a review five years after signature with the aim of concluding a formal treaty on European Union which would make existing achievements in respect of the European Union not only politically but also legally binding.

Mr Colombo acknowledged that the proposed measures were cautiously realistic in character but in his view this was the only way, given the current state of development, to retain intact the objective of European Union.

Parliament did not give its opinion on the draft act through a resolution but confined itself to organizing a policy debate.

The spokesman for the Socialist Group welcomed with great interest the revival of political cooperation and the improvement of relations between the institutions. He recalled in particular that the main objective should be to effectively combat unemployment.

The reply to the draft act by the Group of the European People's Party (EPP) was 'yes, but'. It felt the objectives were acceptable, indeed desirable, but the institutional proposals did not go far enough: an act could not in

itself confer powers which must normally have their basis in a treaty and to which, sooner or later, resorts would have to be made. On the question of decision-making procedures, the EPP Group felt that Parliament should be able to discuss in an informed manner whenever a Member State brought up a vital issue.

The spokesman for the European Democratic Group welcomed the draft Act presented by the two Ministers. He drew attention to the need for cooperation with the national Parliaments to whom the members of the Council remained answerable as members of their national governments.

The Council has considered this draft on a number of occasions, the last being on 20 June 1982 when there were disagreements and divergent views on a series of questions concerning the institutions, their procedures and their relations with one another. There was agreement on one point only, namely that cooperation must be given fresh impetus and new substance<sup>2</sup>.

## 2. Voting conditions in the Council

At the same time as the draft European Act was being discussed in the Council, the Ministers were debating the voting conditions within their institution. The occasion was provided by the annual fixing of agricultural prices for the 1982-1983 financial year, a debate which some considered was linked to questions arising from the mandate of 30 May, in particular that of Britain's contribution to the Community budget. In the face of reservations on the part of the British delegation concerning the idea of an agricultural compromise on which the nine delegations had reached agreement on 11 May 1982, the Council in accordance with the procedure under Article 43 of the EEC Treaty drew up regulations concerning the fixing of agricultural prices and related measures on 17-18 May 1982. Three Member States - Denmark, Greece and the United Kingdom - felt that on principle the voting procedure should not be used in this case; as a result, they did not take part in the votes on these regulations. Other regulations were also adopted by a majority vote of the delegations during the same Council session.

The question of voting conditions was the subject of detailed discussions in the Council on 20 June 1982 at the meeting of the Ministers for Foreign Affairs. The President-in-Office of the Council summarized these discussions in the speech which he made to Parliament on 7 July 1982:

'Just as in 1966, it was found that there was disagreement between the Member States. Some Member States consider that voting should in all cases be postponed when a Member State claims that its vital interests are at stake. Others agree with this, but consider that there should also be some clarification and interpretation of what constitutes a vital interest. A third group of countries considers that a vote should only be postponed once, and that the plea of vital interest should be accompanied by a written justification. A fourth group of countries feels that the voting rules in the Treaty should be used on all occasions. There is nothing new in the Member States disagreeing on this question. The main feature of the Luxembourg Compromise was indeed the agreement to disagree. It is my personal judgment that there is no possibility of achieving agreement between the Member States on this question. I therefore think that the Community would be best advised to accept the situation as it stands and refrain from increasing antagonism'

The Italian representative of the Communist and Allies Group condemned the lack of faith and imagination shown in the draft European Act. Why should they applaud 'the umpteenth variation on the inter-governmental collaboration theory', when the authors of the Act were already saying that it would be necessary to resort to a treaty to consolidate the union.

In contrast to the preceding speaker, the Liberal and Democratic Group welcomed the draft Act unreservedly precisely because no one excluded the future possibility of the joint drafting of a European Constitution. Why then prevent the realisation of whatever was feasible for the present?

On behalf of the Group for Technical Coordination, a Danish representative recalled that the right of veto was the only safeguard available to the small countries and that the Danish Constitution laid down special voting conditions for any renunciation of sovereignty.

### 3. The French government's Memorandum on the revitalization of Europe

On 13 October 1981 the French government submitted to its partners and to the European institutions a Memorandum on revitalizing European integration with a view to giving Europe the means to overcome the economic crisis and to affirm its political existence<sup>3</sup>.

The Memorandum stresses that there can be no political power without economic power and that there can be no economic power without a political and cultural framework.

However, the Memorandum proposes no institutional innovations and does not envisage the immediate raising of the ceiling on own resources. For the French government, it must be stressed, not all activities call for the participation of all the Member States.

Having thus described the framework of its aspirations for Europe in the present circumstances, the French government goes on to declare that this relaunching of the Community could prove to be the first step towards the restructuring of the budget which forms the subject of the Mandate of 30 May 1980. It proposes a number of specific measures, particularly in relation to economic policy (Community loans), employment policy (European social area), agricultural policy and industrial policy.

As far as the institutions are concerned, the Memorandum discusses possible adjustments within the framework of the Treaties: the Presidency of the Council should put matters to the vote wherever the Treaty so provides, although a vote may be deferred if one or more Member States so request invoking the need to safeguard a vital national interest. The Memorandum further envisages a wider role for the European Parliament in the legislative process and giving serious thought to the relations between the European Parliament and the national parliaments.

#### 4. Proposals prepared by the European institutions

The present functioning of the institutions and the very slow development of integration have created a general feeling of dissatisfaction among the institutions of the European Community.

This feeling has found expression in the first instance in the budgetary sphere. The specific problem of the 'British contribution' led on very rapidly to the general question posed by the structure of the Community's expenditure: how, given the current limits on the Community's own resources, could the trend of expenditure be changed to give greater prominence to non-agricultural policies and to distribute the Community's financial resources more fairly in such a way as to benefit the Member States which have the greatest need?

On 30 May 1980 the Commission received from the Council a specific mandate to produce an answer to this question and to present specific proposals.

The evolution of this question is considered in a separate chapter of this document<sup>4</sup>. Similarly, a further chapter sets out the proposals contained in Parliament's institutional resolutions most of which were adopted in July 1981<sup>5</sup>.

These two groups of texts are characterized by a wish to find the solution to these problems within the present framework of the Treaties and to improve the institutional set-up gradually by means of interinstitutional agreements.

At the same time, a group of Members of Parliament led by Mr Spinelli caused to be adopted in plenary sitting a motion for a resolution dealing with all of these problems from a different standpoint. On 9 July 1981 Parliament adopted a resolution creating a Committee on Institutional Affairs with the aim of drawing up amendments to the existing Treaties<sup>6</sup>.

Parliament's thesis is that the ultimate aim of the Communities has always been the achievement of European Union and that while substantial progress has been made over the last thirty years towards European integration the initial impetus has now run out of steam because it lacks the means necessary for its purpose.

In Parliament's view, that aim is unchanged but the existing Treaties need to be reformed in order to define the new tasks of the Community and its institutions and to provide it with the means for carrying out those tasks. One of the principal duties of the directly elected Parliament is to define the way in which the Community is to evolve. This in fact will be one of the major subjects under discussion in the run-up to the elections during the first half of 1984.

#### 5. The resolution of 6 July 1982

Building on the basis of the existing Treaties, Parliament wants the Member States to adopt a treaty creating European union. The new treaty would essentially include a definition of the tasks and responsibilities of the Union, provisions for a different distribution of powers between the institutions and a description of certain guiding principles indispensable for the achievement of European Union.

##### (a) The tasks and responsibilities of European Union

On this topic we can do no better than to quote the three essential paragraphs of the resolution:

'4. The tasks of the Union - as set out in particular at the Paris Summit of 1972 and in the 1975 reports by Parliament, the Commission, the Court and Mr Tindemans - shall be formulated with a view to:

- (a) growing political, economic and social solidarity of its peoples in a context of respect for human (individual and collective) rights and values and for democratic freedoms, as well as for ethnic and cultural diversity, of progress in social justice and of efforts to achieve full employment, stable economic growth, a higher quality of life, and the elimination of regional imbalances;

- (b) an effective commitment to balanced and just economic and social development for all the countries of the world, and to a stable and open economy;
- (c) a strong and responsible contribution to peace and security which respects the rights of the peoples;
- (d) responsible conservation and rehabilitation of the natural environment and of natural resources in order to achieve sustainable development;

5. The principle of subsidiarity - one of the essential principles of the Union - implies that:

- (a) the Union shall only undertake those tasks which can be executed more effectively in common than by the Member States separately, or those whose execution requires a contribution from the Union;
- (b) the Union shall act only in clearly delineated areas;
- (c) the Union's competences shall take strict account of the distribution of tasks and areas of activity between the Union and the Member States;
- (d) the distribution of tasks, of areas of activity and of competences shall take account of the present states, but also of the prospects and the inevitable evolution of the Union;

6. To carry out these tasks - the nature and scale of which may vary according to the rate of development of the Union - the latter must possess appropriate competences in order to:

- (1) ensure that the policies of the Member States are compatible and convergent,
- (2) allow common policies to be formulated and implemented,
- (3) propose new initiatives, whenever the principle of subsidiarity so requires, in the following areas:
  - (a) the objectives laid down by the Treaties of Paris and of Rome,



- (b) general economic policy (in particular: credit, investment, taxation, research), sectoral policies (industry, agriculture, the tertiary sector, energy) and commercial policy (in particular as regards energy and raw materials supplies),
- (c) monetary policy and the parallel development of the economic and the monetary aspects of Economic and Monetary Union, and in particular the development of common instruments,
- (d) implementation of a policy for society, particularly in the areas of social, regional, environmental, cultural and information policy,
- (e) gradual transition from national measures of cooperation with the countries of the Third World towards a vigorous common policy of development aid aimed at promoting a more just world economic order,
- (f) the gradual framing of a common European policy in the field of international relations and security;'

(b) The institutions of the Union

In the explanatory statement attached to his report, Mr Spinelli sums up as follows the paragraphs of the resolution concerning the Union's institutions:

'The Commission will be the executive body of the Union. Its role will thus be pivotal and to this end, considerable modifications must be made concerning its appointment, its internal structure and its responsibilities.

Legislative and budgetary powers, as well as the power to appoint the Commission and to ratify treaties, will be shared between Parliament and the Council. The current predominance of the Council will cease. Instead, ~~they~~ will act more as separate chambers of the budgetary and legislative authority, with the Council representing on the one hand the people and on the other the Member States. Parliament will exercise political supervision of the executive. The exact distribution of powers between them can be defined in such a way as to differentiate between

sectors. However, the unity of the institutions of the Union must be guaranteed.

The Court of Justice, which in some ways has been the most successful of the Community Institutions, will retain its central position in a system based on law and the separation of powers. Its existing powers should be strengthened and it should be given competence to give rulings on cases of violation of fundamental human rights. All citizens of the Community should have direct access to the Court within the limits of its powers.'

(c) Other provisions

The resolution of 6 July 1980 contains a further series of important statements.

The financing of the Union's tasks will be based on the present system of the Community's own resources. 'Every few years, tax resources and other revenues shall be apportioned between the Union and the Member States according to the needs arising from the tasks and obligations of the Union. Within the limits of this apportionment, the Union and the Member States shall be autonomous in assessing their resources and drawing up their budgets.'

Furthermore, the Community 'patrimony' (acquis communautaire) i.e. the totality of existing legal acts and policies concerning the Communities, political cooperation and the European Monetary System will continue within the Union until and unless amended by new Union laws and policies.

Finally, Parliament has entrusted to its Committee on Institutional Affairs the task of continuing to work along the lines set out in its resolution. The committee is therefore instructed:

- to undertake the necessary consultations with political, economic and social authorities at national and Community level; to encourage informed debate involving the political and intellectual forces in each Member State; to take evidence;

- to draw up on this basis a series of proposals which Parliament shall examine early in 1983 and;
- in the light of these deliberations to draw up a preliminary draft of the Treaty which shall be submitted to Parliament in the autumn of 1983.

In plenary sitting 31 amendments were tabled to Mr Spinelli's motion for a resolution. Of the 4 amendments adopted, two merit attention here. At the instance of the Socialist Group the following was added to the resolution's recitals:

- '- convinced that reform of the institutions must be adapted to the new responsibilities of the Community arising from the slowing down in quantitative growth, increasing unemployment, the shortage of energy and raw materials, the threat to the natural foundation of life, the introduction of new technologies etc.'

Similarly, the Socialist Group requested that the Committee on Institutional Affairs should in future be designated the 'Committee for the Reform of the Treaties and for the Development of European Union' in order to underline the link between the tasks of the Union and the powers of the institutions.

The last paragraph of the resolution was amended to call upon the Committee on Institutional Affairs to hold consultations, to encourage debate and to take evidence with a view to ensuring that the work of the committee should reflect the aspirations of the citizens of Europe.

The Group of the European People's Party let it be known at the time for declarations of vote that it had tabled no amendments because it wished to respect the consensus that had emerged within the Committee on Institutional Affairs over the motion for a resolution, being the outcome of a discussion in committee enlived by 89 amendments. For the same reason the Group voted against all the amendments tabled in

plenary sitting. It seemed inappropriate to wage a battle of amendments over a text which is intended to provide guidance for the drafting of a treaty.

The vote on the resolution as a whole showed that the consensus was confirmed in plenary sitting with 257 votes in favour, 37 votes against and 21 abstentions.(7).

The spokesman of the French Communists stated that he would vote against the resolution, while the Group of European Progressive Democrats announced that its members would abstain.

LIST OF REFERENCES

- 1 Bulletin of the European Communities No. 11-1981, page 95
- 2 Report of proceedings of the European Parliament, sitting of 7 July 1982, provisional edition
- 3 Bulletin of the European Communities No. 11-1981, page 100
- 4 See Chapter 1 B
- 5 See Chapter 1 A
- 6 OJ No. C 234, 14 September 1981
- 7 OJ No. C 238 of 13 September 1982

EXTERNAL ECONOMIC RELATIONS

1. In 1981 world trade remained severely depressed. It is estimated to have remained stagnant in volume terms and even to have declined in value terms largely as a result of the fall in oil trade and the rise in the value of the US dollar. Although there was no change in the total volume of world trade, exports of manufactures and especially of agricultural products did continue to expand.
2. A table is attached showing the trade of the European Community for the years up to 1981 included. There appears to have been a rather smaller deficit in 1981 than in 1980 for EC trade with all third countries, but this is largely the result of a much smaller deficit with developing countries. The deficit on trade with the United States also fell but that with Japan rose, although by less than was originally feared.\*
3. The volume of total imports in 1981 seems to have declined for the EC in relation to 1980 while that of exports to have slightly increased. The Community's share of total world exports in 1981 is estimated to have declined marginally from the 1980 figure of about 20 % (intra-EC trade excluded).

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\* At the time of going to press UK export statistics for 1981 had not been transmitted to the Statistical Office of the European Communities. Consequently, the data on Community exports for 1981 contains estimates of UK exports, calculated by the European Secretariat.

#### A. MULTILATERAL RELATIONS

The recession in the economies of the industrialised countries has continued, leading everywhere to increased pressures for protection of domestic industries from imports. In general the Community has resisted such pressures and at the Versailles summit in June 1982 all the leaders represented reaffirmed their commitment to resist protectionism and to strengthen the multilateral trade system represented by the General Agreement on Tariffs and Trade (GATT).

Nevertheless, the EC has taken a rather hard line in the negotiations for renewal of the Multi-Fibre Arrangement and has accepted the protocol extending the MFA on condition that it is able to negotiate satisfactory bilateral agreements with the principal supplying countries. Such agreements are now being negotiated and the cut-backs in quotas that the EC is seeking from some countries are being strongly resisted.

The negotiating position of the EC was compatible with the views of the European Parliament,<sup>1)</sup> in particular with regard to a link between the growth of import quotas and the foreseeable growth of consumption in the EC, differentiation between supplying countries according to levels of development and the need for some reciprocity with regard to access for EC exports to textile supplying countries.

Preparations for a GATT Ministerial Meeting to be held in November are now in progress. It is expected that trade in agriculture and services will be discussed as well as the implementation of the Tokyo Round agreements and the use of the GATT safeguard clause.

On 18 February 1982 the European Parliament passed a resolution<sup>2)</sup> seeking an extension of its powers in the field of ratification of treaties and sought in particular a greater degree of control over the conclusion of all bilateral agreements between the Community and third countries, whether of a commercial or other nature.

## B. BILATERAL RELATIONS

### USA

Relations have deteriorated in the commercial field during the period under review. The US administration has strongly opposed the use of export subsidies to promote the EC's exports of agricultural products and, in June 1982, took action under anti-dumping legislation which will seriously affect the EC's exports of steel to the USA. Another major source of friction has been the high level of US interest rates with adverse consequences for exchange rates and levels of investment around the world.

### Economic Sanctions

The EC has taken action during 1982 to reduce its imports from the Soviet Union of some industrial products and to ban imports from Argentina. The first such action was taken in response to the declaration of martial law in Poland<sup>3)</sup>; the second action, following the Argentine invasion of the Falkland Islands,<sup>4)</sup> was halted following the cessation of hostilities.

### Japan

The friction resulting from Japan's large trade surplus with the EC has continued and the Community has now decided to take up the question of the trading imbalance in the GATT. In December 1981 the Commission transmitted to the Japanese government a list of requests for opening up the Japanese market to imports and some of these have been accepted by Japan. The Community however did not consider the Japanese response sufficient and in March the Council statement initiating the procedure under GATT Article XXIII again emphasised the need for Japan positively to promote imports.

### Mediterranean Associates

Protocols to the EC's agreements with its Mediterranean associates have been negotiated in the course of the period under review which amend the agreements to take into account the accession of Greece to the Community.

In addition the Financial Protocols to the agreements with Mediterranean Associates expired at the end of November 1981. The Council agreed on the level of financial aid to be offered to each country in September 1981 and negotiations have subsequently been concluded with most of the countries concerned for new Financial Protocols.



### Turkey

Following the military takeover in Turkey in September 1980 and the failure to return subsequently to civilian government the EC has suspended the implementation of the Fourth Financial Protocol to the Association Agreement. The terms of this Protocol, negotiated in June 1981, provided for 600 million ECU in grants and loans over 5 years

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- 1) Resolutions of 7 April 1981, 19 November 1981 and 11 March 1982; see OJs C101 and C327 of 1981 and C87 of 1982.
  - 2) OJ C 66 of 15.3.1982.
  - 3) See OJ L 72 of 15.3.1982.
  - 4) See OJ L 102 of 16.3.1982.

EC TRADE WITH THIRD COUNTRIES

(billion ECU)

	<u>All Third Countries</u>			of which:														
				<u>EFTA</u>			<u>USA</u>			<u>JAPAN</u>			<u>Developing Countries</u>			<u>State-Trading Countries</u>		
	<u>E</u>	<u>I</u>	<u>B</u>	<u>E</u>	<u>I</u>	<u>B</u>	<u>E</u>	<u>I</u>	<u>B</u>	<u>E</u>	<u>I</u>	<u>B</u>	<u>E</u>	<u>I</u>	<u>B</u>	<u>E</u>	<u>I</u>	<u>B</u>
1972	65.8	65.6	0.2	16.8	12.3	4.5	11.3	11.5	-0.2	1.5	2.7	-1.2	19.0	24.4	-5.4	5.3	5.1	0.2
1974	114.2	130.8	-16.6	27.9	20.5	7.5	15.9	20.3	-4.4	2.8	4.4	-1.6	34.9	61.3	-26.4	11.3	9.0	2.3
1976	141.3	159.6	-18.3	33.5	24.9	8.6	16.2	25.3	-9.1	2.7	6.4	-3.7	51.0	70.0	-19.0	14.2	12.4	1.9
1978	173.9	178.4	-4.5	39.2	32.8	6.4	23.1	28.3	-5.1	3.7	8.7	-5.0	66.5	71.2	-4.6	15.4	14.0	1.4
1980	224.4	271.6	-47.1	57.0	48.9	8.1	26.6	44.3	-17.7	4.6	12.5	-7.9	83.4	114.6	-31.2	18.7	21.9	-3.2
1981	267.0	303.8	-36.8	60.4	53.9	6.5	36.9	49.6	-12.7	5.6	16.2	-10.6	111.9	129.1	-17.2	21.4	24.8	-3.4

SOURCE: CRONOS, EUROSTAT  
Monthly External Trade Bulletin and Microfiches

Note: E = Exports FOB  
I = Imports CIF  
B = Balance '-' indicates an EEC deficit

The figures for 1972 to 1980 refer to 9 Member States;  
Greece is included in 1981.

UK exports for 1981 have been estimated by the Parliament Secretariat.

A DEVELOPMENT POLICY IN AID  
OF THIRD WORLD COUNTRIES

1. The period June 1981 to June 1982 was mainly devoted to consideration of certain aspects of the Community's development policy, but some important decisions were also taken (1).
  
2. At international level, despite numerous preparatory meetings or summits, for instance at Ottawa (July 1981), Paris (September 1981), Cancun (October 1981) and Versailles (June 1982), there was no resumption of overall North-South negotiations. Nevertheless everyone likes to claim that 'progress' has been made. At the Paris Conference on the least-developed countries (LDC) it was decided that the developed countries would double their public aid to the 31 LDC by 1985 and increase it to 0.15% of their GNP. The Community for its part decided to grant a total of 40 million ECU for additional food aid to the LDC (2).

During its December 1981 part-session, the European Parliament tackled the North-South problem and adopted the following reports and resolutions:

- report by Mr COHEN on a regulation on the granting of special food aid to the LDC (2),
- report by Mr COHEN on the results of the UN Conference on the LDC (Paris 1-14 September 1981) (3),
- resolution tabled by Mr PONIATOWSKI on behalf of the Committee on Development and Cooperation on the prospects for the North-South dialogue particularly after the Cancun Conference (4).

3. When the new Commissioner for development was appointed, an administrative plan was also put forward for the restructuring of the department and some aspects of development policy were subjected to critical review.

PE 79.000

4. The problem of hunger in the world continued to preoccupy the Community authorities and in fact development policy as a whole centres around it today. The Commission submitted a number of communications to the Council on a plan of action (5) and a special programme for combating hunger in the world (6). Contacts were also made with various developing countries with a view to devising food strategies. At its meeting of 3 November 1981 the Council agreed in general to the plan of action proposed by the Commission. In addition to a decision to grant special food aid totalling 40 million ECU to the LDC, favourable consideration was also given to implementing the second phase of the plan, which involved supporting the food strategies of the developing countries (7). At its meeting of 15 June 1982, the Council on Development Cooperation considered in detail all the aspects of the new type of action proposed by the Commission. It concluded its debate by expressing its willingness to support the food strategies in the developing countries but excluded the budgetary aspects of the proposal as it felt that they should be considered as part of the normal budgetary procedure. It is worth mentioning, however, that the action proposed is estimated to total 184 million ECU broken down as follows:

- (a) emergency aid, mainly for refugees in Pakistan, South-East Asia, Central America and Angola, 35 million ECU;
- (b) promotion of food production through food strategies in various countries, 100 million;
- (c) 'thematic' projects, i.e. campaigns to safeguard the rural and natural environment in the developing countries, 49 million. The following measures have been proposed: rational use of firewood, measures to halt the encroachment of the desert, the development of village water supplies, measures to combat endemic diseases of livestock and the development of basic training.

At its June 1982 part-session the European Parliament held a wide-ranging exchange of views on the basis of the report submitted by Mr MICHEL (8) on the action taken on the FERRERO (\*) resolution of 18 September 1980 on hunger in

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(\*) Rapporteur of the European Parliament

the world. It also considered implementation of the proposals contained in the FERRERO resolution on new relations between industrialized and developing countries, progress in agricultural and rural development in the developing countries, food aid and trade in agricultural products and foodstuffs.

5. ACP-EEC relations were somewhat strained because of problems encountered in implementing the second Lomé Convention. The main problem was sugar: the ACP and the Community disagreed on the question of the rise in the sugar price, there being a difference as between ACP and Community producers. Negotiations, which began in April 1981, were interrupted for almost eight months, and the ACP feel that this delay has been very detrimental to them. However, agreement was eventually reached in February 1982 on price increases of 8.5% for unrefined sugar and 8.3% for white sugar, with retroactive effect from 1 July 1981. For the current year, the ACP have agreed to the proposed 9% price increase, although they feel it is inadequate. They claim that in the last six years the price of ACP sugar has increased by 26%, whereas production costs have increased by 150% - not counting the increase in freight charges. The Sub-committee on Sugar set up under the Sugar Protocol of the Lomé Convention is considering the subject with a view to suggesting improvements in the Convention that will succeed Lomé II.

6. Another thorny problem is STABEX or rather the insufficient resources available each year under the second Lomé Convention for the stabilization of export earnings. What has happened? For the first time in 1980 funds available did not provide 100% cover for loss of earnings and, since then, have provided an average of only 50% cover. The same situation arose in 1981, when three products alone accounted for 95% of that year's transfers (groundnuts 20%, coffee 50%, cocoa 25%), and no funds were left over from preceding years as they had been used to reduce the 1980 deficit; another solution had to be found. The ACP-EEC Council of Ministers in Libreville (12-14 May 1982) discussed the problem at length. The Community proposed a set of measures that would make it possible to maintain financial resources up to the sum of 208.7 million ECU, which would cover 50% of the transfers due. Supplementary financing is thus assured for most of this amount (70.8 million ECU) through a Community contribution (40 million financed from EDF interest and 30.8 million from repayments of EIB special loans); at the same time the ACP themselves were asked to contribute to offset the difference between transfers due for 1981 and repayments due from previous years.

Although the ACP States reluctantly agreed to this solution, they want the STABEX questions to be discussed and satisfactorily resolved at the special meeting of the ACP-EEC Council of Ministers to be held on the subject. In preparation for this meeting, Commissioner PISANI has proposed that, after the summer recess, two informal meetings be held, one between ACP and Commission representatives and the other between representatives of the Commission, the Member States of the EEC and the European Parliament.

At its May 1982 part-session (9), the European Parliament expressed grave concern at the way in which the future of STABEX was threatened, and some Members proposed that the deficit for 1981 be financed through an amending and supplementary budget to the normal budget of the Communities. However, there is little possibility of this being accepted by the Council.

7. Two important aspects of the proceedings of the Joint Committee, which met in Zimbabwe in February 1982, merit special mention. One is the adoption of the draft FERRERO (\*) report on world hunger (10) which was drawn up on the basis of work carried out by a joint ACP-EP working party. As the working party was assigned the task of making a positive contribution to the fight against hunger in ACP countries, the rapporteur sought to put forward a set of proposals that could be used as a basis for coordinated action by the Community and the ACP States, as part of their respective development policies and cooperation activity under the Lomé Convention. Once the draft report has been supplemented or updated, it will be submitted to the ACP-EEC Consultative Assembly at its meeting in Rome in November 1982.

8. Also of special interest is the fact-finding mission to front-line countries in South Africa carried out by a small number of ACP representatives and Members of the European Parliament. Three countries were visited in January 1982: Angola, Zambia and Zimbabwe, although it had been previously decided to include Botswana and Mozambique as well. The task of the delegation was to investigate the effects of South African aggression, covering not only armed intervention but also its socio-economic effects on the regions visited. The delegation's activities during the visit have been summarized in an interim report (11).

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(\*) Rapporteur of the ACP-EEC Joint Committee

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- (2) Doc. 1-676/81, Doc. 1-817/81, OJ No. C 11, 18.1.1982
- (3) Doc. 1-823/81, OJ No. C 11, 18.1.1982
- (4) Doc. 1-866/81, OJ No. C 11, 18.1.1982
- 5) COM(81) 560 final
- (6) COM(82) 320 final
- (7) Press release 7737/82 (Presse 86)
- (8) Doc. 1-281/82, OJ No. C 182, 19.7.1982
- (9) Doc. 1-227/82, Doc. 1-215/82, OJ No. C 149, 14.6.1982
- (10) CA/CP/235
- (11) CA/CP/270

THE PROTECTION OF BASIC RIGHTS IN THE  
COMMUNITY AND THE WORLD

The protection of basic human rights in the Community has been a constant concern of the Community institutions, particularly the European Parliament.

The European Parliament has acted in its consultative role, through the opinions it is called on to deliver on the proposals from the Commission of the European Communities, but the main thrust has come from resolutions drawn up on its own initiative. In addition, numerous written and oral questions have been addressed to the Commission, the Council and the Council of Ministers for Foreign Affairs meeting in Political Cooperation, concerning the protection of basic rights.

It is worth remembering, in this connection, that the application of the Community Treaties requires continuous legislative activity. Community legislation on the free movement of persons or equality of the sexes, for example, may contain provisions which infringe - even if unintentionally - basic rights. These rights may also be infringed by national laws which are incompatible with Community legislation.

In addition to its action in areas which are covered by Community regulations and directives, the European Parliament has taken up other burning issues such as the effects which the establishment of a European judicial area may have on individual freedoms, the protection of linguistic, ethnic and cultural minorities, and of trade union and women's rights and, finally, on the respect of the rights of workers and their families.



With specific reference to womens' rights, the European Parliament at its sitting of 12 May 1981, adopted an important resolution on a draft Council resolution concerning a new Community action programme to promote equality of opportunity for women.

The following are some of the more important resolutions on the protection of human rights in the Community, currently before Parliament: motion for a resolution (Doc.1-532/81) on the abolition of special courts in Northern Ireland; motion for a resolution (Doc.1-585/81) on the freedom of education in the Community; motion for a resolution (Doc.1-1044/81) on the respect of human rights in the Federal Republic of Germany; motion for a resolution (Doc.1-173/82) on the Greek Trade Unions; motion for a resolution (Doc.1-180/82) on sex discrimination.

Very few written and oral questions were tabled by Members of the European Parliament to the Commission and Council of the European Communities during the period in question. This is due not so much to lack of concern, as to the fact that violations of basic rights do not occur on the same scale in the Community as they do in certain third countries.

Worthy of mention amongst the written questions on the subject are Question No. 578/81 (OJ No. C 274 of 26 October 1981) on discrimination against foreigners resident in Luxembourg and Question No. 1702/81 (OJ No. C 129 of 19 May 1982) on a violation of human rights in Belgium; and amongst the oral questions, Question No. 88 (H-234/81) on the respect of human rights in Northern Ireland (sitting of 16 September 1981) and Question No. 93 (H-818/81) on the violation of human rights in the Member States and in certain countries associated with the Community (sitting of 21 April 1982).

It should also be borne in mind that the European Parliament, in agreement with the Commission, is working towards the accession of the European Community as a whole to the European Convention on Human Rights, to ensure equal protection for Community citizens against any violation of human rights arising from the legislative acts of the Community. The work of the European Parliament's Legal Affairs Committee in this area is at an advanced stage. The committee will submit a report to Parliament immediately after the summer recess. At a later date the European Parliament will also

deal with the inclusion in the Convention of certain social, economic and cultural rights.

Furthermore, violations of human rights committed outside the Community, whatever the political system of the country in question, have not escaped the attention of the European Parliament.

The European Parliament and its Members have been extremely active during the period in question as the following examples will show:

(a) Resolutions

- resolution on the violation of human rights in Guatemala (sitting of 17 September 1981);
- resolution on El Salvador (sitting of 17 September 1981);
- resolution on the death sentence imposed on 52 Turkish Trade Union Leaders (sitting of 22 January 1982);
- resolution on the political parties in Uruguay (sitting of 10 March 1982);
- resolution on the situation of the Jewish community in the USSR (sitting of 13 May 1982).

(b) Written Questions

- Written Question No. 772/81 on human rights in South Korea (OJ No. 278, 29 October 1981);
- Written Question No. 991/81 on the violation of human rights in Turkey (OJ No. C 333, 21 December 1981);
- Written Question No. 1045/81 on political persecution in Egypt (OJ No. C 338, 28 December 1981);
- Written Question No. 1023/81 on the executions in Iran (OJ No. C 24, 1 February 1982);
- Written Question No. 1696/81 on racial and religious persecution in Albania (OJ No. C 129, 19 May 1982);

(c) Oral Questions

- Oral Question (H-163/81) on the rights of the Kurds in Turkey (sitting of 8 July 1981);
- Oral Question No. 48 (H-375/81) on the persecution of the Tamils in Sri Lanka (sitting of 16 September 1981);
- Oral Question No. 76 (H-416/81) on the fate of political prisoners in South Africa (sitting of 14 October 1981);
- Oral Question No. 96 (H-633/81) on Amnesty International's campaign for the 'disappeared' (sitting of 16 December 1981);
- Oral Question No. 113 (H-702/81) on religious persecution in Iran (sitting of 17 February 1982);
- Oral Question No. 87 (H-748/81) on the persecution of the Jewish community in the USSR (sitting of 10 March 1982);
- Oral Question No. 64 (H-727/81) on violations of human rights in Turkey (sitting of 10 March 1982);
- Oral Question No. 66 (H-806/81) on food aid to dictatorships in Uruguay, Chile and Haiti (sitting of 21 April 1982);
- Oral Question No. 65 (H-62/82) on the liberation of political prisoners in Poland (sitting of 12 May 1982).

At its sitting of 22 April 1982, the European Parliament adopted a resolution solemnly condemning the behaviour of the governments of Eastern bloc countries in arresting young people who were demonstrating in favour of the defence of human rights.

Although their number is limited by the restricted scope of the present publication, these examples are evidence of the extent of the interest shown by the Community's representatives in the fate of the countless human beings all over the world who are suffering physical and moral violence at the hands of authoritarian regimes.

Finally, it should also be remembered that the European Parliament has also dealt with a substantial number of petitions concerning human rights, submitted by individual citizens or associations. In this connection, it should be pointed out that the European Parliament has set up a committee with the specific task of examining petitions, and that Parliament's Rules of Procedure contain precise provisions on the submission and examination of petitions (Rules 108-110).

One may wonder how useful Parliament's action to protect basic rights really is. The answer can only be vague, as it is not always possible to determine what results have been achieved.

In fact, the Commission and Council have more scope for effective intervention to curb violations committed within the Community. Outside the Community, practical results can be more easily obtained in countries with which the Community has special relations.

Nevertheless, there is no doubt that a public condemnation of violations of human rights by the European Parliament does help, often decisively, to persuade the authorities of the countries in question to act in closer conformity with the principles laid down in the various international instruments designed to protect the rights of the human person in all their diversity.

COMMUNITY ACTION WITH REGARD TO WOMEN

The Community's activities in past years with regard to women have continued during the third year of the term of the directly elected European Parliament.

At the end of May 1982 the unemployment rate for women was 10% of the female working population, whilst the rate for men, was 8.7% of the male working population.

The various Community institutions, and in particular Parliament and the Commission, have continued their efforts to alter this situation. They are attempting in general terms to promote equality of opportunity for women in relation to men.

A. THE EUROPEAN PARLIAMENT

Setting up of a committee of inquiry into the situation of women in Europe

As the adoption by the European Parliament on 11 february 1981<sup>1</sup> of the important resolution on the situation of women in Europe provisionally ended the mandate of the Ad Hoc Committee on Women's Rights, many parliamentarians felt that, given such a serious recession, it was hardly right to have no means of monitoring the follow-up to this resolution by the various national and Community bodies. In July 1981, therefore, Anne-Marie LIZIN and 109 other signatories, acting under the new Rules of procedure of the European Parliament and in particular Rule 95, submitted a request for the setting up of a committee of inquiry:

1. to review how promptly the European authorities were acting on the recommendations contained in the resolution adopted by Parliament on 11 February 1981,
2. to review developments in the position of women in the countries of the European Community and in particular the implementation of Community directives.

Thus, on 8 July 1981<sup>2</sup> the directly elected European Parliament's first committee of inquiry was set up. At its October 1981 part-session the European Parliament determined that there should be 18 members on this committee of inquiry, which held its constituent meeting on 15 October 1981.

At its second meeting the committee decided that the inquiry should cover 18 specific topics and each of its members was allocated one subject to study.

The committee has met regularly and has had a permanent dialogue with the Commission, the Council and other Community bodies. It has received not only Mr RICHARD and Mr PISANI, members of the Commission, Mr THORN, President of the Commission and Mr HANSENNE, president-in-Office of the Council, but also a delegation of women members of the Economic and Social Committee, women members of COPA and the chairman of the new Advisory Committee on Equal Opportunities.

To assist their investigations the various rapporteurs sent questionnaires to the Community institutions, to the member States and to other national bodies.

Alongside these activities, the Committee of Inquiry into the Situation of Women delivered an own-initiative opinion on the proposal for a regulation on the revision of the European Regional Development Fund and during the vote on this proposal on 22 April 1982<sup>3</sup> persuaded the European Parliament to adopt certain amendments so as to ensure that this regulation took greater account of the interests of women.

Following the submission by the Commission of the European Communities in December 1981 of a new Community action programme on the promotion of equal opportunities for women 1982/1985 (see section B. COMMISSION) and the Council's request for an opinion, the committee of inquiry, which had been designated the committee responsible by Parliament's Bureau, drew up a report not only on the Council's proposal for a resolution but also on this action programme, taking care however not to prejudge the results of its own inquiries. The European Parliament adopted this report almost unanimously at its sitting of Wednesday, 12 May 1982<sup>4</sup>.

The committee also drew up an opinion<sup>5</sup> for Parliament's Committee on Social Affairs and Employment, the committee responsible, on the proposal for a directive on voluntary part-time work.

Lastly, the committee adopted an opinion<sup>6</sup> on the preliminary draft budget for 1983 and on preliminary draft amending and supplementary budget No. 1/82 so that the necessary appropriations for implementing the new action programme would actually be entered.

During its first nine months the committee of inquiry has clearly been extremely active, not only following up the theoretical aspects of its mandate but also making a useful contribution whenever Parliament has dealt with a subject under investigation by the committee. When its work is completed it will thus not be faced with decisions by Parliament which conflict with the findings of its inquiry.

In addition to the activities of the committee of inquiry, the Council and the Commission have been asked numerous written and oral questions by Members.

An intergroup on women, comprising the majority of women members of the European Parliament, was set up spontaneously during the November 1981 part-session. This group analysed various questions such as military service for women, prostitution and procurement, sexual exploitation of children and the law relating to cohabitation.

#### B. THE COMMISSION OF THE EUROPEAN COMMUNITIES

Taking into account Parliament's important resolution of 11 February 1981, in December 1981 the Commission submitted a new Community action programme on the promotion of equal opportunities for women<sup>7</sup> which covers the years 1982-1985 and is divided into two main chapters:

- A. Achievement of equal treatment by strengthening individual rights;
- B. Achievement of equal opportunities in practice, particularly by means of positive action programmes.

Alongside this programme the Commission, by a decision of 9 December 1981<sup>8</sup>, set up a new Advisory Committee on Equal Opportunities for Women and Men to ensure that the implementation of the Community's action with regard to the employment of women could be carried out in close cooperation with the specialized bodies in the Member States.

In close cooperation with the Deutsche Frauenrat the Commission also organized a European colloquy of women's associations from 16 to 18 May 1982 in Bonn, where 41 national and European associations were represented and which the President and a member of the Bureau of Parliament's committee of inquiry

attended. This event demonstrated the growing interest of women's organizations for Community action in favour of women, but it also indicated the lack of information on these activities and the poor transfer of information between the Community and these associations and vice-versa.

Lastly, the Commission has just, after serving notice, started infringement proceedings against Italy (case 163/82)<sup>9</sup>, Belgium (case 164/82)<sup>9</sup> and the United Kingdom (case 165/82)<sup>9</sup>, for failure to comply in full with the directive (76/207) on equal treatment<sup>10</sup>.

#### C. THE COUNCIL

After the Commission had submitted a proposal for a resolution to the Council in December 1981 and after the European Parliament had delivered its opinion on 27 May 1982<sup>11</sup>, the Council adopted a resolution on the promotion of equal opportunities for women. It thus gave its political support to the new action programme drawn up by the Commission (see section B.). It is interesting to note that the Council took into account the two amendments proposed by the European Parliament during its sitting of 12 May 1982<sup>4</sup>, although the Commission had not amended its original proposal.

#### D. THE COURT OF JUSTICE

Following actions brought before it, the Court of Justice delivered three judgments clarifying the scope of Article 119 of the EEC Treaty and those of the two directives on equal pay and equal treatment:

- Case 12/81, where the Court in its judgment of 9 February 1982<sup>12</sup> stated that 'where an employer (although not bound to do so by contract) provides special travel facilities for former male employees to enjoy after their retirement, this constitutes discrimination within the meaning of Article 119 against former female employees who do not receive the same facilities';
- Case 19/81, where the Court of Justice stated in its judgment of 16 February 1982<sup>13</sup> that 'the principle of equal treatment contained in Article 5 of Council Directive 76/207 of 9 February 1976 (Official Journal No L 39, p. 40) applies to the conditions of access to voluntary redundancy benefit paid by an employer to a worker wishing to leave his employment. The fact that access to voluntary redundancy is available only during the five years preceding the minimum pensionable age fixed by national social security legislation and that that age is not the same for men as for women cannot in itself be regarded as discrimination on grounds of sex within the meaning of Article 5 of Directive 76/207'.



It is important to note that the Court, in order to justify the difference in treatment of men and women with regard to the age of retirement takes as its basis the text of a directive. It can therefore be concluded that this is a legal discrimination, as at present no directive provides for the same age of retirement for men and women.

- Case 58/81, where the court of Justice on 9 June 1981<sup>9</sup> ruled against the Grand Duchy of Luxembourg in regard to failure to comply with Directive 75/117<sup>14</sup> on equal pay in the public service.

By way of conclusion it should be noted that all the Community institutions have participated to a greater or lesser extent in promoting equal opportunities for women. There is no doubt that Parliament's own work has made a major contribution to increasing public awareness of the new Community action programme for women for 1982 to 1985.

Footnotes

- 1 OJ C 50 of 9 March 1981
- 2 OJ C 234 of 14 September 1981, p.38
- 3 OJ C 125 of 17 May 1982
- 4 OJ C 149 of 14 June 1982
- 5 PE 77.860/fin.
- 6 PE 79.438
- 7 COM(81) 758 final - Doc. 1-927/81
- 8 OJ L 20 of 28 January 1982
- 9 not yet published
- 10 OJ L 39 of 14 February 1976
- 11 not yet published
- 12 OJ C 60 of 10 March 1982
- 13 OJ C 71 of 20 March 1982
- 14 OJ L 45 of 19 February 1975

BUDGETARY QUESTIONS

Once again, budgetary problems occupied an important place in the Community's activities during the period under review. While there was no major development on the basic issues, such as the future of the mechanism for the Community's own resources or the imbalances at Member State level, significant progress was made in the inter-institutional dialogue on budgetary questions, encouraging hopes of a calmer atmosphere in future budget procedures.

Although Parliament was not involved in drawing up texts as ambitious as those prepared in the preceding period, it did ensure that its main decisions were taken into account.

I. The budget procedures

(A) Supplementary and amending budgets for 1981

Amending budget No. 1 of the Communities for the 1981 financial year was adopted by Parliament at its first reading on 17 September 1981<sup>1</sup>. The draft presented by the Council met Parliament's expressed wish to make a start towards restoring the balance between agricultural guarantee spending (reduced on this occasion by 561 million ECU) and spending on structural activities (in this case the EAGGF Guidance Section and the ERDF) and cooperation. It also provided an opportunity to settle the conflict arising from the adoption of supplementary budget No. 2 for 1980<sup>2</sup>.

Agreement proved more difficult to reach on supplementary and amending budget No. 2 for 1981, adopted by Parliament at its second reading on 17 December 1981<sup>3</sup>. The disagreement between Parliament and Council bore largely on the classification of special food aid for the least advanced countries amounting to 40 million ECU. Parliament considered this expenditure was non-compulsory and felt that the adoption of the budget constituted the definitive legal basis for this measure.

(B) Initial budget for 1982

The procedure for adopting the 1982 budget was the subject of another dispute between Parliament and the Council, following those sparked off by the 1980 and 1981 budgets.

Parliament endeavoured to determine the broad lines of budgetary policy which it was recommending for the 1982 financial year, mainly for the benefit of the Council.

On 12 March 1981 Parliament adopted a resolution<sup>4</sup> on 'Parliament's guidelines for the financial and budgetary policy of the European Communities for 1982'. On 10 April 1981 it adopted a resolution<sup>5</sup> on the 'inter-institutional dialogue on certain budgetary questions' in which it hoped that the main divergences would be eliminated before the budgetary procedure for the 1982 financial year began. Finally, on 17 September 1981 in a 'resolution on the presentation of the 1982 draft budget drawn up by the Council'<sup>6</sup> Parliament considered that the draft 'merely imposes arbitrary cuts on the credits provided for in the preliminary draft budget, which are already quite insufficient' and affirmed the need to maintain at least the aggregate level of payment appropriations provided for in the preliminary draft.

In addition to these divergences on the content of the 1982 budget, disagreement also arose on the scope of the right of amendment conferred on Parliament by Article 203 of the EEC Treaty. This right is exercised within the limits of the rate of growth of non-compulsory expenditure. The two arms of the Budgetary Authority disagreed on the definition of compulsory expenditure and hence also on how Parliament's margin should be calculated.

Parliament reaffirmed its traditional position on the question in its resolution of 5 November 1981<sup>7</sup>, informing the Council that 'in the event of continuing disagreement between the institutions on the list of compulsory expenditure, only expenditure so classified by the three institutions authorized to do so (namely Parliament, the Council and Commission) will be treated as compulsory'.

Maintaining this position, on 17 December Parliament approved the budget in the form amended by Parliament. Although the Council had asked for adoption of the budget to be deferred, the President of the European Parliament, at that time Mrs Simone Veil, announced the final adoption of the budget for 1982<sup>8</sup> on 21 December.

This situation induced the Council to decide at its meeting of 26 January to enter into a dialogue on the questions separating the two institutions, particularly with regard to the classification of expenditure. As a precautionary measure the Council decided at the same time to bring an action before the Court of Justice against the 1982 budget and the conditions in which it was approved and adopted by Parliament. An action was also brought against the Commission in relation to the first measure implementing the 1982 budget. The Council did, however, decide that the Member States should effect payments in line with the adopted budget, which constituted an advance on the dispute over the 1981 budget. The whole question was settled in the agreement of 30 January 1982 (see below).

On 22 April 1982<sup>9</sup> Parliament defined its guidelines for the 1983 budget. Rather than stress the institutional difficulties previously encountered, Parliament endeavoured to specify the main areas in which it intended a particular financial effort to be made. It defined the fight against unemployment as the central theme of its financial policy, and considered in particular that 'the total amount of appropriations allocated to the Social Fund for 1983 should show a considerable increase over those allocated for 1982'.

The preliminary draft budget submitted by the Commission was not wholly satisfactory to Parliament, which felt that it did not constitute 'a budget of progress' (resolution of 8 July 1982<sup>10</sup>).

A first budgetary collaboration meeting was held with the Council on 27 July.

## II. Development of budgetary problems

While the problems relating to the situation of the United Kingdom with regard to Community finance were not finally resolved, a promising agreement was reached on the question of relations between the two arms of the Budgetary Authority.

### (A) Restructuring the budget and the British problem

The United Kingdom's situation as a net contributor prompted consideration of a revision of the Community's budgetary mechanisms as one of the three facets of the Mandate of 30 May 1980. On that occasion the United Kingdom had secured an agreement that it should benefit from supplementary measures for the years 1980 and 1981. For 1982 the Council reached a limited agreement which was broadly on the lines of the previous years' arrangement but did not settle the question

of imbalances in the Community budget<sup>11</sup>.

Parliament reiterated its position on 17 June 1982 in a 'resolution on the Mandate of 30 May'<sup>12</sup>. Having recalled its 'opposition to the principle of 'juste retour' and taken the view that the question should be considered 'not just in purely accounting terms of immediate budgetary costs and benefits, but instead in terms of the longer-term and more wide-reaching benefits of Community membership', Parliament raised the budgetary aspect of the Mandate:

' [A] Reiterates again, therefore, the need both to change the balance of the Community budget, and to increase its size through raising the ceiling on own resources, these two changes proceeding hand in hand;

[B] Warns of the harmful effect for the Community of continual negotiations on reducing individual Member States' budgetary contributions;

[C] Calls, therefore, for the Commission to make proposals for a general financial mechanism on the basis of the Resolution of 15 November 1979'<sup>13</sup>.

(B) Inter-institutional relations

The dispute caused by adoption of the 1982 budget was settled by negotiations between the presidents of the three Institutions ('Inter-institutional dialogue') which led to an agreement signed on 30 June 1982 and approved by Parliament on 8 July<sup>14</sup>. This agreement, which led the Council to withdraw its Court of Justice action, deals with the classification of expenditure, the budgetary procedure and various difficulties which had been in abeyance for several years.

(1) The question of the classification of expenditure was approached from an empirical rather than a legalistic angle. The agreement states that 'the three institutions consider compulsory expenditure such expenditure as the budgetary authority is obliged to enter in the budget to enable the Community to meet its obligations, both internally and externally, under the Treaties and acts adopted in accordance therewith'. This wording does not provide the degree

of precision required to clarify Article 203 of the EEC Treaty.

However, agreement was reached on the classification of budget headings in the 1982 budget. The classification adopted is close to that proposed by the Commission.

A conciliation procedure was established for new budget items and existing items for which the legal basis had changed. 'The three Presidents shall endeavour to resolve any disagreements before the draft budget is established'.

## (2) Budgetary procedure

The agreement aims to ensure that budgetary procedure is conducted in a more harmonious manner:

- 'The discussion of Parliament's views on the Commission's preliminary draft budget, which is scheduled to precede the Council's establishment of the draft budget, shall be held early enough for the Council to be able to give due weight to Parliament's proposals'. This provision cannot be applied to the 1983 draft budget adopted by Council on 29 July 1982 after the meeting with Parliament on 27 July.

The parties must ensure that 'every effort shall be made to identify those elements on which the two institutions which make up the budgetary authority can agree',

- in the event of disagreement, the budget might not be adopted until the end of January,

- the Presidents may meet whenever necessary to assess the results of the agreement and consider unresolved problems.

## (3) Other questions

The agreement settles three particular problems which have been a source of conflict between Parliament and the Council in the past:

- Parliament's margin for manoeuvre is determined by the draft budget as

adopted by the Council at its first reading,

- the fixing of expenditure ceilings by regulation 'must be avoided... in order that the full importance of the budgetary procedure may be preserved',

- the question as to whether the inclusion of budgetary appropriations constitutes a sufficient legal basis for the implementation of Community measures is settled in a cautious formula stipulating that it is not sufficient in the case of 'significant new Community action'. In this event the Commission is, however, invited to present a draft regulation by the end of January at the latest.

Under this agreement Parliament has abandoned some of its claims in the hope that a genuine dialogue will be established with the Council under the budgetary procedure. If that hope is not fulfilled, Parliament does not intend to abandon its determination to ensure that its legal rights are upheld. Parliament indicated its interpretation of the agreement of 30 June in its resolution adopted on 8 July 1982<sup>14</sup>. This stresses in particular the rights which Parliament and its President derive from Article 203 of the EEC Treaty and confirms its definition of compulsory expenditure (expenditure deriving from 'the public rights of third parties under the law'). With regard to the classification adopted, Parliament points out that it is 'determined on the basis of the present state of the negotiations' and may be 'open subsequently to review in line with changes in the interpretation of the budgetary rules'.

The period under review closed in a spirit of cooperation between the two arms of the budgetary authority. This cooperation should create better conditions in which to tackle the fundamental aspects of the restructuring of Community finance, now more necessary than ever as the worsening crisis in the Member States emphasizes the need to ensure that public funds are put to better use.



BUDGETARY TABLES

A. Budgetary resources for 1983

(in thousand million ECU)

Country	Agricultural levies and customs duties	VAT or financial contributions	Total	%	GNP scale <sup>2</sup>
Belgium	658.6	366.1	1024.7	4.90	4.37
Denmark	195.8	218.2	414.0	1.98	2.53
Germany	2674.6	2932.2	5606.8	26.81	30.49
Greece	181.1	167.9 <sup>1</sup>	349.0	1.67	1.56
France	1676.3	2651.2	4327.5	20.70	23.38
Ireland	116.9	88.7	205.6	0.98	0.62
Italy	1200.9	1575.2	2776.1	13.28	13.40
Luxembourg	4.6	21.1	25.7	0.12	0.21
Netherlands	964.0	525.1	1489.1	7.12	6.32
United Kingdom	2473.3	2218.5	4691.8	22.44	17.11
Total	10146.1	10764.2	20910.3	100.00	100.00

<sup>1</sup> Financial contribution based on GNP

<sup>2</sup> Based on national GNP for the years 1978, 1979 and 1980, converted into ECU on the basis of the average exchange rate for the year

B. Distribution of budgetary appropriations

	1982		1983	
	C	P	C	P
COMMISSION				
A. Administrative appropriations		728.8		738.0
B. Operating appropriations	22140.8	20865.1	21248.7	19953.1
of which				
1.2 EAGGF Guarantee		13201.3		14050
3. Fisheries	63.0	75.8	49.7	69.3
4. EAGGF Guidance	779.4	772.1	814.4	651.1
5. Regional policy	3483.5	2823.0	2110.8	1375.8
6. Social policy	1357.2	1022.2	1505.4	1154.9
7. Energy, industry, transport	485.7	410.4	492.4	506.3
8. Refunds, guarantees and loans	1120.9	1120.9	1120.8	1120.8
9. Cooperation	822.4	803.3	937.8	854.8
10. Provisional appropri- ations and reserve	827.4	636.1	167.4	170.2
Total Commission	22869.6	21593.9	21986.7	20691.1
Other institutions		374.5		403.3
General total	23244.1	21968.4	22390.0	21094.4

Source: Draft general budget for 1983

C. Trends in compulsory and non-compulsory expenditure

	Budget 1982	Preliminary draft budget 1983		mECU Draft budget 1983	
		volume	variation on 1982	volume	variation on 1982 (%)
Compulsory expenditure C	17673.9	16465.5	-6.8	16414.4	-7.1
P	17580.1	16397.7	-6.7	16318.7	-7.2
Non-compulsory expenditure C	5586.3	7466.4	+33.7	5978.6	+7.0
P	4404.4	5503.9	+25.0	4775.7	+8.4

NB The average growth rate for non-compulsory expenditure under Article 203 of the EEC Treaty was 11.8% in the 1983 budget

LIST OF REFERENCES

- 1 OJ C 260, 12 October 1981
- 2 See Main aspects of European construction, June 1980 - June 1981  
(PE 73.300, p. 30)
- 3 OJ C 11, 18 January 1982
- 4 OJ C 77, 6 April 1981
- 5 OJ C 101, 4 May 1981
- 6 OJ C 260, 12 October 1981
- 7 OJ C 311, 30 November 1981
- 8 OJ L 31, 8 February 1982
- 9 OJ C 125, 17 May 1982
- 10 OJ C 238, 13 September 1982
- 11 See chapter on Mandate of 30 May
- 12 OJ C 182, 19 July 1982
- 13 OJ C 309, 10 December 1979, Lange report (Doc. 1-512/79)
- 14 OJ C 238, 13 September 1982

QUESTIONS CONCERNING CONTROL OF THE COMMUNITY BUDGET

1. The Committee on Budgetary Control is charged with the task of ensuring continuous supervision of the implementation of the EC Budget. Its main responsibilities are :
  - checking on the legality and regularity of expenditure of Community funds as well as on the timing and effectiveness of budgetary management ;
  - investigating allegations of fraud and irregularity affecting Community funds and proposing steps to eliminate such irregularities ;
  - securing close collaboration with the spending committees ;
  - developing techniques for examining the cost-effectiveness of expenditure ;
  - cooperating closely with the European Court of Auditors ;
  - ensuring the effectiveness of public accounting techniques in the Community, and
  - preparing the political judgement expressed by Parliament annually on the Commission's management of Community funds.
  
2. The grant of "discharge" means that the Commission has had its management of Community funds during the relevant financial year found by Parliament to be sound, regular and cost-effective after the latter has examined the accounts and deliberated on the report of the Court of Auditors and considered the recommendations of the Council. The importance of the decision is highlighted by the opinion expressed by Mr Tugendhat on behalf of the Commission: "Logically it is a general sanction which the Treaties confer upon Parliament, that is, a political sanction which would be the normal consequence of a refusal to give discharge. Such refusal would hence be extremely serious ; the Commission thus censured would, I think, have to be replaced."<sup>1</sup>

The importance which Parliament accords such a refusal is reflected in Rule 52(2) of its Rules of Procedure which states that "a motion for refusal to grant a discharge shall be approved only if it obtains the votes of the majority of the current members of Parliament."

3. The Committee on Budgetary Control, when preparing the discharge decision, carefully examines the basic documents and hears individual members of the Court of Auditors and of the Commission. Senior officials of the Commission, and of other institutions, also attend regularly and respond to queries effecting those sectors of outlay with which they are particularly conversant. Representatives of the spending Committees of Parliament are invited to attend meetings of the Committee on Budgetary Control at which relevant sectors are discussed and the opinions of these Committees are taken fully into account. Furthermore, Council is represented at the meeting at which its recommendation is delivered.<sup>2</sup>
4. Article 85 of the financial regulation<sup>3</sup> provides for Parliament to adopt comments accompanying the discharge decision. Institutions are required to "take all appropriate steps to take action on the comments appearing in the decisions giving discharge". Thus, the discharge has a binding and continuous effect - particularly on the Commission which is primarily concerned. In recent years, it has been the practice to call on the Commission to report back to Parliament on the steps taken to effect the desired reforms called for in the discharge decision. This response by the Commission forms the basis for a special debate in Parliament.
5. At its part-session in April 1982,<sup>4</sup> the European Parliament decided, following the recommendation of its Committee on Budgetary Control, to defer the discharge decision in respect of the 1980 budgetary year, and to call for additional information and assurances from the Commission on a number of clearly-defined issues.<sup>5</sup>

Parliament expressed its concern at the series of shortcomings and problems brought to light by the annual report of the Audit Court.<sup>6</sup> In support of its decision to defer the discharge it called, inter alia, for further information concerning,

- (i) the failure of the 1980 embargo on sales of agricultural products to East-bloc countries ;
- (ii) proposals to clarify the "provisional twelfths" procedure in the event that Parliament should again reject the Community Budget ;
- (iii) action taken by the Commission following the discharge decision on the 1979 accounts<sup>7</sup>;
- (iv) steps taken to improve financial management at the Joint Research Centre at Ispra ;

- (v) expenditure incurred, without prior approval of the budgetary authority, on certain buildings in Luxembourg ;
- (vi) improvement of Community schemes for food aid and development aid.<sup>8</sup>

Parliament also called attention to the continuing failure of Commission and Council to bring the European Development Fund within the scope of Parliament's control : similar concern was expressed that Community borrowing and lending was largely outside the Budget.

6. Since the first direct elections in 1979, the Committee has caught up with the arrears of public auditing of Community funds ; it has evolved an effective cooperation with the Court of Auditors which is vital to the smooth functioning of its work ; it has met in public and has also dealt with very confidential matters ; its activities have led to the recovery of funds, to better control over the use of appropriations, to a keener appreciation by spending officials of the need to avoid waste of taxpayers' money, and to improved budgetary management. The Committee has pressed also for closer liaison between EC borrowing and lending activities and general financial policy.
7. Parliament is assisted in its budgetary control work by the European Court of Auditors which submits its annual reports to the Parliament. Ad hoc reports on special topics have enabled Parliament to follow up speedily certain issues of immediate interest, as for example, Community Food Aid (para 5 above), Accommodation Policy,<sup>9</sup> EC Financial Systems.<sup>10</sup>

The full-time ECA is able to deal in greater depth with such problems than its predecessor could. The previous Audit Board exercised external, a priori, control of Community Funds: from 1958-1971 Parliament was merely kept informed of the Council's decisions to grant a discharge to the Commission ; from 1971-1977 the discharge decision, on the basis of the Audit Board's annual report was taken jointly by Council and Parliament.

8. Parliament is now consulted by the Council pursuant to Article 206(4) of the EEC Treaty, before the appointment of members of the ECA. On the most recent occasion that this consultation took place, all four candidates appeared before the Committee on Budgetary Control and answered questions put by members.

List of references

1. European Parliament, Debates July 1977, p.255
2. Doc 1-53/82, Council recommendation for 1980
3. OJ L 356, 31 December 1977
4. European Parliament Debates April 1982, p.36
5. OJ C 125, 17 May 1982, p 28 et seq.
6. OJ C 344, 31 December 1981
7. See now Commission Doc XIX/280/82
8. See in this connection OJ C 125, 17 May 1982, p. 40, Doc 1-92/82 and the Special Report of the Court of Auditors on Community Food Aid
9. OJ C 221 of 3 September 1979 and OJ C 125 of 17 May 1982 p. 49
10. OJ C 342 of 31 December 1981.

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ECONOMIC SITUATION OF THE COMMUNITY

A. Figures and forecasts

1. Economic growth:

1981: growth in GDP was calculated at 1.4%

1982: growth in the volume of GDP will probably fall by 0.5%  
productivity should increase from +0.9% in 1981 to  
+2.0% in 1982

2. Employment:

At the end of May 1982 the number of unemployed (including Greece) was at 10.2 million, or 9.0% of the working population of the Community, thus reaching a record level (the number of unemployed at the end of May 1981, 8.3 million, was the equivalent of 7.3% of the working population).

3. Balance of payments:

1981: the balance of payments deficit fell to 0.8% of GDP;  
this figure will probably fall to 0.4% in 1982.

4. Price and income changes:

<u>Consumer prices:</u>	1980	+11.6%
	1981	+11.2%
	1982	+10.6% (estimate)

<u>Unit salary costs:</u>	1980	+12.9%
	1981	+10.5%
	1982	+ 7.7% (estimate)

Inflation should be held down in 1982, but disparities in price increases between Member States will remain considerable.

Public sector deficits will probably decrease, from 5.0% of GDP in 1981 to 4.7% in 1982.

## B. Economic developments

In July 1981 the Commission published the fifth medium term economic policy programme of the Community<sup>(1)</sup>. This programme includes the aims of Community policy as well as the principal measures to be taken. The strategy has two essential objectives: a) to curtail inflation and improve stability; b) to promote structural change for increased growth and employment.

The Commission has proposed four main lines of action:

1. Decisive progress in establishing the European Monetary System.
2. A substantial increase in the level of investment in the Community, more specifically investment in energy projects as part of an overall common energy strategy.
3. Systematic exploitation of the potential of the internal market and of its continental dimension.
4. Greater Community participation in an active employment policy.

The European Parliament gave its opinion on the programme by adopting the resolution contained in Mr. Herman's report<sup>(2)</sup>. According to the European Parliament a medium-term economic programme for the Community should be based on the following priorities: 1. Reducing inflation; 2. Strengthening monetary cooperation; 3. Reviving investment; 4. Developing research; 5. Conducting an active employment policy; 6. Contributing to the development of the world economy and 7. Affirming the European dimension, through a completion of the internal market and a strengthening of common policies.<sup>(3)</sup>

In November 1981 the European Parliament adopted the resolution included in Mr. Delorozoy's report<sup>(4)</sup> on the proposal from the Commission to the Council<sup>(5)</sup> concerning the adoption of the annual report on the economic situation in the Community and laying down the economic policy guidelines for 1982. In its conclusions, the EP emphasizes that 1. The short-term policy measures to be

taken during 1982 must be very closely linked to the strategy set out in the Fifth medium-term programme. 2. The policies implemented by the Member States, however different they are, must remain compatible with the common objectives being pursued. 3. The conduct of short-term economic policy depends fundamentally on controlling economic and social progress in the longer term, which clearly calls for a strengthening of the Community institutions and an improvement in the decision-making procedures<sup>(6)</sup>.

On 14.12.81 the Council adopted the annual report for 1981 and the policy guidelines for 1982<sup>(7)</sup>. The Council took into account the Commission's proposals for policy guidelines that include: 1. Guidelines on monetary questions and the EMS, including, for example, the rate of expansion of the money supply. 2. Guidelines for the improvement of the institutional setting and the basic questions of economic policy, specifically in trying to change the divergent tendencies in fiscal policy and the development of costs in the Member States. 3. Guidelines to increase, in the long-run, investment, competitiveness and thus to secure adequate employment opportunities.

On 19.10.81 the Council accepted the principle of continuing the operation of the New Community Instrument (NCI, or Ortolì Facility). On 9.12.81 the Commission submitted a proposal for a Council decision applying for the first time an EEC decision empowering the Commission to contract loans for the purpose of promoting investment within the Community<sup>(8)</sup>. The Council adopted the decision on 26.4.82, by which a single tranche of 1.000 Mio ECU is authorized. The proceeds of these borrowings shall be lent to finance investment projects which are carried out on Community territory and which help attain the priority Community's objectives in the energy and infrastructure sectors and for the promotion of small and medium sized enterprises. The following shall be covered in particular: 1. The efficient use of energy, the replacement of oil by other sources of energy in all sectors and infrastructure projects facilitating such replacement. 2. Infrastructure projects contributing to regional development and/or of Community interest, including transport, telecommunications and information technology, the transmission of energy, water supply infrastructure and environmental protection. 3. Projects of small and medium size undertakings (SMUs) for their promotion or for employment or innovation purposes.

In June 1982, the Commission adopted a first communication to the Council concerning a global strategy to promote investment in the Community<sup>(9)</sup>. The main points of a parallel Community action should be the following: 1. A coordination of measures for the amelioration of the macro-economic environment, in particular by reducing the rate of interest. 2. Medium-term programming of the public budgets. 3. Amelioration of the financing of productive investment and rationalisation of fiscality. 4. Reinforcement of the common market and opening of the public markets. 5. A more positive approach in the crisis sectors, strengthening the more dynamic enterprises so that they increase their competitiveness. 6. Deeper engagement in advanced technologies like microelectronics and the projects "ESPRIT" and "informatics"<sup>(10)</sup>. 7. An efficient realisation of the adopted orientations concerning the energy sector. 8. Amelioration of human capital, in particular the readaptation of manpower in relation to reconversion investments and investments in new technologies. 9. Re-inforcement of the credits mechanisms of the Community for investment purposes. The Commission will submit to the Council a proposition to increase the NIC to 3 Mrd ECU's.

The E.P. adopted in the July session a report by Mr. Delorozoy<sup>(11)</sup> on economic trends in the Community during the first half of 1982 and the application of the Council decision on convergence. The report stresses the need: 1. to strengthen still further the cooperation among Member States, 2. to adopt convergent attitudes towards the growth of incomes and the pursuit of stricter budgetary policies, 3. of the promotion of industrial policy, particularly as regards the coordination of national aid programmes and national public purchase policies, as well as the implementation of a comprehensive industrial strategy based on the intensification of research and development at Community level and the increase of competitiveness, 4. to strengthen the EMS, with the full participation of the UK and Greece.

The Council accepted at its session of 13.7.82 to give priority to the objectives of economic policy and to a stricter budgetary discipline, recognizing at the same time the gravity of the investments situation. The Commission estimates that a reduction of budgetary deficits is possible only through a reduction in expenditure (not through an increase in fiscality and revenues).

### C. Convergence of the economies of the Member States

Consideration of the objectives of economic policy of the Member States shows that there is a very great degree of agreement as to the goals, these being: (a) Structural adaptation to the new economic conditions; (b) Fight against inflation; (c) Fight against unemployment.

The priorities and the instruments do differ somewhat, countries like the UK, Belgium and Germany placing more importance on the reduction of inflation through restrictive monetary and fiscal policy, countries like France and Greece placing a greater importance in the reduction of unemployment (France) and the increasing of competitiveness (Greece) through fiscal incentives and a less restrictive monetary policy. The main divergences occur at the level of the instruments used by each country for the purpose of internal regulation.

Divergent economic policies lead to the need of realignment of exchange rates, since the parities are influenced by different inflation rates and the relative strength of the economies. So it is not surprising that the currencies of the low-inflation countries with relatively strong economies like Germany and the Netherlands had to appreciate, while the currencies of high inflation countries like Italy and Greece had to devalue. Although the drachma is not participating in the EMS it devalued steadily during 1980 and 1981 vis-à-vis the ECU. Sterling appreciated steadily against the ECU, a fact not primarily due to the strength of the British economy but to North Sea Oil which induced a favourable balance of payments. The depreciation of the Belgian franc on the other hand was due to the situation of the Belgian economy. Lastly the devaluation of the French franc was not due to a worsening of the situation of the French economy but to a massive outflow of capital in anticipation of the nationalization measures of the new government.

For all the divergence in economic policy and economic structure of the Member States there is a general long term convergence of the economies of the Member States which becomes more pronounced if one uses purchasing

power parities instead of simple exchange rates<sup>(12)</sup>.

According to purchasing power parities in 1960, Luxemburg had the highest GNP per head, 153 compared to Greece's lowest of 37. (Difference: 4 : 1). Luxemburg's GNP per head was 53% above the EEC average, Greece's 73% below. In 1980 Luxemburg still had the highest GNP per head, 120, Greece the lowest, 57, but the difference was reduced to 2 : 1. Luxemburg's GNP per head was, in 1980, only 20% and Germany's 15% (Germany 1960 : 13%) above the EEC average, Greece's 43% and Ireland's 38% (Ireland 1960 : 38%) below the EEC average.

Although important differences remain, as can be seen from table 1, a convergence of the economies of the Member States has taken place.

Table 1

Gross Domestic Product per Capita (EUR 10 = 100)

	<u>Based on purchasing</u>			<u>Based on exchange</u>		
	<u>power parities</u>			<u>rates</u>		
	1960	1975	1980	1960	1975	1980
FR GERMANY	113	110	115	114	130	129
FRANCE	100	110	110	115	123	129
ITALY	79	85	88	65	66	67
NETHERLANDS	110	110	105	88	122	115
BELGIUM	98	106	106	107	121	114
LUXEMBOURG	153	126	120	145	126	122
U.K.	117	98	93	119	79	90
IRELAND	62	63	62	55	50	50
DENMARK	115	113	111	113	143	125
GREECE	37	56	57	37	44	41
EUR 10	100	100	100	100	100	100
SPAIN	=	77	71	=	57	55
PORTUGAL	=	42	45	=	30	24
U.S.A.	165	141	138	245	138	118
JAPAN	=	97	103	=	93	86

Source: Eurostat

#### D. The European Monetary System

During the period under consideration three realignments of the central parities of the EMS took place, bringing the total to six since the introduction of the system in 1979. In October 1981 (4.10.81) the DM and the FL appreciated by 5.5% and the FF and the Lire devaluated by 3%. In February 1982 (21.2.82) the BF and the LF devaluated by 8.5% and the DK by 3%. In June 1982 (12.6.82) the DM and the FL appreciated by 4.25% and the FF and the Lire devaluated by 5.75% and 2.75%<sup>(13)</sup>. Table 1 gives the new central rates of EMS currencies.

More than three years after its establishment the EMS has not passed into the institutional phase and remains only a system of relative exchange range stability.

The Commission submitted a proposition for the amelioration of the EMS in its present phase<sup>(14)</sup>. The Council of Ministers discussed the proposition during the meeting of the 15th of March but there was no consensus (Germany expressed serious reserves) as to the proposed ameliorations of the exchange mechanism. The Commission's proposition included the following elements:

(A) The ECU: 1. Fixing of the base volume of the ECU at 40 billion (valid up to March 1983). 2. Increase of the acceptability of ECU's by the Central Banks up to 100% (this being now 50%). 3. Remuneration of the ECU (rate of interest for short-term financing) to be fixed by the governors of the Central Banks on the basis of going market rate of interest. 4. Increasing use of the ECU by the institutions and the EIB in their lending and credit operations. 5. Private use of the ECU: the ECU should be recognized by all Member States as a privileged foreign currency. ECU denominated accounts and operations should be permitted. The European Monetary Cooperation Fund will supervise the operations in ECU.

(B) The reinforcement of the convergence of the economies of the Member States particularly through consultation procedures.

(C) External relations of the EMS's closer cooperation with the USA and Japan and regular consultations on monetary affairs.

The European Parliament adopted on 15.3.82 the resolution included in Mr. Purvis's report on the European Monetary System<sup>(15)</sup>. The main points of the resolution are<sup>(16)</sup>: The EP: 1. urges the setting up of a European Currency Authority which will have the functions of a European Central Bank (e.g. issuing and managing the ECU, coordinating exchange policies with regard to foreign currencies, providing a means of settlement and store of value for international trade and investment etc). 2. Calls on all Member States to work towards the lifting of all restrictions on capital flows within the EEC by eliminating artificial exchange controls. 3. Calls on the Commission to develop proposals for (a) setting up a European Currency Authority as a development of the European Monetary Fund and establishing the ECU as a currency in its own right (b) for a concerted Community response to the effects of US and other foreign monetary policies and the problem of recycling world liquidity to the mutual benefit of the oil States, the industrialized countries and the less developed countries ; (c) opening discussions with the British and Greek Governments for their full participation in the EMS at the earliest possible moment and to do the same with Spain and Portugal in the normal process of the accession negotiations.

For the institutional phase of the EMS various possibilities have been discussed. Among them, the introduction of the ECU as a parallel currency with a stability guarantee has been gaining increasing acceptance and has been adopted by the E.P. via the adoption of the Purvis report<sup>(17)</sup>.

Except for the adoption of the Purvis report the EP expressed its concern for the EMS and the general economic situation through numerous motions for resolutions and discussions, especially after each realignment of the parities inside the system<sup>(18)</sup>.



TABLE 1

 CENTRAL RATES OF EMS CURRENCIES - COURS-PIVOTS DES MONNAIES DU SME - TASSI CENTRALI DELLE MONETE DELLO SME  
 (à partir du 14 juin 1982)

		Amsterdam en HFL	Bruxelles/ Brussel en BFR/LFR	Frankfurt en DM	København en DKR	London en UKL	Dublin en IRL	Paris en FF	Roma en LIT
100 HFL	+ 2,25 % cours-pivot - 2,25 %	100	1782,85 1743,23 1704,45	92,525 90,4673 88,455	326,45 319,183 312,08	+	27,3975 26,7864 26,1915	262,21 256,38 250,67	55577,0 52341,9 49296,0
100 BFR/LFR	+ 2,25 % cours-pivot - 2,25 %	5,8670 5,73646 5,6090	100	5,308 5,18961 5,074	18,726 18,3098 17,903	+	1,57155 1,53659 1,50241	15,042 14,7072 14,380	3188,8 3002,58 2828,0
100 DM	+ 2,25 % cours-pivot - 2,25 %	113,05 110,537 108,0775	1970,85 1926,93 1884,00	100	360,83 352,817 344,97	+	30,2845 29,6090 28,9520	289,95 283,396 277,09	61433,0 57857,4 54490,0
100 DKR	+ 2,25 % cours-pivot - 2,25 %	32,0425 31,33 30,6325	558,60 546,154 534,00	28,990 28,3433 27,715	100	+	8,58300 8,39216 8,20550	82,150 80,3239 78,535	17412,0 16398,7 15444,0
1 UKL	cours-pivot	+	+	+	+	1	+	+	+
1 IRL	+ 2,25 % cours-pivot - 2,25 %	3,8180 3,73324 3,6500	66,56 65,0792 63,6315	3,454 3,37736 3,302	12,187 11,9159 11,6509	+	1	9,7890 9,57129 9,3585	2074,80 1954,05 1840,32
100 FF	+ 2,25 % cours-pivot - 2,25 %	39,8925 39,0045 38,1375	695,40 679,941 664,80	36,090 35,2863 34,500	127,33 124,496 121,73	+	10,6855 10,4479 10,2155		21677,0 20415,7 19227,8
1000 LIT	+ 6 % cours-pivot - 6 %	2,02850 1,91051 1,79925	35,360 33,3047 31,365	1,855 1,72839 1,628	6,475 6,09804 5,743	+	0,54338 0,511758 0,48197	5,2010 4,89818 4,6130	1000
1 ECU	cours-pivot	2,57971	44,9704	2,33379	8,234	(0,560453)	0,691011	6,61387	1530,27

+ Ne participe pas au mécanisme de change. Does not participate in the exchange mechanism / Non partecipa al meccanismo di cambio

### List of references

- (1) "Fifth medium-term economic policy programme" in "European Economy" No. 9, July 1981.
- (2) Doc. 1-687/81 of 30.11.81.
- (3) Opinion of the European Parliament on the communication from the Commission of the EC to the Council concerning the draft of the Fifth Medium-Term Economic Policy Programme, adopted on 17.2.82, in OJ C 66/37 of 15.3.82.
- (4) Doc. 1-681/81 of 9.11.81
- (5) Doc. 1-668/81
- (6) Resolution of the European Parliament, in OJ C 327/43 of 14.12.81
- (7) OJ L 385 of 31.12.81
- (8) COM (81) 790 fin., of 9.12.81
- (9) See "Europe" of 9.6.82, p. 7-9 and "Europe" of 26.6.82 document No. 1211.
- (10) See also No. 9 in this study "The Community's industrial policy"
- (11) Doc.1-421/82 of 1.7.82
- (12) The previous devaluations were: in September 1979 the DM appreciated by 2%, in November 1979 the DK devaluated by 4.8% and in March 1981 the Lire devaluated by 6%
- (13) It has been recognized that the utilization of exchange rate parities can lead to biased results. The utilization of the purchasing power parities although statistically more difficult to calculate offer better results since prices and costs are used for the calculation of GNP. Eurostat has recently adopted this method for the calculation of GNP, in collaboration with OECD.
- (14) COM (82) 133 fin. of 18.3.82
- (15) Doc. 1-971/81 of 4.2.82
- (16) OJ C 66/45 of 15.3.82
- (17) See in particular point 14 of explanatory statement of the Purvis report and N. Kyriazis, T. Paccoud "European Monetary Union- An Alternative Approach", European Parliament, Research and Documentation Papers, Economic Series No. 3, Luxemburg, July 1981.
- (18) For example motions for resolution by Bonaccini, Leonardi and others (Doc. 1-599/81 of 12.10.81) by Fanti, Piquet and others (Doc. 1-1107/81 of 8.3.82) by Bonaccini, Leonardi and others (Doc. 1-1104/81 of 8.3.82) by Michel, Beumer a.o. (Doc. 1-340/82 of 10.6.82) by Diana, Antoniozzi a.o. (Doc. 1-355/82 of 14.6.82) by de la Malene (Doc. 1-352/82 of 14.6.82) by de la Malene (Doc. 1-433/82 of 1.7.82) and by de la Malene, Ansquer a.o. (Doc. 1-467/82 of 5.7.82).

INDUSTRIAL POLICY

The Treaty of Rome makes no formal provision for the introduction of a common industrial policy for the Community. A Community industrial policy, or at least the notion of industrial cooperation between the Community Member States, can however, be derived from a number of articles in the ECSC, Euratom and EEC Treaties which enable the Community to create a favourable climate for industry (Articles 85, 86, 92, 93, 100, 101 and 103) and to take measures relating to trade and infrastructures.

It is somewhat difficult to make a clear distinction between industrial policy as such and other areas of Community policy. Broadly speaking, industrial policy includes all measures and instruments which do not form part of the common agricultural policy or apply to the services sector. Industrial policy thus includes regional, sectoral, competition and research policy and aspects of transport, trade, social and energy policy. In the narrower sense, industrial policy comprises those measures and instruments which were designed for specific sectors of industry.

In a period of economic recession which hits some industrial sectors particularly hard, an industrial policy on a Community level becomes increasingly necessary, because measures on a national basis prove to be insufficient to solve the problems facing these sectors (loss of competitiveness, need to restructure etc). A real industrial policy on a Community level exists only for the steel industry. For the other sectors of industry the only form of industrial policy on a Community level is the control by the Commission of national state aids given to these sectors. The Member States must notify these aids to the Commission who controls them and must approve them before they become operational. The aim of this control is to ensure that these aids do not distort competition between the industries of the Member States

and that they are not incompatible with EEC competition rules. Also, in many cases, the Commission has to examine whether the aids given help restructuring and limit capacities in sectors where capacity underutilization exists, in which case these aids are approved, or whether they are given in order to keep the firm or firms in business avoiding the necessity of restructuring, in which case they are usually prohibited.<sup>(1)</sup>

Although this control power of the Commission, that the granting of national state aids must further Community objectives, can be seen as a first step towards a Community industrial policy, a fully integrated industrial policy at the Community level is still very far away. One could only speak of a Community industrial policy if the Commission, the Council and the European Parliament had the competence and the necessary funds to draw up and implement such a policy according to Community criteria, so as to make the Commission more than a clearing agency and policeman of national aids, of which it has no influence in the planning and implementing and the E.P. more than just an opinion giver, which are heard but rarely followed.

#### I. The European Parliament's appeal for industrial cooperation

In its report on industrial cooperation<sup>(2)</sup> the Committee on Economic and Monetary Affairs of the European Parliament emphasizes the need for consistent and constant cooperation and for the Community, without usurping the position of the Member States, undertakings, associations of undertakings or unions, to undertake common action in the industrial field in all areas where a Community policy would ensure greater efficiency and dynamism than national policies. Only a European industrial policy and European cooperation can ensure success in the necessary restructuring in various key sectors and lessen the undesirable social, economic and financial effects of the recession.

The European Parliament has called for the following measures to achieve this aim: 1. an increase in Community appropriations for industry; 2. the setting up of a European fund for industrial inno-

vation and development; 3. the setting-up of a standing European Industrial Policy Committee and 4. the creation of ad hoc sectoral co-operation committees responsible for determining policies for major industrial sectors and composed of representatives of industrial associations, trade unions and the Commission.

In June 1982 the European Parliament made a further appeal to introduce a Community industrial strategy based on the organization of common measures in the production sector, in the field of incentives to investment, in the sectors of energy policy and research, in the organization of labour and in taxation and capital markets.<sup>(3)</sup>

## II. Important sectors of Community industrial policy

The Commission has laid down criteria for direct action to combat crises in important industrial sectors of the Community: 1. state aids must be aimed at adaptation and not mere survival; 2. emergency aid measures must be agreed by all concerned; 3. aids and measures must be temporary; 4. protective measures for a particular period may be applied only with a view to enabling and facilitating structural changes; 5. specific development plans must be devised and implemented for particularly underdeveloped sectors and sectors of general importance.

### 1. Shipbuilding

All Member States have continued to take measures to restructure the shipbuilding industry and adapt it to market conditions and prospects. Some progress, varying from country to country, has been made towards the recovery of this sector within the Community, mainly by reducing the number of jobs, cutting working hours, closing shipyards and diversifying production. The world market is still in a state of crisis characterized by weak demand, low prices, rising costs and sharp competition for contracts. There is no hope of a rapid end to the crisis in this sector and according to current estimates the demand reaching Community shipyards will more or less correspond to the relatively low recent level.

The Commission has presented a fifth Directive on aid to shipbuilding to replace the fourth Directive. The directive provides for credit facilities for the sale or conversion of ships, investment aid provided it does not increase the production capacity of a Member State, aids to rescue undertakings, crisis aid (aid towards restructuring the sector to make it competitive), cost escalation insurance in the form of price guarantees, aid to shipowners and non-discrimination in marine equipment. An important new article was added providing for aid to deal with the social and regional effects of restructuring. The directive will remain in force until 21 December 1982.

The fifth directive was adopted by the Council on the 28th April 1981<sup>(4)</sup>. The Commission prepared a document detailing aids given to the shipyards in the Community during the first half of 1981<sup>(5)</sup>. The Commission has further prepared a document on the situation of the shipbuilding industry in the Community, containing data on the general economic situation, the situation of the shipbuilding industry in the world and in the Community (with regard to production, new orders, orders under completion and employment), as well as future market estimates and structural development<sup>(6)</sup>.

## 2. The motor vehicle industry

A large number of Community directives exist in the automobile sector to harmonize technical standards and new directives are frequently added but there is no real common policy. During the period June 1981 to June 1982 there have been no major changes concerning this sector which is still faced with economic recession and increased competition from Japan.

The European Parliament continued to show a great interest in this sector in a large number of parliamentary questions and motions for resolution<sup>(7)</sup>.

Important price differences exist in the automobile markets of the Member States. In particular, prices in the UK seemed to be

very much above the prices in other Member States and the selling price of imported cars in the UK were much higher than the prices of the same cars in the markets of other Member States. This led the Commission to believe that there might be an agreement between the various producers and suppliers of the British market, to limit competition. The Commission is at present conducting investigations along these lines and has prepared a regulation for the application of article 85 par. 3 of the EEC Treaty to categories of distribution and service agreements before and after sales of cars<sup>(8)</sup>.

In a statement on the "European Automobile Industry" the Commission made an assessment of the difficulties of the market and listed a number of measures the Community should take to help create a favorable environment which would allow manufacturers to take advantage of the world market and to successfully meet the challenge of non-EEC competition. The Commission's aim is to avoid the development of excess capacity, which could subsequently lead to protectionist measures, and state aids liable to distort competition and negatively influence the free movement of goods.

In order to achieve this objective the Commission announced its intention to establish an export monitoring system for national aids, which would cover both specific aids and the use of other schemes to assist the automobile industry. The Commission thinks that such a monitoring system would help to supplement the information already available by providing a coherent frame of reference. It would facilitate dialogue between the Member States and the Commission on adjustment in the sector and on discipline in the granting of state aids<sup>(9)</sup>.

### 3. Aircraft industry

No new developments occurred in this sector in the period under consideration towards the introduction of a common industrial policy.

In the field of competition the Commission transmitted a proposal for a regulation to the Council concerning the application of articles 85 and 86 of the EEC Treaty to air transport and the European Parliament has given its opinion to this proposal<sup>(10)</sup>.

4. The data processing and telematics industry

On 7 December 1981, the Council adopted regulation No. 3744/81<sup>(11)</sup>, which establishes a system for information and consultation concerning initiatives aimed at promoting the diffusion and the development of microelectronic technology and its applications. The aim of the regulation is to coordinate at Community level the activities undertaken in the Member States in this domain and to implement joint projects to supplement and reinforce these activities. For the purposes of granting national financial support to projects in this field, the Member States will in particular encourage projects, the execution of which require major participation on the part of organizations from two or more Community countries. The regulation, which shall apply until 31 December 1985 and which introduces a Community policy for this industry, further provides the following:

- 1) Member States shall supply the Commission on their own initiative, or at the Commission's request, with all up-to-date relevant advance information of a scientific, economic and financial nature concerning any activities under their authority, aimed at: a) the promotion of applied industrial research and development of equipment, processes, instruments and techniques, both hardware and software, industrial manufacture and testing of advanced integrated circuits; b) the dissemination of basic knowledge and the training and education of management and staff specializing in the design, utilization and testing of advanced integrated circuits; c) the encouragement of the establishment within the Community of an industry capable of designing and producing the equipment, materials and techniques used in the manufacture of advanced integrated circuits.
- 2) The Member States shall also supply the Commission with an appraisal of the result of these activities.
- 3) The following key research and development projects shall benefit from Community supports: I. Step and repeat on wafer. II. Electron beam for direct-writing on wafer. III. Plasma etching and deposition. IV. Test equipment. V. Computer aided design (CAD) for very large scale integration circuitry (VLSI) in the domains of architecture, language and data structure, testing and device modelling.



- 4) The EEC shall provide financial support for such projects in the form of subsidies normally covering 30% of the costs of their execution and possibly as much as 50%. The commitment appropriations for this financial support are 40 Mio ECU which were included in the budget of the European Communities for 1982.
- 5) A Consultative Committee was set up for projects promoting micro-electronic technology. It consists of representatives of the Member States who may be assisted by experts or advisers depending on the nature of the projects under consideration with a Commission representative as chairman.

The Commission has already posted calls for proposals for manufacturing equipment and computer aided design projects and projects in the field of information and documentation<sup>(12)</sup>.

In June 1982 the Commission of the EC proposed to the Council the prolongation of the multiannual 1972-1983 programme in the informatics industry up to 1986, to extend its reach and to increase the financial means of the second part of the programme from 15 to 55 Mio ECU's. Additionally the Commission has transmitted, after adoption on 26 May 1982, a communication together with a project for a resolution to the Council on "New initiatives of the Community for the period 1983-1987 in the area of new technologies of information and professional formation".

The Commission further prepared a "European Programme for Strategic Research in the Area of Information Technologies" (Project "Esprit") with the long-run aim of putting European industry on an equal basis technologically with the USA and Japan, so that European industry will eventually hold about 30% of the world market, a figure which roughly corresponds to the dimensions of the European market<sup>(13)</sup>.

The European Parliament has manifested its interest in the form of a number of questions<sup>(14)</sup> by its Members and by adopting a report "On the state of the market for electronic products in Europe and on the consequences for employment" by Mr. Herman<sup>(15)</sup>.

The world market for new information technologies is growing at the very fast rate of 15% a year on average. While the European market offers enormous potential, its share of production activities is not satisfactory in relation to its needs and there is a risk of its position deteriorating further in the face of Japanese and American competition. European firms provided only 14.4% of European facilities in 1975, whereas IBM alone accounted for 51.8%.

The world market for electronic products will treble in size over the next ten years and Europe will soon constitute the largest market in the world in this sector. The world market shares in 1980 were: Western Europe 26%, Japan 12%, USA 29%, others 37%, and the estimates for 1990 are: Western Europe 31%, Japan 10%, USA 22% and others 37%, the total outlays being 246,1 billion dollars for 1980 and (estimate) 765,10 billion for 1990<sup>(16)</sup>.

The European Parliament called for a greater coordination of the existing disparate national efforts (also in the defence and telecommunications fields) greater Community support for research and development and, whenever appropriate, greater cooperation between Community firms. It also pointed out the necessity to combat protective measures, to promote the common market, to combat any policies aimed at slowing down the development of the new electronics industry in order to protect jobs in the short run, because this could well result in the loss of a greater number of jobs in the long run and it stressed the importance of strengthening Community industrial and social policies to provide as smooth a period of adjustment as possible and to facilitate the necessary retraining of employees and development of new skills.

#### 5. The textile industry

The sensitive nature of this industry has accentuated the tendency by Member States to relieve difficult economic and social situations by granting state aids.

The Commission's policy over the last year was mainly to avoid an escalation of aids which would shift difficulties from one Member

State to another and to ensure that the aid granted was tied to restructuring efforts by the recipient enterprises, as well as to reduce surplus capacity, to improve technology and production and/or to move into promising markets or quality levels as required by the aid priorities.

The Commission further believes that it must be in a position to monitor the application of all aid schemes used to assist the textile industry in order to establish their effects on the industry. It plans to introduce a method of an ex-post monitoring of all aid granted to the textile and clothing industry in order to facilitate the checking of how the schemes are being applied in practice.

In the synthetic fibres sector capacity has been reduced over recent years but the reduction did not go far enough, with stagnating demand and falling prices and temporary difficulties caused by imports of American fibres creating further difficulties. Capacity utilization was 75% for polyamide and polyester yarns and 65% for polyester and acrylic fibres in August 1981. According to an estimate of average trends, there will continue to be substantial overcapacity (between 400,000 and 500,000 tonnes) over the next few years.

The Commission decided on 22 July 1981, to extend the code on national state aids introduced in 1977 for a further two years, so that it will now expire on 19 July 1983. If it proves to be necessary the Commission will reconsider the matter before that date<sup>(17)</sup>.

The Commission has further carried out an in-depth examination of the situation and prospects of the Community's textile and clothing industry and is currently preparing a communication to the Council relating to general objectives of a textile policy and to the role to be played by public authorities to reinforce the industry's efforts to restructure and adjust itself (18).

### List of references

- (1) See also the Chapter on Competition Policy and State Aids.
- (2) Report drawn up on behalf of the Committee on Economic and Monetary Affairs on industrial cooperation between the Member States, Doc. 1-157/81 of 27 April 1981.
- (3) Doc. 1-350/82 of 14.6.82.
- (4) Council directive on aid to shipbuilding, adopted 28.4.81, OJ L 137/39.
- (5) Aids given to the Community's shipyards, Commission of the EC, COM (82) 123 fin., Brussel 26.3.82.
- (6) Report on the situation in the shipbuilding industry in the Community (1.1.81) Commission of the EC, Com (81) 432 fin., Brussel 14.9.81.
- (7) See for example questions No. 2119/80 (Damseaux, OJ C 303/4 of 23.11.81), No. 1852/80 (Seal, OJ C 247/1 of 28.9.81), No. 376/81 (Lizin, OJ C 222/10 of 2.9.81), No. 2100/80 (Cousté, OJ C 186/4 of 27.7.81), No 2221/80 (Adam, OJ C 180/8 of 22.7.81) and motions for resolution by Barbagli, Ligios and others (Doc. 1-695/81 of 6.11.81) by Almirante and others (Doc. 1-196/82 of 3.5.82)
- (8) Commission's document IV/158/82 which is still confidential.
- (9) COM (81) 317 fin. of 11.6.81.
- (10) See text Nr. 12.
- (11) OJ L 376 of 30.12.81.
- (12) OJ C 130/2 of 20.5.82 and OJ C 18/2 of 23.1.82.
- (13) Commission of the EC, COM (82) 287 fin. of 27.5.82.
- (14) For example questions No. 155/81 (Glinne, OJ C 210/11 of 19.8.81), No. 130/81 (Charzat, OJ C 205/5 of 13.8.81), no. 2094/80 (Pisani OJ C 195/1 of 3.8.81) and No. 2148/80 (Giavazzi, OJ C 168/6 of 8.7.81).
- (15) Doc. 1-189/82 of 10 May 1982.
- (16) Statistics taken from report Herman, p. 9-10.
- (17) See Commission of the EC, "11th Report on Competition Policy", Brussels-Luxemburg 1982.
- (18) Answer given by Mr. Davignon to question No. 337/81 of 13.5.81 (Calvez, OJ C 247/5 of 28.9.81).

THE STEEL INDUSTRY

I. AID TO THE STEEL INDUSTRY

The most important element in the steel industry in the period July 1981 - June 1982, was the continuation of the application of the quota system for some steel products, as well as the granting of state aids. A new disturbing element was added at the end of the period under consideration, due to the unilateral American decision to impose controls on European imports.

In view of the increasing seriousness of the crisis in the steel industry, the Council considered that the then existing steel aids Decision (257/80/ECSC) was no longer an adequate instrument for dealing with the problems. In May the Commission presented a draft decision at the Council's request, which received the unanimous assent of the Council in July and was adopted by the Commission in August<sup>(1)</sup>. This decision (2320/81/ECSC) will apply until the end of 1985. It retains the basic objectives of Decision 257/80/ECSC, i.e. the promotion of restructuring and the prevention of undue distortion of competition through state aids. Nevertheless, the rules provided by the new Decision have been strengthened in a number of ways in order to make the achievement of these objectives more certain:

- (1) A timetable is established for the gradual phasing out of aid. Aids have to be notified not later than 30 September 1982 and authorized by the Commission by 1 July 1983. Payments of aid may not be made after 31 December 1985, with the exception of interest relief grants on previously disbursed loans or of payments to honour guarantees. The time limits are more restrictive in the case of emergency aid (approval was only possible up to 31.12.81) and operational aid (payment allowed only up to 31.12.84).

- 2) All beneficiaries of state aids, with the exception of emergency aid, must be engaged in restructuring programmes leading to reduction in their production capacity. The intensity and volume of aid must be in proportion to the restructuring effort.
- 3) Greater transparency is required. The Commission must consult the Member States on the more important aid cases before it takes a decision and inform Member States of all decisions taken by it. Member States have to inform the Commission twice yearly of the aid payments made in each half-year to enable it to monitor the progressive reduction of aid levels.

During the period under consideration, the Commission has approved major aid schemes to the Danish and British steel industries, while aid schemes to the Belgian, German, French, Italian and Luxemburg steel industries have been under consideration<sup>(2)</sup>.

## II. DEVELOPMENTS IN THE STEEL INDUSTRY

On 24.6.81 (decision 1831/81 ECSC)<sup>(3)</sup> the Commission introduced a new system of control of producer quotas for some products of the steel industry. On 3.7.81 (decision 1832/81 ECSC)<sup>(4)</sup> concrete reinforcing bars and merchant bars were included in the system of production quotas. On 18.11.81 (Decision 3302/81 ECSC)<sup>(5)</sup>, the Commission introduced a decision on the information to be furnished by steel undertakings about their investments. This decision contains the following obligations of the steel undertakings: 1. Prior notification of programmes of investment or for the recommissioning of production installations; 2. Prior notification of the permanent or temporary closure of production plant; 3. Reports on the implementation of programmes of investment or capacity reduction.

From July 1981 to July 1982 the Commission has fixed the quarterly rates of abatement for the production of different steel products of the various enterprises in the Community<sup>(6)</sup>.

At the end of June 1982 the quota system was due to expire. But the crisis in the sector continued, demand for steel having not revived since the first system of quotas was introduced in the autumn of 1980. The number of orders received by undertakings has fallen to a new low in recent years. Furthermore, the steel market was unlikely to improve in the next few months, production and employment levels remaining very low. On the other hand the system of production quotas and the commercial and social policy measures taken have helped to ease the financial and social situation of firms in the steel industry.

The Community steel industry has intensified its restructuring efforts, but the existing capacities are still well in excess of the expected levels of demand for steel in the medium term, so that continued support must be given to these efforts. In view of these facts the Commission was of the opinion that the Community steel industry is still in a state of crisis and that the attainment of the objectives set out in Article 3 of the ECSC Treaty would be seriously jeopardized if the system of production quotas was not continued. Vice-President Davignon estimated that if the quota system was not extended, prices for most steel products could fall by as much as 25%, which would be catastrophic for the re-structuration efforts of the industry.

Since the quota system has proved to be successful so far it was decided to extend it for one year<sup>(7)</sup>, making, however, a number of adjustments and additions deemed necessary on the basis of experience acquired so far.

The main adjustments concern:

1. Compulsory reporting of the stock situation of the steel enterprises.
2. Inclusion of wire rod in the compulsory arrangements.
3. Inclusion of small undertakings in the quota system.
4. Minimum quotas for small undertakings which produce only certain categories of products.
5. Reference production simplification by taking into account the quotas previously allocated as the basis.
6. Adjustments to deliveries on the internal market.

7. Special rules for the interruption or the resumption of the activity of an enterprise.
8. Extension of the possibilities of transfers, carry-overs and tolerances on quota excesses.
9. Provisions for undertakings which merge or separate and the formation of joint undertakings.
10. Increase of the level of fines where an undertaking exceeds its quota by more than 10%.
11. Measures in the case of restructuring.

The system for monitoring production and deliveries, which include all qualities and choices of steel, is extended for one year. These categories are:

- I. Hot-rolled wide and narrow strip rolled on specialized mills
- II. Reversing mill plate and wide flats
- III. Heavy sections
- IV. Wire rod
- V. Reinforcing bars
- VI. Merchant bars

The system of production quotas is established in respect of categories Ia, Ib, Ic, Id and in respect of categories IV, V and VI, irrespective of quality or choice. In the case of categories Ia to Id the following exclusions are valid:

- a) Special alloy steels, except for special fine grained weldable structural alloy steels with a high yield point.
- b) Material intended for the production of welded tubes more than 406.4 in diameter, tinsplate and electrical sheet with a minimum silicon content of 1%.

As regards categories IV, V and VI the following are excluded:

- a) Alloy steels with an alloy content of not less than 5% (except for steels containing less than 1% of carbon and more than 12% of chromium)



whose actual invoiced price is not less than 30% higher than the list price of the corresponding ordinary steel product, may be produced in excess of the compulsory quota for the relevant category of products for a given undertaking.

- b) Also excluded are undertakings if their annual reference production does not exceed a total of 24.000 tonnes for categories Ia to Id and a total of 12.000 tonnes for categories IV, V and VI. This limit is fixed at 24.000 tonnes for undertakings producing only high-grade steels and special steels.

During the period under consideration the European Parliament showed its interest in the problems of the steel industry by means of numerous questions and motions for resolutions by its Members<sup>(8)</sup>.

### III. RELATIONS WITH THE U.S.A.

The deterioration of EC/US relations in the steel sector should be viewed against the general background of escalating trade disputes between the USA and the Community (agriculture, export credits, textiles, EC Mediterranean Policy and steel).

The US Department of Commerce's preliminary determinations of June 11 1982, constitute a major innovation in world trading rules in that they reflect a series of extreme and unilateral findings on subsidies with far-reaching implications for many countries and industries currently exporting to the USA. The American authorities took the decisions on criteria which are unacceptable for the EC for the following reasons:

1. They took as the reference year for their calculations only 1980 (and not a period of years as is usual in such calculations). 1980 was in any case not a normal year (because amongst other things the trigger price mechanism was not applied).
2. The American authorities calculated state aids given as subsidies to the European steel industry in a very strange way. The fol-

Following examples demonstrate this:

- (a) The prime de logement for workers of the steel industry is considered to be a subsidy.
- (b) The ECSC borrows on behalf of the steel enterprises in the financial markets. Due to its reputation, the ECSC is usually accorded lower interest rates than those accorded to steel enterprises going directly to financial markets themselves. The difference between the ECSC rate of interest and the normal rate of interest is, according to the Americans, a subsidy.
- (c) State participation in the steel enterprises are subsidies.
- (d) The value of a subsidy is not calculated as the nominal money value, but as the nominal money value plus the interest rate which could be obtained if the money were placed through a bank (a kind of opportunity cost criterion).
- (e) Since the American decision is only a provisional one, it cannot be attacked before an American court.
- (f) The Americans regard prices which do not include an 8% profit margin as dumping prices. But surely no firm can aspire in today's situation to such high profit margins<sup>(9)</sup>.

The Community took the following steps in reaction to the American determinations:

1. It is calling for an immediate meeting of the GATT subsidies Committee. At this meeting it is the Community's intention to contest certain of the Department of Commerce decisions (e.g. as to what programmes constitute subsidies and the method used for calculating the level of subsidies). The subsidies Code procedures provide for the possibility of the Community being authorized to take counter-measures if its contention meets with general acceptance.
2. At the forthcoming meeting of the OECD Steel Committee the EEC intends to take the opportunity of challenging the compatibility of the US action with the aims and commitments of the OECD consensus on steel.
3. The Council is considering the US system of DISC, whereby export subsidiaries of a wide range of US firms are in effect deferring for an indefinite period of time payment of part of US corporate income tax. The GATT has found that this practice, which costs the US Treasury a sum approaching one billion dollars a year must be regarded as an export subsidy. The Commission will therefore put forward proposals for consideration on what action the Community might take under the GATT rules.

The two parties have nonetheless sought an arrangement that would avert a severe crisis in US/EEC trade relations. Following lengthy negotiations between the EEC and US, an agreement was concluded in mid-August 1982 based on voluntary restraint of European exports to 5.7% of the European market in return for the US steel producers dropping their legalaction against European firms. The US Administration would have liked to see the European share of its market limited to 3.9% whereas the Europeans pointed out that they had a market share of 6.4% in 1981. This agreement should enable the US and EEC steel industries to achieve the objectives set by the OECD Steel Committee in 1977 to improve the competitiveness of the steel sector in OECD countries.

If the US steel industry implements the agreement reached at political level, it will be the ECSC's responsibility to introduce a system of licences limiting exports of the 11 steel products concerned.

List of references

- (1) OJ L 228 of 13.8.1981
- (2) For a review of these aid schemes, see Commission of the EC "11th report on Competition Policy", p. 118-128.
- (3) OJ L 180 of 1.7.81
- (4) OJ L 184 of 4.7.81
- (5) OJ L 333 of 20.11.81
- (6) OJ L 184 of 4.7.81, OJ 298 of 17.10.81, OJ L 334 of 21.11.81  
OJ L 65 of 9.3.82
- (7) OJ L 191 of 1.7.82
- (8) For example see Doc. 1-607/81, Doc. 1-533/81 rev., Doc. 1-521/81 rev.  
Doc. 1-487/81, Doc. 1-347/82 and Doc. 1-353/82.
- (9) Discussion of Commissioner Davignon, Vice President of the Commission,  
with the Members of the Economic and Monetary Committee of the European  
Parliament, at the meeting of 24 June, 1982.

CUSTOMS UNION

On 17 September 1981 the European Parliament adopted a resolution<sup>(1)</sup> on the Commission's 1981 programme for the attainment of customs union<sup>(2)</sup> in which it called, once again, for the simplification of procedures at internal frontiers, for the creation of a Community customs administration, for a report on the justification for certification of origin with respect to intra-Community trade and for simplification of Community transit procedures.

In its 1982 programme for the attainment of customs union<sup>(3)</sup> the Commission welcomed the abovementioned resolution of the European Parliament. Nonetheless the Commission lamented the lack of any real progress towards customs union achieved in 1981 owing to, principally, a lack of political will on the part of Member States' governments to achieve a real customs union. The Commission also called on the Council to have recourse to Article 155 EEC Treaty, by virtue of which powers could be delegated to the Commission to adopt all acts of a technical nature on customs matters, thereby leaving the Council more time to concentrate on policy issues.

In its answer to Written Question No. 1319/81 by Mr Couste<sup>(4)</sup> the Commission marked once again its disappointment at the progress made in 1981 and hoped that the Parliament will approve the 1982 programme so that the Commission can pursue the objectives of that programme.

On 15 October 1981, the European Parliament adopted an important resolution on the internal market<sup>(5)</sup> of which the salient points were as follows :

- (i) the Member States should refrain from granting subsidies which distort competition and should abolish complicated frontier formalities ;

(ii) national technical standards are growing up everywhere which creates new non-tariff barriers to trade ;

(iii) within the framework of Parliament's Resolution of 9 July 1981<sup>(6)</sup> concerning contacts between the European Parliament and the national parliaments, contacts should indeed be made with the appropriate committees of national parliaments.

Indeed a delegation of the Committee on Economic and Monetary Affairs visited Brussels and Paris on 26-27 May 1982 and 7-8 June 1982 respectively. The note, prepared by the Committee on Economic and Monetary Affairs, drew the following conclusions from the visits :<sup>(7)</sup>

(i) VAT on imports would eventually have to be collected according to "standard procedures" i.e. within the interior of the importing Member State and not necessarily at the internal EEC frontier ;

(ii) cooperation between customs authorities was much welcomed, as was the distinction to be made between external and internal customs matters ;

(Iii) national technical standards presented an obvious risk to the free movement of goods. However, EEC legislation should not refer automatically to CEN or CENELEC standards, since standards within these organisations (which include some third countries) are adopted by majority vote ;

(iv) opening-up of public-sector procurement was important, especially for new technology industries. However it was thought best that owing to national electorate pressure, initiatives in this field should come from the European Parliament.

The Commission hoping to elicit from the Council an expression of the political will necessary to push further towards a real customs union where goods may move as freely within the EEC as within a Member State submitted a draft Resolution to the Council.<sup>(8)</sup>

Perhaps the Memorandum of the French government on the strengthening of the instruments of Community trade policy<sup>(9)</sup> is an implicit reply from a Member State to the initiative of the Parliament and Commission for an opening up of the internal market as well as a reply to criticisms levelled at the French government's policy of "recapturing the internal [French] market"<sup>(10)</sup>

From the Memorandum it is clear that the French government attaches considerable importance to the ability of the Community (and national?) authorities to fight against "unfair imports".

The Commission submitted another Communication of 24 June 1982 to the Council on strengthening the internal market<sup>(11)</sup> in which the Council was reminded of :

- (i) the need to make ordinary EEC citizens feel that they belong to a true European Community ;
- (ii) the proposed enachments which the Council has hitherto failed to adopt.

This was backed up by the Commission's submission to the Council of a draft Resolution on the easing of the formalities relating to checks on citizens of Member States at the Community internal frontiers.<sup>(11 Add)</sup>

#### Harmonisation of Customs Legislation

The following Legislative Community acts were adopted :

- (i) the Council amended Regulation 616/78 on the proof of origin for certain textile products imported into the Community and on the conditions of acceptance of such proof ;<sup>(12)</sup>

- (ii) the Council also amended the Regulation on the repayment or remission of import or export duties ;<sup>(13)</sup>
- (iii) the Commission adjusted a Directive<sup>(14)</sup> laying down certain provisions for implementing Council Directive 79/695 on the harmonisation of procedures for the release of goods for free circulation.

Important pieces of legislation proposed during the third year of the first directly elected Parliament and still pending before the Council of Ministers include :

- (i) proposal for a Council Regulation introducing arrangements for movement within the Community of goods sent from one Member State for temporary use in one or more Member States ;<sup>(15)</sup> the Commission amended its proposal<sup>(16)</sup> in the light of the European Parliament's Opinion<sup>(17)</sup> ;
- (ii) proposal for a Council Directive on the facilitation of formalities and inspections in respect of the carriage of goods between Member States ;<sup>(18)</sup>
- (iii) proposal for a Council Regulation simplifying customs formalities in trade within the Community<sup>(19)</sup> .

#### Removal of technical barriers to trade

The Council adopted the following acts concerning the removal of technical barriers to trade :

- (i) three Directives pertaining to motor vehicles which amend earlier Directives, whereby their scope is extended to all motor vehicles and not just to private motor vehicles and to built-in safety-belt anchorages ;<sup>(20)</sup>
- (ii) two Directives relating to veterinary medicinal products and to the testing of such products.<sup>(21)</sup>



## Travel

The Council adopted two Directives increasing from 1 January 1982 the tax relief applicable, respectively, to the importation of goods in small consignments of a non-commercial nature within the Community and in international travel to imports of small consignments of goods of a non-commercial character from non-member countries. (22)

Tax free allowances for goods crossing over an internal frontier in personal luggage were also increased by the Council. (23)

### List of references

- (1) 1981 OJ C 239
- (2) 1981 OJ C 106
- (3) 1982 OJ C 80
- (4) 1982 OJ C 30
- (5) 1981 OJ C 287/64 ; cf 1982 OJ C 104 for the texts of two motions for resolutions on the opening of the Community's internal frontiers entered in the register under Rule 49 of the Rules of Procedure
- (6) 1981 OJ C 234/58
- (7) PE 79.691
- (8) COM (81) 572 final
- (9) Agence Europe 29 April 1982 (Europe Documents series no. 1201)
- (10) On a related point, see joint answer to Written Questions no. 1229/81 and no. 1233/81 by Mr Galland to the Commission on the incompatibility of the French nationalisation measures with the Treaty of Rome (1982 OJ C 150)
- (11) COM (82) 399 final
- (11 Add) 1982 OJ C 197/6
- (12) 1981 OJ L 169
- (13) 1982 OJ L 186
- (14) 1982 OJ L 28/38
- (15) 1981 OJ C 227
- (16) COM (82) 110 final
- (17) 1982 OJ C 40/35
- (18) 1982 OJ C 127
- (19) 1982 OJ C 203
- (20) 1981 OJ L 209
- (21) 1981 OJ L 317
- (22) 1981 OJ L 338
- (23) 1982 OJ L 206

COMPETITION POLICY AND STATE AIDS

General

The European Community is based on the working of competition, but during the last years serious exemptions have been made and non tariff barriers have multiplied. State aids continue to distort competition and the scale of intervention that has come to be accepted as normal carries with it the danger of the creation of what might be called an aid mentality on the part of undertakings. Furthermore, in one sector, the steel industry, where competition has worked too well according to some, a quota system was introduced. This raises the obvious question of the compatibility of such a system with the general competition policy of the Community (and further of its application to other sectors in difficulty if it proves to be efficient in promoting restructuration). This question has not yet been satisfactorily answered by the Commission.

The Commission published in May 1982 its "11th Report on Competition Policy", which contains the main developments in the field of competition in the Community. This document contains the major decisions and rulings pursuant to Articles 85 and 86 of the Treaty, the decisions concerning articles 65 and 66, as well as the rulings of the Court of Justice<sup>(1)</sup>.

Air and Sea Transport

In 1981, the Commission transmitted two proposals for Regulations to the Council concerning the application of Articles 85 and 86 of the EEC Treaty to air<sup>(2)</sup> and sea<sup>(3)</sup> transport. In presenting a Regulation applying Articles 85 and 86 to air transport, the Commission took account of the views of the European Parliament, following the European Parliament's Resolution of 17 October 1980 on the restriction of competition in the air transport sector<sup>(4)</sup>. The European Parliament gave its views on the Commission's proposal for the application of Articles 85 and 86 to air transport in adopting the report by Mr. Schwartzberg<sup>(5)</sup>, while Mr. Nyborg is preparing a report for the appli-

cation of Articles 85 and 86 to sea transport. Mrs. Forster has prepared a report on airfares which has not yet been adopted<sup>(6)</sup>.

Both the Commission's proposals aim to fill a gap in Community competition law, because although under the general terms of the EEC Treaty the competition rules are applicable to air and sea transport, they are the only two sectors of the European economy for which the Council has still not adopted the relevant implementing regulations.

The regulation for air transport deals with procedure (apart from a statutory exemption for certain technical cooperation agreements) and in the main repeats the provisions applicable to transport by rail, road and inland waterway. It applies only to the airlines' business operations and does not concern measures which are the sole responsibility of the Member States, for example bilateral agreements or arrangements to control market entry.

The regulation for sea transport establishes both substantive and procedural rules. The substantive rules establish mainly that certain technical cooperation agreements are not included in the ban on restrictive practices in Article 85 (1) of the EEC Treaty. Also, general exemption is granted to liner conferences operating scheduled services as long as they fulfil certain conditions and requirements specified in the regulation. These conferences remain subject to investigation to ensure that they do not abuse their position. The procedural rules again reproduce the provisions governing transport by rail, road and inland waterway.

### State Aids

It is evident that there is a rising trend in the granting of state aids, both in the number of cases involved and in the sums concerned. The aids must be notified and be approved by the Commission.

The creation of an aid mentality on the part of undertakings is dangerous because, while the recipient of the aid receives a positive advantage, there are automatic disadvantages for those who do not receive aids. On the one hand they have to compete on unfavorable terms and on the other the very fact of the granting of subsidies has wider economic effects in terms of higher tax, budget deficits and higher rates of interest which exacerbate the

disadvantage of the non recipient of aid. Efforts to improve the social consequences of the adaptation of crisis sectors may lead to the result that potential growth in newer industries is retarded and even made impossible <sup>(7)</sup>.

The Commission has taken a cautious approach to the approval of aids, which can only be considered compatible with the EEC if they further Community objectives and not purely national ones. The Commission has contested many such aids, as for example recently <sup>(8)</sup> by opening the procedure of article 93 par. 2 of the Treaty against a regime of aids by the British and the Italian governments to their respective shipbuilding industries.

#### European Parliament

The European Parliament has given its opinion on the "10th Report on Competition Policy" of the Commission in Mr. Beazley's report <sup>(9)</sup>.

The main conclusions of this report are the following:

1. The economic investigations of the report must be better integrated with the other activities of the Community.
2. Future reports should also contain the positions of trade unions, industrial associations and federations, consumer's unions etc.
3. Competition policy should be discussed in relation to the other common and national policies, which influence competition, such as industrial policy, fiscal harmonization, energy policy and the internal market, including technical and other barriers to trade.

The European Parliament will give its opinion on the "11th Report on Competition Policy" in a report that is presently being prepared by Mr. Papantoniou.

List of references

- (1) See Commission of the EC "11th Report on Competition Policy", Luxembourg, 1982, Chapters II and III, p. 43-78.
- (2) OJ C 291 of 12.11.1981
- (3) OJ C 282 of 5.11.1981
- (4) OJ C 291, 1980, p. 60
- (5) Doc. 1-286/82
- (6) PE 77.744
- (7) This is also stressed in the Commission's "11th Report on Competition Policy", p. 111-112.
- (8) 16 and 17 July 1981
- (9) Doc. 1-689/81

MULTINATIONAL UNDERTAKINGS

In October 1980 the Commission submitted to the Council a proposal for a directive on the information disclosure to and the consultation of workers in undertakings of a complex structure including multinationals<sup>(1)</sup>, the so called Vredeling Directive, which has not yet been adopted by the Council. Still in force are two Council directives, under which employers in all Member States (apart from Greece under a transitional period) must inform and consult the representatives of their employees in the event of collective redundancies<sup>(2)</sup> or transfers of undertakings, business or parts of businesses involving a change of employer<sup>(3)</sup>. These legal instruments do not always enable employees to be fully informed and consulted if the measures carried out at local level are actually decided upon at headquarters located in the same country, in another Member State or even outside the Community<sup>(4)</sup>.

The European Parliament adopted on 9.11.81 the report of Mr. Caborn on "enterprises and governments in international economic activity"<sup>(5)</sup>. The resolution adopted calls for, among other points, a framework of binding regulations to be established at EC level, for adherence to an effective implementation of the "arms length principle" in the area of transfer pricing, for a more effective pooling of information between Member States and for further progress towards the establishment of a framework of European Company Law.

The Committee on Social Affairs and Employment adopted during its session of 27-28.5.82 a report by Mr. Spencer on the Vredeling Directive<sup>(6)</sup>. The report will be discussed at the plenary session of September 1982. The resolution contained in this report calls for the harmonization, as far as possible, of the Commission's proposition with the other directives in the fields of social policy and company law and for an acceleration of the Commission's and the Council's work in this area (see also Chapter 17, Social Affairs).

The Commission is still examining the case against IBM. The Court of Justice, by its judgement of 11.11.81<sup>(7)</sup> rejected as inadmissible the application made by IBM for the annulment of the Commission's decision to initiate infringement proceedings under Article 86 of the EEC Treaty.

The proceedings brought against IBM, under Article 3 of Council Regulation No. 17 of 6.2.1962, are based on the fact that IBM occupies a dominant position with respect to a number of products sold within the common market and that certain of its practices constitute abuse of a dominant position within the meaning of Article 86 of the EEC Treaty.

The Court shared the Commission's view fully and stated that the act of initiating infringement proceedings and the statement of objections could not be challenged in an action for a declaration that they were void under Article 173 of the Treaty since they were merely intermediate steps taken for the sole purpose of preparing the Commission's final decision. If the Court were to admit such an action it might have to arrive at a decision on questions on which the Commission had not yet had an opportunity to state its definitive position and would as a result anticipate the arguments on the substance of the case, confusing different stages of the administrative and judicial procedures. It would thus be incompatible with the system of division of powers between the Commission and the Court and of the remedies laid down by the Treaty, as well as the requirements of the sound administration of justice and the proper course of the administrative procedure to be followed by the Commission<sup>(8)</sup>.



### List of references

- (1) Commission of the EC, COM (80) 423 fin.
- (2) Council Directive 75/129 EEC in OJ No. L 48 of 22.2.1975.
- (3) Council Directive 77/187 EEC in OJ No. L 61 of 5.3.1977.
- (4) The Commission recognized this in the answer given by Mr. Richard to question No 569/81 Glinne, OJ C 267/31 of 19.10.81).
- (5) Doc. 1-169/81 and OJ C 287/25 of 9.11.81
- (6) Doc. 1-324/82 of 12.7.82
- (7) Case 60/81 ECR, not yet reported.
- (8) See Commission of the EC, "11th Report on Competition Policy", Brussel-Luxemburg 1982, p. 47-48.

SMALL AND MEDIUM-SIZED UNDERTAKINGS (SMU)

In regard to assistance for small and medium-sized undertakings the Commission has pursued the policy outlined in the "Sixth Report on Competition Policy"<sup>(1)</sup>. The Commission, being mindful of the role these enterprises play in creating new jobs, improving competitiveness and stimulating the economy, takes a favourable view when examining measures taken by the Member States aimed at overcoming the difficulties peculiar to this type of firm in such areas as financing, research, innovation, management and marketing.

Finance in the form of global loans is in principle available for investment relating to the principal duties assigned to the EIB by the Treaty of Rome, in particular modernization or reconversion of an undertaking and regional development.

Credits can be granted for up to 50% of the cost of fixed investment. The amount may vary between a maximum of 4 Mio ECU and a minimum of 25.000 ECU. The present conditions for participation in a global loan are mandatory for SMU's. The EIB sets the following conditions for the granting of loans to SMU's: 1. A maximum of 500 employees; 2. Fixed assets not exceeding 30 Mio ECU; 3. No more than one third of capital owned by a larger firm.

The European Regional Development Fund's conditions for participation in SMU financing have recently been relaxed and are as follows:

1. Investment must exceed 50.000 ECU and create or maintain at least ten jobs;
2. The activity must be soundly based and be in receipt of national regional aid. ERDF aid may also take the form of an interest rebate of 3 points on loans given under Article 103 of the Treaty by the EIB.

An ECSC arrangement also exists whereby SMU's are entitled under article 56 of the ECSC Treaty to global loans with interest-rate rebates for investment creating new job opportunities in coal and steel areas hit by the crisis. The Social Fund and the EAGGF also grant loans to SMU's

as one of their regular functions. The Community's share in financing SMU's is growing, in particular as a result of the policy conducted in recent years by the EIB<sup>(2)</sup>.

The Council has now decided<sup>(3)</sup> at the proposal of the Commission and with the agreement of Parliament<sup>(4)</sup> that 'productive investment projects of small and medium-sized undertakings' should be eligible for aid under the new Community instrument (NCI 2). This is the first time the NCI has been extended to cover the production sector.

The European Parliament adopted on 19.2.82 the resolution contained in Mr Deleau's report 'On the situation of SMU's in the Community'<sup>(5)</sup>. The main points of the resolution are as follows:

1. Financial promotion: (a) financing for establishing and maintaining SMU's; (b) financing for innovation in order to stimulate SMU potential in this area; (c) export financing; (d) the level of Community financing should be increased and closely coordinated both at national and Community level; (e) the financing conditions for SMU's should be improved and harmonized; (f) the role of regional stock exchanges should be developed and the operation of the unquoted market should be improved so as to facilitate issues of SMU securities.
2. Management: (a) to promote the training of SMU managers; (b) to increase Social Fund appropriations for vocational training for SMU workers; (c) to facilitate access to data banks and new information technologies.
3. Legal environment: Public sector contracts should be organized in such a way in the Community that SMU's also have a fair chance of taking part. The Commission should draw up an appropriate proposal for a directive.
4. Fiscal environment: (a) Significant tax relief on profits reinvested in the undertaking; (b) tax relief measures for newly created SMU's and incentive premiums for the establishment of SMU's; (c) possibility of adequate and appropriate amortization calculated on replacement value; (d) systematic and transparent tax relief for research; (e) appropriate tax arrangements where SMU property is inherited otherwise taken over by persons who keep the undertaking running.
5. Administrative environment: The Commission should pursue a general policy of simplifying the administrative charges of SMU's.
6. Institutional framework: Institutions should be set up to meet the special requirements of SMU's: (a) by setting up a mechanism to increase

substantially the financial volume allocated to SMU's by means of global credits; b) by extending the scope of integrated industries to include SMU's so as to promote cooperation and the transfer of technology between them; c) by developing and improving the network supplying new materials to SMU's; d) by enabling the achievements of SMU's in all sectors to attract the publicity they deserve, for example by establishing an annual exhibition of SMU products in the Community.

The European Parliament further manifested its concern for the SMU's by a number of questions <sup>(6)</sup>.

In answering Mr. Newton Dunn's question <sup>(7)</sup> as to what proportion of its total annual spending or of any chapters or lines is received by SMU's in the Community, Mr. Davignon pointed out that the budget's layout does not take account of the size of businesses to which particular types of spending are directed, so that it is difficult to answer the question with specific figures. However, information can be provided by giving a number of examples:

1. Budget item 871 contains an appropriation of 220.000 ECU for training and information for representatives of European organizations of SMU's.
2. In 1980, the quota section of the ERDF financed 568 projects, each involving less than 10 Mio ECU. ERDF assistance amounted to 98 Mio ECU of the total investment involved (1110 Mio ECU and it may be assumed that SMU's benefited.
3. The Social Fund also financed a large number of schemes, e.g. vocational training schemes, some of which concern small businesses.

Answering Mr. Treacy's question <sup>(8)</sup> as to the Community's support to SMU's, Mr. Davignon remarked that on 9.12.81 the Commission adopted a proposal for a Council Decision authorizing a tranche of borrowings of 1000 Mio ECU under the NCI II, to be on loan to finance, among other things, investment projects for the development of SMU's. On 28 April 1982 the Council adopted that decision (see above).

Answering Mr. Hume's question <sup>(9)</sup> about the loans given for SMU's, Mr. Ortoli said that during the period from 1.1.78 to 31.12.80 funds pro-

vided by the EIB worth 335.15 Mio UA went to financing SMU productive investments in regional development areas in Member States, and, for a small amount, to finance SMU's in industry aimed at rationalizing energy consumption. This finance was channelled through lines of credit (usually in the form of global loans) which the EIB makes available to banks and other financing institutions which then select investments to support in agreement with the EIB. The breakdown by country was as follows:

<u>Country</u>	<u>Number of investments</u>	<u>Mio UA</u>
Belgium	20	15,06
Denmark	46	14,72
Ireland	513	61,59
Italy	393	169,66
U.K.	116	74,12

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- (1) 'Sixth Report on Competition Policy', points 253 to 256.
  - (2) See Doc. 1-854/81, report Deleau 'On the situation of SMU's in the Community', 8. 1.82, p. 16-17
  - (3) OJ No. L 116 of 30.4.1982
  - (4) OJ No. C 225 of 17.5.1982
  - (5) OJ No. C66/97 of 15.3.82.
  - (6) For example No. 1056/81 by Newton Dunn in OJ C30/5 of 8.2.82, No. 421/81 by Cousté in OJ C267/13 of 19.10.81, No. 161/81 by Newton Dunn in OJ C195/10 of 3.8.81, No. 68/81 by Remilly in OJ C 205/3 of 13.8.81, No. 76/81 by Ansquer in OJ C 011/47 of 18.1.82.
  - (7) No. 432/81 in OJ C 264/18 of 15.10.81
  - (8) No.1417/81 in OJ C 82/18 of 1.4.82.
  - (9) No. 118/81 in OJ C 178/10 of 20.7.81.

THE RIGHT OF ESTABLISHMENT AND FREEDOM TO PROVIDE  
SERVICES OF SELF-EMPLOYED PERSONS

Under the two headings of the right of establishment and freedom to provide services, Articles 52 to 66 of the EEC Treaty govern the freedom of movement of self-employed workers, meaning persons pursuing independent activities clearly described in the Treaty as 'activities as self-employed persons' in commerce, industry, the crafts or the professions. The right of establishment and freedom to provide services is, of course, attained in a series of stages laid down by the Treaty. Since 1967 the Commission has submitted to the Council 44 draft directives for self-employed professions and in 1974 the Council of Education Ministers adopted a resolution on the mutual recognition of diplomas, examination certificates and other qualifications. After long and patient negotiations between the experts of the Member States, representatives of the Commission and professional groups, and following consultations with the European Parliament and the Economic and Social Committee the Council has adopted the directives dealing with doctors, lawyers, nurses, dentists, veterinary surgeons and midwives (see OJ C 18/70).

Since the transitional period expired on 1 January 1970 discrimination on grounds of nationality affecting the right of establishment or the provision of services has been prohibited under the Treaty. The principle of equal treatment for foreigners applies particularly to the issuing of any permit required to carry on a profession and to registration with or membership of professional associations.

In the period from June 1981 to the present day two Council directives have facilitated the exercise of professional activities at Community level for other self-employed professions. On 29 June 1982 the directive on measures to promote the practical exercise of freedom of establishment and freedom to provide services in respect of activities of self-employed persons in certain services incidental to transport and travel agencies and in storage and warehousing was adopted.<sup>1</sup>

The Commission had put forward a proposal on this as long ago as 1966 and Parliament delivered its opinion the same year. The Council directive of 19 July 1982<sup>2</sup> was designed to facilitate the effective exercise of the right of establishment and freedom to provide services in hairdressing. This directive is based on a Commission proposal of 1971 on which Parliament was consulted in 1972.

In two other cases technical amendments were made to existing directives concerning doctors to reflect advances in part-time training<sup>3</sup> and to bridge existing gaps in acquired rights<sup>4</sup>. Parliament was consulted in both cases, giving its assent to the Commission's proposals.

Although the deadline for enactment of the directive on the freedom of establishment for the legal profession expired in March 1979, some Member States were late in adopting national implementing measures, and two Member States (Belgium and Italy) have as yet failed to implement any measures at all. In the implementation of directives in the medical field (on doctors, dentists and veterinary surgeons) problems continue to be caused by the linguistic ability of foreign practitioners. In the United Kingdom, for instance, under the Medical Qualification Order (1977) an adequate command of English is a prerequisite for a doctor to be entered on the permanent register. The Commission has repeatedly pointed out<sup>5</sup> that a provision of this kind constitutes a restriction on the freedom of movement and is incompatible with Community law. The Commission has therefore instituted proceedings against the United Kingdom under Article 169 of the EEC Treaty for failure to fulfil its Treaty obligations. Since the summer of 1981 a draft law has been pending before the Luxembourg Chamber of Deputies making knowledge of the Luxembourgish language a condition for all doctors wishing to practise in the Grand Duchy. This law has not yet been adopted.

Since February 1981 the European Parliament has been considering Commission proposals for directives coordinating the legal and administrative provisions for certain pharmaceutical activities and facilitating the exercise of the right of establishment for pharmacists<sup>6</sup>.

This is the Commission's third attempt to achieve freedom of movement for pharmacists, its proposals of 1969 and 1972 having been withdrawn - partly as a result of the European Parliament's unfavourable opinions. The European Parliament still has to give its opinion on new Commission proposals, the Legal Affairs Committee being the committee responsible in this case.

The Commission proposal dating from 1967 on the coordination of legal and administrative provisions for self-employed architects has not yet been adopted by the Council. Nor has the Council so far heeded Parliament's request for further consultation in the light of the radical changes which have been made to the text since then<sup>7</sup>.

Similarly, the Commission's proposed directives pending before the Council for many years on the activities of engineers (since 1969) and self-employed commercial representatives (1976) have not been adopted.



List of references

- 1  
Council Directive 82/470 of 29 June 1982, OJ No. L 213, 21.7.1982, p. 1 et seq.
- 2  
Council Directive 82/489 of 19.7.1982, OJ No. L 218, 27.7.1982, p.24 et seq.
- 3  
Council Directive 82/76 of 26 January 1982, OJ No. L 43, 15.2.1982, p.21 et seq.
- 4  
Council Directive 81/1057 of 14 December 1981, OJ No. L 385, 31.12.1981, p. 25 et  
seq.
- 5  
See answer to Written Question No. 278/79, OJ No. C 183, 21.7.1980, p. 2 and  
Written Question No. 1158/80, OJ No. C 322, 10.19.1980, p. 11
- 6  
OJ No. C 35, 18.2.1981, p. 3 et seq.
- 7  
See EP Resolution of 17 October 1980, OJ No. C 291, 10.10.1980, p. 95 et seq.

TAX HARMONIZATION

As was the case for the year June 1980 - June 1981, little progress has been made in the area of tax harmonization for the year June 1981 - June 1982.

As regards excise duties on alcoholic beverages, the Council has failed to make any progress during its meetings of September and October 1981<sup>(1)</sup>.

As regards the excise duty on manufactured tobacco, the Commission fulfilled its undertaking to submit to the European Parliament a report<sup>(2)</sup> on its proposal for a Directive establishing the third stage of the harmonization of excise duty on manufactured tobacco.<sup>(3)</sup> Mr Tugendhat who presented this report to the Committee on Economic and Monetary Affairs in March 1982, stressed that this was the first occasion, on which the Commission had produced a report on one of its own proposals and that the resulting implications were of great importance to inter-institutional relations.<sup>(4)</sup>

The Committee on Economic and Monetary Affairs has still to adopt a report to be submitted to the plenary session.<sup>(5)</sup> Meanwhile the second stage of harmonization has been extended by the Council until the end of 1982.<sup>(6)</sup>

As regards value added tax, the following developments have taken place :

- (i) the Commission has finally submitted a proposal for a 14th Directive on the deferred payment of VAT payable by taxable persons on imports from Member States.<sup>(7)</sup> Under this regime, the tax payable will be calculated by the importer (if he is a taxable person) who shall then include it in the periodic returns which must be made to his VAT office. This should simplify procedures at internal EEC frontiers and the implications for strengthening the internal market are considerable;

(ii) the Commission has also submitted proposals for a 13th VAT Directive on the arrangements for the refund of VAT to taxable persons not established in Community territory.<sup>(8)</sup>

Finally the Commission has submitted a proposal for a Council Decision establishing a prior information and consultation procedure on tax matters.<sup>(9)</sup> Under this proposal, the Commission and the Member States must be notified by a Member State government of any impending tax measures likely to have an appreciable influence on the establishment or functioning of the common market. The Commission will have the right to submit recommendations to the Member State concerned.

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- (1) cf. Bull. 10/81 pt. 2.1.44.
- (2) The Report is entitled 'Implications of Further Harmonization of the Excises on Manufactured Tobacco' (COM(82) 61 final).
- (3) The Commission proposal is published 1980 OJ C264.
- (4) The European Parliament had told the Commission that it would not give its opinion on the third stage of harmonization, until the Commission produced such a report (1981 OJ C 172).
- (5) Draft Report (PE 78.796)
- (6) 1982 OJ L 5.
- (7) Bull. 6-82 pt. 2.1.57 and 1982 OJ C 201.
- (8) COM(82) 443 final.
- (9) 1981 OJ C 346/6.

SOCIAL AFFAIRS

1. The period covering the third year in office of the directly elected European Parliament has been marked by real progress in regard to European social policy.
2. At its meetings in November 1981 and May 1982 the Council of Ministers adopted a number of important texts in the form of directives or resolutions, while Parliament and the Economic and Social Committee, for their part, have delivered opinions on other crucial texts such as the Fifth Directive on company law (worker participation). This proposal for a directive has aroused strong controversy on both sides of industry and also in business circles even outside the Community's borders, in particular in the United States. The same is true of the VREDELING proposal for a directive on disclosure of information to employees in multinational undertakings and their subsidiaries, which is currently under consideration by Parliament.
3. In the same period the Commission and Parliament have individually launched new social initiatives, the Commission in the fields of vocational training with reference to the new technologies and of temporary work. Parliament in the hitherto neglected fields of frontier workers and the elderly.
4. Lastly, the period from June 1981 to June 1982 has furnished further evidence of a trend observed since direct elections, namely that the Commission and the Council are lending an increasingly attentive ear to Parliament's opinions and resolutions.

I. Texts adopted by the Council or in process of being adopted

A. Adopted texts

Legislative activity by the Community institutions in the period June 1981 - June 1982 has been in the following fields:

- social security for self-employed persons

The Council adopted the regulation relating to social security for SELF-EMPLOYED persons moving within the Community.

This regulation makes a significant addition to Community legislation in the social security field. Its scope is wide, because it extends to all self-employed workers in the Community arrangements coordinating the national social security schemes from which the ordinary migrant worker has benefited since as long ago as 1959. Thus it closes a gap in the Community system. It was only logical that account should be taken of the progress made towards full freedom of establishment and freedom to provide services for self-employed persons and of improvements in the national social security schemes, under some of which the self-employed now enjoy almost the same benefits as paid employees.

Under the provisions of this regulation self-employed persons moving within the Community will now, save for certain exceptions, benefit from the same Community arrangements as paid employees with regard to:

- . equality of treatment with nationals in the application of the domestic law of the Member States;
- . access to various social security benefits, such as sickness and maternity, invalidity, old age, death and in certain cases, unemployment benefit.

- disabled people

In October 1980 some sixty Members of the European Parliament from all the political groups and of all the nationalities formed themselves on an ad hoc basis into an 'Intergroup' on the problems of the disabled, under the chairmanship of Mr PRAG (Brit. Cons.).

Within the framework of the International Year of the Disabled, 1981, Parliament held a major debate on 10 March 1981, at which many delegations from associations for disabled people were present.

The debate, held in plenary sitting and based on a report drawn up by Mrs CLWYD (Brit. Soc.) on behalf of the Committee on Social Affairs and Employment, enabled Parliament to put forward proposals for a comprehensive Community policy in favour of disabled people. The main lines of approach in such a policy would be:

- the general adoption in all the Member States of a 'quota' of jobs reserved for disabled people in all sectors (public service and private firms),
- a Community policy for the adaptation of public buildings and housing to the needs of the disabled,
- the general introduction in all Member States of a European pass for disabled people,
- changes in education systems to enable as many handicapped children as possible to be integrated into normal schools and to avoid measures aimed at segregation.

Spurred by Parliament into action, the Commission submitted to the Council on 29 October 1981 a communication on the social integration of disabled people. After considering it, the Council adopted on 28 May 1982 a resolution which includes virtually all the proposals put forward by Parliament, except that regarding the general introduction of 'quotas' of reserved jobs.

Lastly, using its margin of manoeuvre, Parliament decided to increase by a half the budgetary appropriations allotted to the European Social Fund for measures in favour of disabled people in 1982.

- the fight against unemployment

In the period June 1981-82 the number of unemployed in the Community reached eleven million. Throughout that time Parliament has pestered the other two institutions with innumerable oral questions and motions for resolutions with urgent debate, with a view to promoting a genuine policy for combating unemployment, in particular among young people.

These efforts have not been in vain, because at its meeting of 27 May 1982 the Council adopted a RESOLUTION on Community action to combat unemployment. While it does not meet all the Assembly's desires, this resolution sets out a number of fundamental principles on which the Commission can base its proposals:

- (a) promotion of private and public productive investment so as to strengthen undertakings' competitiveness and boost economic growth and employment (the list of sectors singled out by the Commission as priorities for public investment no longer appears in the resolution);
- (b) particular attention to the regions most affected by unemployment, using the appropriate Community instruments in an effective and coherent manner;
- (c) particular attention to employment problems arising from industrial restructuring and promotion of occupational and geographical mobility;
- (d) consideration of ways of boosting the development potential of small and medium-sized undertakings;
- (e) request to the Commission to present its findings on the impact on jobs of local schemes and cooperatives;

- (f) priority to be accorded to the vocational training of young people;
- (g) in regard to reorganization of working time, continuation of the dialogue between and with both sides of industry in regard to the length of working time; the Commission will submit a memorandum on this question by the end of the year;
- (h) improving the functioning and transparency of the labour market.

- protection of workers against lead

The 'lead' directive, which gives the Member States three years in which to adapt their laws, is particularly important, in view of the range and size of the sectors covered and the significant number of workers concerned (about one million in the Community). It is the first sectoral directive implementing the framework directive of 27 November 1980, which laid down general provisions for future rules, both national and Community, on the protection of workers from harmful substances.

It comprises rules on the monitoring of the atmosphere at the workplace and on medical, clinical and biological checks, as well as on action to be taken where the maximum permitted levels have been exceeded, these levels being respectively the level of concentration of lead in the air and the biological parameters used for assessing the body lead burden. Such action may go as far as withdrawing the employees concerned from any exposure to lead, or, in the event of an accident, evacuating a work area. The directive also sets out norms for the protection of individual and collective health and employers' obligations to inform employees. The specific provisions relating to women (of child-bearing age) and young people which had been proposed by the Commission have been dropped; instead, the Directive leaves it to the Member States to take any measures they may deem appropriate for these purposes.



B. The texts in process of being considered

These concern:

- worker participation in the proposed European Company (Fifth Directive)

In adopting by 158 votes to 109, with 7 abstentions, the GEURSTEN report (N., Lib.) on the Fifth Directive (company law), Parliament has brought one step nearer to fruition a project long cherished by the Commission: the introduction, in the future European Companies, of a system of worker participation comparable to the 'Mitbestimmung' practised in Germany.

As long ago as 1973 Parliament had to refer to its Legal Affairs Committee for re-examination this proposal from the Commission which did not by any means enjoy unanimous support among the Member States and the two sides of industry, because of the wide diversity of national arrangements for worker participation, trade union traditions, and ideological thought.

In its opinion, to which the Commission has said it attaches great importance, Parliament has finally made the Commission give way on a number of fundamental points. Thus Parliament favours:

1. the introduction of the two-tier system (management organ and supervisory organ) on an optional basis only, the one-tier system (administrative organ) being the only one found in certain Member States (in particular, the United Kingdom);
2. the introduction of the participation system in undertakings with 1,000 employees (and not 500, as in the Commission's proposal);
3. the appointment of the members of the supervisory organ on a joint basis in order to ensure equal representation of shareholders and employees, after a transitional period to be fixed by the Council (Parliament has accepted an amendment to this effect tabled by the Dutch Christian-Democrat, Mr BEUMER) - on condition, however, that there are counter-vailing measures to safeguard the shareholders' right to take the final decision.

A number of amendments have been adopted on technical aspects such as the convening of the general meeting, the presentation of the annual accounts, the dismissal of persons responsible for auditing the accounts and the rights of the employees' representative body. These include the right to be kept regularly informed and to be consulted on the management, situation, development and future prospects of the undertaking, its competitive position, its borrowing activities and its investment programmes. It is stipulated, however, that the administrative organ may not delegate power to decide on the following: the closure or transfer of the undertaking or of substantial parts thereof; substantial curtailment or extension of the activities of the undertaking; substantial organizational changes within the undertaking; establishment of long-term cooperation with other undertakings or the termination thereof.

- procedures for informing and consulting the employees of undertakings with complex structures, in particular transnational undertakings

On 1 October 1980 the Commission submitted to the Council an important proposal for a directive designed to introduce procedures for informing and consulting the employees of transnational undertakings as well as national undertakings 'with a complex structure'.<sup>1</sup>

This proposal, which bears the name of the former Commissioner for Social Affairs, Mr VREDELING (N., Soc.), is based partly on recommendations in the proposal currently under consideration for the Fifth Directive (worker participation, see above) and partly on the guidelines and rules laid down by the OECD and ILO (in the form of a 'code of conduct').

However, since, unlike codes of conduct, it would be mandatory, the Community proposal has aroused strong controversy on both sides of industry and been the subject of violent press campaigns, in particular on the other side of the Atlantic.

Surprised at the strength of these reactions, the Commission has made it known that it will accept Parliament's opinion and withdraw its initial draft in order to incorporate Parliament's amendments in a revised proposal. For the moment Parliament's opinion is not known. The Committee on Social Affairs and Employment for its part has proposed amendments which seek to strengthen the employees' position, in doing which it has followed the opinion delivered in February 1982 by the Economic and Social Committee. Thus the directive would apply to subsidiaries with at least 50 employees (instead of 100); at least once a year the employees would receive general information as well as particular information concerning their own interests. In addition, the employees' representatives could request specific information at any time. The committee has also added health and safety measures to the Commission's list of matters on which information must be passed on to the employees. The Member States must make it possible for the employees' representatives to compel the undertakings, by legal proceedings, to supply the information concerned, if the procedure for passing on information is not respected.

## II. New proposals

Throughout the period under review both the Commission and Parliament have been actively engaged in promoting initiatives of their own in the social field:

### A. New proposals by the Commission

These concern:

#### - ethical safeguards for temporary workers

In response to a Parliament resolution (of 17 September 1981)<sup>2</sup> expressing disquiet at the increase in temporary work and above all at the abusive practices of certain temporary employment agencies, the Commission submitted a proposal for a directive on 29 April 1982<sup>3</sup>.

Without in any way condemning temporary work as such, since it can in fact meet the needs of certain groups of workers, the proposal aims to ensure that, in making use of temporary workers, undertakings observe certain ethical standards and that abuses are stopped. To this end the Commission proposes creating a kind of statute for temporary workers as far as possible along the lines of that of the ordinary paid employee in regard to social security, job security, pay safeguards in the event of the employer's insolvency, etc. The use of temporary employees by undertakings would be restricted to two sets of exceptional circumstances: a temporary reduction in the workforce or the abrupt start of new activities. Lastly, temporary employment agencies in all Member States would be required to obtain prior authorization from the administrative authorities before pursuing these activities.

- vocational training and new technologies

On 26 May 1982 the Commission adopted a communication to the Council <sup>4</sup>, at present being considered by Parliament, concerning a five-year action programme in the vocational training field in favour of undertakings introducing the new information technologies in their production processes (1983-1987). The Commission proposes the use of demonstration projects of the kind in operation within the framework of the Social Fund, for which additional appropriations would be required, and also the adoption of framework agreements designed to lead to the mutual recognition of national qualifications in the new technologies: data-processing, electronics, information technology and telecommunications.

- frontier workers

• The 'interregion' - a necessary framework for an economic and social policy in favour of frontier workers

In its resolution of 14 May 1982<sup>5</sup>, Parliament delivered an opinion, on its own initiative, on the problems of the 260,000 frontier workers who are currently suffering more than other workers from the imperfections and inadequacies of European integration.

The resolution observes that the situation of frontier workers reflects the economic disparities between the regions situated on either side of the frontier, disparities which up to now have prevented these regions from deriving full benefit from their geographical position and their human and economic resources.

For this reason Parliament, by proposing in particular the setting-up of an adequate institutional framework for interregional cooperation and consultation, stressed the need to coordinate all regional and national action in a genuine Community regional policy, with the aim of creating coherent economic areas in the inter-regions and forming transnational employment catchment areas.

• Improving the status of frontier workers

In these catchment areas it is essential to adopt urgently practical measures, to guarantee frontier workers the same job security as other national and migrant workers, provide them with the necessary facilities for crossing the frontier, and strengthen their position vis-à-vis the temporary employment agencies in the frontier regions, etc. In addition, Parliament stresses the need to adopt other measures, in particular to promote the adaptation of vocational training to the economic needs of the main centres of activity in the inter-region, the mutual recognition of professional certificates and diplomas and the teaching of the languages used in the inter-region so as to give the workers every possible opportunity of professional and social advancement.

At the Community level the resolution addresses a number of demands to the Commission and the Member States regarding social security, asking them to ensure better protection for their nationals working across frontiers in third countries by means of bilateral agreements.

• Taxation

The last part of the resolution of 14 May 1982 contains Parliament's opinion on a directive concerning the harmonization of income tax provisions with respect to freedom of movement

within the Community. This proposal for a directive concerns principally frontier workers, but also other non-resident paid workers and the taxing of certain payments. Adopted, with a few amendments, by Parliament, it recommends that the Member States settle the apportionment of tax revenue and amounts refunded among themselves, taking account of the problems of social and cultural infrastructures and other problems specific to frontier regions and frontier workers.

- the situation of the aged in the Community

On 18 February 1982 Parliament adopted a long resolution on 'the situation and problems of the aged in the European Community'<sup>6</sup>, on the basis of the report by Mrs SQUARCIALUPPI (It., Com.), which was unanimously approved by Parliament. The Treaties of Paris and Rome contain no specific provisions on the aged and Parliament considers it vitally important to make good this deficiency, especially in 1982, which has been declared the 'Year of the Aged' by the United Nations.

Deploring the sort of segregation practised in our societies in regard to the elderly, Parliament urgently requests the Commission and the Council to draw up the first practical measures for a Community policy for senior citizens: an analysis of the situation of the aged in the Member States, the release of appropriations in the 1983 budget for a Community policy on the aged, a housing policy for the aged, active participation in the Vienna Conference, cooperation between the Member States in the field of gerontology, etc. The parliamentary committees, for their part, will be studying those aspects of old age which concern them particularly (health, housing, transport, etc.), with the intention of providing the Community in the medium and long term with a comprehensive policy for improving the lot of the aged.

List of references

- 1  
COM(80) 423 final
- 2  
OJ C 260, 12.10.1981
- 3  
COM(82) 155 final
- 4  
COM(82) 296 final
- 5  
OJ No. C 149 of 14.6.1982
- 6  
OJ No. C 66 of 15.3.1982 (p. 71 et seq.)

EUROPEAN PUBLIC HEALTH POLICY

The legal framework

The treaties do not provide an adequate legal basis for the definition of an overall health policy. The efforts undertaken and the results obtained in the course of this last year have consequently made very little impact. In addition, the Council is still meeting with difficulties in coming to important decisions in this field, since every general provision must conform with Article 235 of the Treaty establishing the EEC, which, as is well known, specifies that the Council must act unanimously. For this reason, the majority of decisions taken fall within areas for which the treaties do provide a basis, that is, areas such as health and safety at work, the protection of workers and the population in general from the dangers linked to ionizing radiation and 'social research' within the ECSC sector. It is appropriate here to draw attention to those provisions of the EEC Treaty relating to the free movement of persons and the freedom to provide services, which, when applied to health care personnel in the broadest sense of the term, constitute elements of a European public health policy. Where health policy on a Community scale is concerned, reference should also be made to the corresponding chapter in last year's report<sup>1</sup>.

Activities

Within the ECSC sector, what is known as social research, pursuant to Article 55 of the Treaty, has evolved along the lines of multi-annual programmes, decided by the Commission, in the fields of health and safety in mines, action against pollution in the place of work and ergonomics. The financial aid granted has amounted to 9 m ECU for something like 80 research projects. As for occupational medicine, the Commission has adopted the fourth research programme and allocated 9 m ECU over a period of five years. The work carried out by the Commission in collaboration



with the WHO and the Council of Europe in the field of public health is particularly concerned with health education - most of all with diet and the damaging effects of smoking - as well as with the problems associated with mutual medical assistance in cases of disaster, serious accident and exceptionally severe illness. As the European Parliament has requested<sup>2</sup>, research has been initiated within the framework of the fight against drug abuse.

The Council is currently examining a proposal for a directive on the protection of workers from harmful exposure to metallic lead and its ionic compounds at work, which the Commission referred to the Council on 12 December 1979 and on which the European Parliament expressed an opinion on 7 April 1981<sup>3</sup>. Moreover, the Council has confirmed its determination to adopt as soon as possible the directive on the protection of workers from risks relating to asbestos. Both of these proposals for directives were submitted in accordance with the framework directive of November 1980 on the protection of workers from the risks arising from the exposure to chemical, physical and biological agents at the place of work. On 23 April 1982, the European Parliament adopted an opinion on the proposal for a directive on protection from risks relating to asbestos<sup>4</sup>. In addition to a reduction in the use of asbestos, the European Parliament called for an analysis of the noxious substances which contribute to atmospheric pollution in industrial areas and for the establishment of a European cancer register in which all occupational cancerous diseases would be entered.

As we have already stated, European public health policy also covers the work on the mutual recognition of diplomas awarded in the field of medicine and the measures designed to facilitate the effective exercise of the right of establishment and the freedom to provide services. On 14 December 1981, the Council adopted a proposal relating to the rights of those applicants<sup>5</sup> who began their training before the entry into force of the directives on the free movement of doctors, nurses responsible for general care, dentists and veterinary surgeons, but completed it afterwards. The European Parliament has expressed a positive opinion on this proposal<sup>6</sup>.

On 15 December 1981, the Council established the basic principles of the proposal for a directive amending two directives of 1975 on the free movement of doctors, with particular reference to the part-time training

of specialists<sup>7</sup>. The European Parliament expressed a positive opinion on this proposal, but wished the derogation to be subject to an effective time limit<sup>8</sup>. The Council formally adopted this proposal during its meeting of 26 January 1982.

The judgment of the Court of Justice<sup>9</sup> concerning the interpretation of Directive 75/362 on the free movement of doctors states that a Member State which makes the establishment on its territory of a doctor as a general practitioner conditional upon the attendance at a course of training supplementary to the basic training which enabled him to acquire a diploma in medicine, no longer has the right to require that this condition be met by the nationals of a Member State of the European Community who have been awarded, in a Member State other than that setting this condition, a diploma in medicine listed in the directive conferring the right of establishment as a general practitioner. This principle is applicable even where the party concerned is a national of the Member State which has introduced this supplementary training on its own territory.

On 30 June 1982, the Council reached an agreement in principle on a proposal for a decision establishing a research and development programme in the field of medicine and public health (1982-1986). The object of this third medical research programme is to increase the efficacy of national research and development initiatives in the field of medicine and public health by coordinating these actions at Community level. The programme covers the following three areas: health problems, health care resources and the effect on health of diet and proprietary medicinal products. During its July 1982 part-session, Parliament expressed an opinion which was on the whole favourable to the proposal<sup>10</sup>.

In conclusion, it should be noted that the discussions of the advisory committees on training in the various sectors of medicine help to establish practical coordination in specific areas, which, broadly speaking, serves to promote a common health policy.

## The role of Parliament

Parliament has made every effort to play its part in setting up a coherent health policy by adopting resolutions, expressing opinions on Commission proposals, drawing up own-initiative reports and tabling questions.

Parliament and its competent committee have on numerous occasions called for the reconvening of the Council of Health Ministers, which has not met since 1978.

During its July 1982 part-session, when it adopted the proposal on a research and development programme for medicine and public health, Parliament expressed the view that, where medicine was concerned, the Community should make maximum use of its powers in the field of research, 'so as to lay the foundations for a European health policy'.

Mention should be made here of the following concrete initiatives:

In a resolution of October 1981, the European Parliament recommended the introduction of a European health card<sup>11</sup> for people whose state of health is especially precarious, that is those who suffer from chronic and severe diseases and are thus in particular need of prompt and effective medical care. This card should only be issued at the request of those concerned, it should respect individual privacy and medical secrecy.

During the same part-session, Parliament adopted a resolution concerning the accidents which had occurred in Spain over the past few months as a result of the use of inedible oils<sup>12</sup> in the manufacture of food, and requested the Commission to investigate the situation. The European Parliament also stressed the need to devise a system allowing prompt withdrawal from the market of any product or service considered dangerous to consumer health.

On 25 November 1981, the Commission decided to withdraw its proposal aimed at solving the problem of parallel imports of proprietary medicinal products, which it had forwarded to the Council at the beginning of June 1980. During its October part-session, the European Parliament had rejected this proposal<sup>13</sup>, since in its estimation it was not appropriate to approximate the provisions relating to this form of importation.

During the February 1982 part-session, the European Parliament approved a draft recommended concerning the registration of work involving recombinant desoxyribonucleic acid<sup>14</sup> (DNA). This draft recommendation replaces a proposal for a directive which in the estimation of the Commission was no longer warranted.

In March 1982, the European Parliament adopted two resolutions concerning the campaign against smoking<sup>15</sup> and the campaign against alcoholism<sup>16</sup>. With regard to smoking, Parliament believes that this campaign is one of the specific actions to be developed in the context of EEC health policy, the guidelines of which were laid down on the occasion of the second meeting of the Council of Health Ministers which was held in November 1978. As far as alcoholism is concerned, the European Parliament considers that the Council of Ministers can no longer delay the adoption of the directive against misleading and unfair advertising and has called upon the Commission to encourage studies, organize research and take initiatives in the campaign against alcohol abuse.

In its May part-session, Parliament approved the Commission's proposal for a directive laying down basic measures for the radiation protection of persons undergoing medical examinations and treatment<sup>17</sup>. Parliament also called for improvements to be made in the equipment used and staff training.

Finally, in the course of this same part-session, Parliament adopted the own-initiative report on combating drug abuse<sup>18</sup> in which it calls upon the Commission to compile more detailed information on the use of drugs within the Community, coordinate the studies and research carried out in the various Member States, encourage the exchange of information and organize publicity campaigns.

- 1 Principal aspects of European construction, June 1980 - June 1981, No. 18
- 2 OJ No. C 85 of 8.4.1980
- 3 OJ No. C 101 of 4.5.1981
- 4 OJ No. C 125 of 17.5.1982
- 5 OJ No. C 121 of 23.5.1981
- 6 OJ No. C 172 of 13.7.1981
- 7 OJ No. C 121 of 23.5.1981
- 8 OJ No. C 260 of 12.10.1981
- 9 See case 246/80 of 6.10.1980
- 10 OJ No. C 238 of 30.9.1982
- 11 OJ No. C 287 of 9.11.1981, p. 32
- 12 OJ No. C 287 of 9.11.1981, p. 95
- 13 OJ No. C 287 of 9.11.1981, p. 127
- 14 OJ No. C 66 of 15.3.1982, p. 112
- 15 OJ No. C 87 of 5.4.1982, p. 118
- 16 OJ No. C 87 of 5.4.1982, p. 120
- 17 OJ No. C 149 of 14.6.1982, p. 105
- 18 OJ No. C 149 of 14.6.1982, p. 120

THE DEVELOPMENT OF THE EUROPEAN COMMUNITY'S CONSUMER PROTECTION POLICY

Introduction - Ten years of Community policy

Last year's summary record covering the period from June 1980 to June 1981 contained for the first time a section on consumer policy, as well as an overall assessment of the development of Community policy in this field<sup>1</sup>.

This document sets out to review the achievements of the past year, bearing in mind that 1982 marks ten years of Community policy in favour of consumers. Even before the summit meeting of October 1972 the European Parliament had stressed the need for a comprehensive and effective consumer protection policy<sup>2</sup>; it must therefore be credited with the initiative of strengthening and coordinating this policy at Community level.

Apart from adopting two programmes in favour of consumers<sup>3</sup> the Community has over the past decade taken an extremely wide range of measures directly or indirectly concerning consumer interests, for instance: legislation on foodstuffs, regulations concerning the chemical sector, pharmaceutical products, motor vehicles and containers. These measures were intended to protect consumer interests and by establishing a vast European market to offer consumers a wider choice of products at reasonable prices. As will be evident from the list of these measures, the implementation of a European policy in favour of consumers involves other policies, notably public health and protection of the environment<sup>4</sup>.

The parliamentary committee responsible has asked on several occasions for special meetings of the Council of Ministers responsible for consumer protection instead of Councils involving other Ministers; this would ensure that current programmes are implemented more consistently.

## Review of the present situation

### - Outstanding issues

Community activity in the field of consumer protection continues to be hampered by the Council's inability to act on the proposals for directives submitted by the Commission, as part of the consumer protection programmes, aimed at protecting the economic interest of consumers. For example, the proposals on the liability for defective products<sup>5</sup>, misleading and unfair advertising<sup>6</sup>, consumer credit<sup>7</sup> and sales negotiated away from business premises<sup>8</sup> were all submitted to the Council between 3 and 6 years ago. It should be noted in this connection that the proposal submitted two and a half years ago on the setting up of a Community system for the rapid exchange of information on dangers arising from the use of consumer products<sup>9</sup> was finally adopted by the European Parliament during its June 1982 part-session. On the other hand, Parliament has not yet decided on the Commission's proposal for a directive on consumer credit submitted in February 1979. Everyone agrees that these proposals must be converted into legally binding acts if a coherent consumer protection policy is to be implemented and the programmes adopted put into effect. It is particularly important to establish a coherent policy in this field at Community level since no Member State has so far followed the Commission's example and attempted to draw up a list of priorities and measures for the implementation of such a policy.

### - Results achieved last year

On 23 July 1981 the Council officially adopted the motion for a resolution on the implementation of a pilot experiment relating to a Community system of information on accidents involving products outside the sphere of occupational activities and road traffic<sup>10</sup>, which had been the subject of a Commission proposal submitted in October 1978. This pilot experiment was set up in response to the alarming number of accidents caused by certain products in the EEC and is based on a model in the United States where a similar system has already been in operation for several years. The pilot scheme will make it possible to gather data within the framework of the information system envisaged and to test the effectiveness of this system in reducing the number of accidents.

On 22 March 1982 the Council adopted in its entirety a new amendment to the directive of July 1976 on the approximation of the laws of the Member States relating to cosmetic products<sup>11</sup>. The text adopted contains two important innovations: on the one hand a list of positive substances, that is preservatives which cosmetic products should contain and, on the other, the setting up of a rapid and flexible procedure for amending the annex to the 1976 directive to take account of technological developments.

### The role of the European Parliament

The European Parliament, in its desire that Community regulations should in principle be based on the most advanced national legislation, has continued its efforts to implement programmes in favour of consumers. During the period in question Parliament adopted an own-initiative report on the fight against drug abuse as well as resolutions on combatting alcoholism and tobacco abuse. These resolutions are examined in greater detail in the section on Community public health policy<sup>12</sup>.

During the March 1982 part-session Parliament adopted a resolution on the protection of the rights of the individual in the face of technical developments in data processing<sup>13</sup>. In this resolution Parliament calls on the Commission to draw up proposals for directives aimed at harmonizing legislation on data protection to provide the citizens of the Community with the maximum protection and to ensure that Member States comply with the Council of Europe Convention on the protection of individuals with regard to the automatic processing of personal data. It should be noted that at the end of July 1981 the Commission called on all Member States to sign and ratify this Convention before the end of 1982 otherwise it reserved the right to submit to the Council a draft legal act based on the Treaty establishing the EEC.

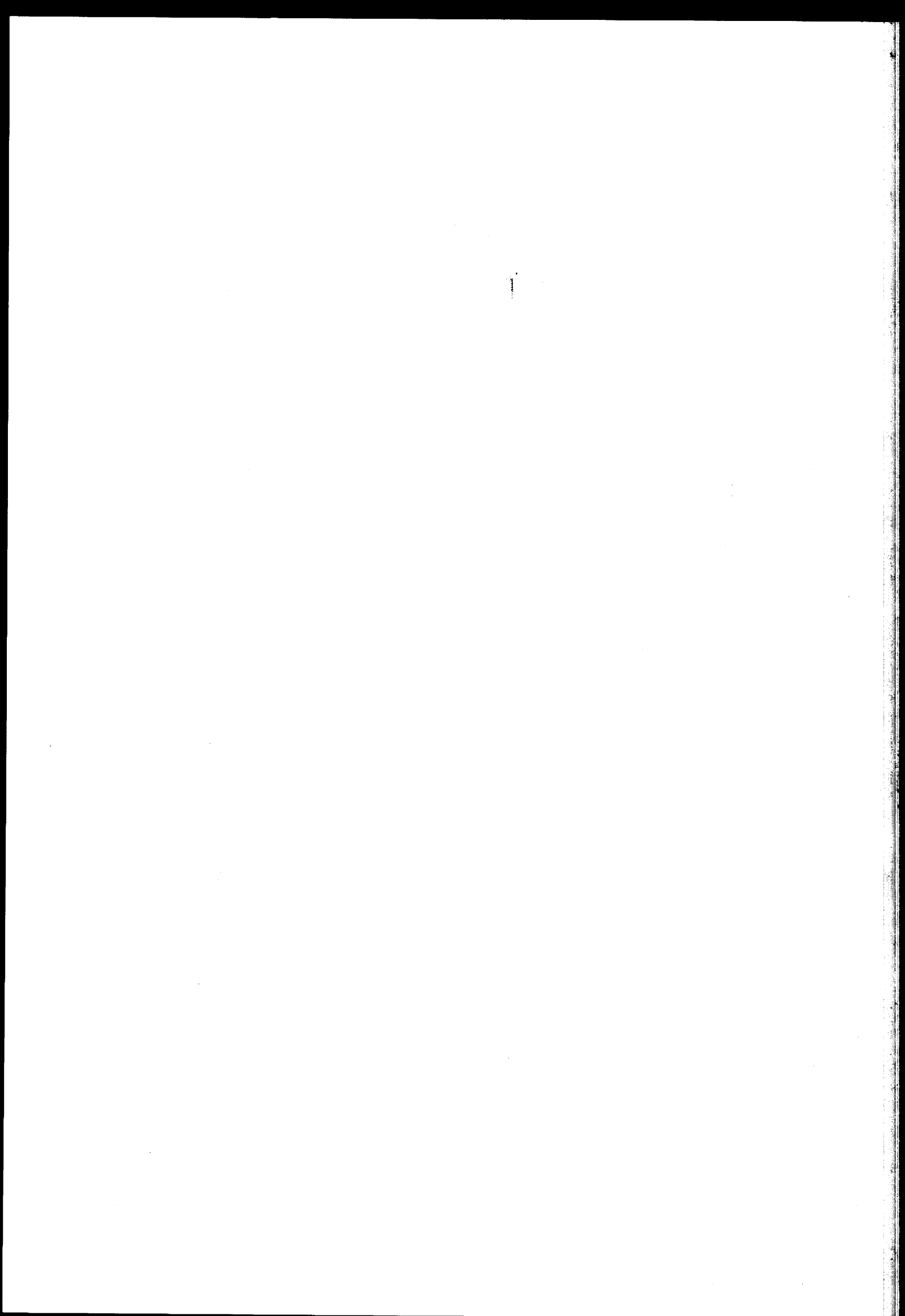
In May 1982 Parliament adopted the Commission proposal on materials and articles made of regenerated cellulose film<sup>14</sup>. This proposal is the fourth measure implementing the framework directive of 1976 on materials intended to come into contact with foodstuffs (ceramic articles, plastics, paper and cardboard). Parliament also agreed with the Commission's proposal to draw up a list of positive products to ensure a greater purity of food products in the interest of consumers.



When Parliament adopted in June the Commission proposal on the setting up of a Community system for the rapid exchange of information on dangers arising from the utilization of consumer products<sup>15</sup>, it stressed three main points: the procedure must apply to commercial products, the exchange of information should not serve protectionist ends or allow competition to be distorted; and it should be possible to pass on the information gathered to these countries.

List of references

- 1 See No. 19 'Principal aspects of European construction from June 1980 to 1981'
- 2 European Parliament debates No. 153 of 20 September 1972
- 3 Council resolutions of 14 April 1975 (OJ C 92/1975) and of 19 May 1981 (OJ C 133/1981)
- 4 See Nos. 18 and 20
- 5 OJ C 241 of 14 October 1976
- 6 OJ C 70 of 21 March 1978
- 7 OJ C 80 of 27 March 1979
- 8 OJ C 22 of 29 January 1977
- 9 OJ C 321 of 22 December 1979
- 10 OJ L 229 of 13 August 1981
- 11 OJ C 165 of 2 July 1979
- 12 See No. 18
- 13 OJ C 87 of 5 April 1982
- 14 OJ C 149 of 14 June 1982, p. 106
- 15 Not yet published



THE DEVELOPMENT OF THE EUROPEAN COMMUNITIES' ENVIRONMENT POLICY

The tenth anniversary of the United Nations Conference on the Environment, which was held in 1972 in Stockholm and at which the foundations of a global policy for this field were laid, was marked appropriately at international level with an extraordinary conference held in 1982 in Nairobi within the framework of the United Nations Environment Programme. At this conference, in which all the interested parties took part, the importance of environmental protection at international level was reaffirmed and particular stress was laid on the importance of ecological concerns in the implementation of development policy. A declaration laying down the main lines of the United Nations Environment Programme for the decade 1982-1992 was adopted and finally it was decided to set up a special committee of prominent figures, responsible for putting forward a long-term international strategy for the protection of the environment from now to the year 2000.

At the Stockholm governmental conference, at the end of June 1982, which considered ways of coordinating the fight against atmospheric pollution from industrial sources ('acid rain') at international level, the Member States of the European Communities, with the exception of Greece, announced their intention of jointly ratifying the 1979 Geneva Convention on the fight against transboundary atmospheric pollution. This ratification took place on 15 July at the United Nations Headquarters in New York.

The third action programme on the environment

Another feature of the period under consideration is that the 1973 and 1977 action programmes on the environment have been pursued, as the Commission submitted a communication on a third action programme of the European Communities on the environment to the Council in November 1981<sup>1</sup>.

This programme, of which one of the aims is the full implementation of the measures adopted under the previous programmes, accords greater importance to preventive measures and provides for an overall strategy in which the protection of the environment would be integrated with other policies; work on the possibility of financial aid in drawing up legislation is continuing. The action programme covers the period 1982-1986.

During the debate on the resolution on the state of the Community environment at the November 1981 part-session<sup>2</sup>, the European Parliament declared itself in favour of the majority of the proposals in the draft third action programme<sup>3</sup>. The Commission's proposal itself was considered during the June 1982 part-session when the European Parliament adopted a resolution which, though it adopted the proposal in principle, was particularly critical of the lack of proposals by the Commission for practical measures in areas such as transfrontier pollution, the protection of the urban environment, the ecological impact of modern agriculture and forestry and the ecological effects of the European Communities' development policy. Parliament is convinced that a judicious environmental policy, based on continuity, continues to be economically and socially necessary and advisable, even in times of recession. It therefore called on the Commission to make the draft programme more specific and supplement it by proposing practical measures. At the same time it called upon the Council to adopt the Commission's proposals for Decisions and Directives implementing the first and second action programmes, some of which have been before the Council for many years, and to make available to the Commission the personnel and material resources necessary for the implementation of the third programme.

The Council considered the Commission's proposal at its meetings of 3 December 1981 and 24 June 1982. No decision was taken during this last meeting, but a relatively insignificant resolution was adopted: pending adoption of the third action programme, the Community should continue its action on the protection of the environment on the basis of the lines defined in the two previous action programmes, in order to ensure the continuity of the measures already taken. At the same time,

while considering the draft third action programme, the Council would indicate to the Commission the areas in which Community measures were particularly important but would avoid encroaching on the Commission's right of initiative.

### Results obtained

The Council of Ministers for the Environment has, as we have seen, met twice over the period in question. These two meetings have made it possible to give positive consideration to certain major topical themes, as well as to adopt legal acts.

At their meeting of 3 December 1981, the Ministers for the Environment adopted a proposal for a Directive on the limit values for mercury discharged by the brine electrolysis industry. The definitive text of this Directive was officially adopted on 22 March 1982<sup>4</sup>. The Directive is of particular interest because it constitutes the first application of the outline Directive of 4 May 1976 on pollution caused by certain dangerous substances discharged into the Community's aquatic environment<sup>5</sup>. Adoption of this Directive will facilitate the work on the proposals already submitted to the Council on discharges both of pesticides such as aldrin, dieldrin and endrin and of cadmium.

The Council has moreover taken a decision<sup>6</sup> on the establishment of an information system to provide the competent authorities of the Member States with the necessary data for the regular control and reduction of pollution caused by hydrocarbons discharged at sea. This system incorporates a list of means of combating such pollution, a summary of national and Community contingency programmes, showing the content of these plans and the authorities responsible for their implementation, and a survey of hydrocarbon properties.

The Council has officially decided to sign the Berne Convention on the conservation of European wildlife and natural habitats<sup>7</sup>. The aims of this Convention are to conserve wild fauna and flora and their natural

habitats, especially where this requires the cooperation of several States, and to promote such cooperation. Particular emphasis is given to endangered species, especially migratory species. The European Communities have since ratified this Convention which will enter into force, where the Communities are concerned, on 1 September 1982. It is the first time that the EEC has ratified a Convention of the Council of Europe.

The Council has at last adopted a proposal<sup>8</sup> aimed at encouraging the use of recycled paper and board. This proposal encourages the use of recycled paper and reusable paper and board, especially in EEC institutions, national administrations and public bodies or institutions. In order to ensure that penalties are imposed in the event of Community or national measures being violated, the Commission intends to continue its comparative studies on the laws of Member States and their enforcement, so as to create the conditions for an approximation of laws. To support all these measures, a joint research programme will be implemented and studies carried out on the setting up of a European documentation system whose role will be to make use of and disseminate information on the protection of the environment. The aim is to promote the use of large volumes of recycled and mixed waste paper and to organize a programme of consumer and manufacturer education.

Meeting in Council on 23 June 1982 the Ministers for the Environment adopted the Directive on the major-accident hazards of certain industrial activities (Seveso Directive)<sup>9</sup>. This text is concerned with the prevention of major accidents and the limitation of their consequences for man and the environment. It aims in particular at the harmonization of the measures taken by Member States in this field and it obliges manufacturers to provide information on substances, installations and possible risks of major accidents, so as to make it possible to assess risks and avoid accidents. Finally, the Ministers adopted a better system for providing both the workers in the industrial enterprises concerned and national and Community authorities with information in order to prevent major accidents.

Furthermore, the Council officially adopted the following three Decisions:

- (1) Decision establishing a reciprocal exchange of information and data from networks and individual stations measuring air pollution within the Member States<sup>10</sup>. During its April 1982 part-session the European Parliament had delivered a favourable opinion on the proposal for a Decision and requested that the phenomenon of 'acid rain' be examined in greater detail<sup>11</sup>;
- (2) Decision on the signing of the Convention on the conservation of migratory species of wild animals (Bonn Convention), concluded in the framework of the United Nations Environment Programme<sup>12</sup>. In November 1981 the European Parliament had delivered an opinion<sup>13</sup> on the proposal from the Commission for a Decision and had stipulated that, in its opinion, it was urgently necessary to set up a European Environment Fund;
- (3) Decision on a supplement to Annex IV to the Convention on the protection of the Rhine against chemical pollution<sup>14</sup>. In accordance with this Convention, the International Commission for the Protection of the Rhine against pollution will propose to the Contracting Parties limit values for the discharge of substances, listed in Annex I, into the countries of the Rhine basin. These proposals would enter into force after their unanimous adoption by the Contracting parties and would subsequently form an integral part of Annex IV to the Convention. The International Commission's first proposal concerns the discharge of mercury and its compounds by the brine electrolysis industry. Attention should be drawn here to the above-mentioned Directive of 22 March 1982 concerning discharges of this nature into the Community's aquatic environment. It should also be noted that in a resolution of 20 November 1981 on pollution of the Rhine by discharges of salt<sup>15</sup>, Parliament called upon France to ratify the Convention. Parliament considered, moreover, that the compromise worked out at the conference of ministers on 17 November 1981 in Paris on discharges of salt constituted the first step towards a reduction in pollution in the direction of the provisions of the Convention (20 kg/s chloride ions).



At the same meeting the Council approved the main lines of a Directive on methods for the surveillance and monitoring of the environment affected by waste from the titanium dioxide industry. This Directive is based on Directive 78/176/EEC<sup>16</sup>, on waste from this industry, according to which the elimination of the waste must be accompanied by the monitoring of the environment whose physical, chemical, biological and ecological features are affected. At its May 1982 part-session the European Parliament delivered an opinion<sup>17</sup> which largely supported the Commission's proposal.

The Council has given its agreement to the Regulation on the implementation in the Community of the Convention on international trade in endangered species of wild fauna and flora (Washington Convention). This Convention, signed by all the Member States, entered into force on 1 July 1975. Five Member States have already ratified it and ratification procedures are in progress in the other Member States. The subsequent formal adoption of the Regulation will mean, on the one hand, that the Convention will immediately become an integral part of Community law and, on the other hand, that its provisions will be made more stringent, as it has been agreed to extend protection of the endangered species listed in Annex I to the Convention (complete ban on trade), to as many as 59 additional animal and plant species. At its November 1981 part-session Parliament declared itself in favour of this proposal<sup>18</sup>.

Finally, the Council has adopted the directive on quality standards for lead in the air and a Decision on the consolidation of precautionary measures concerning chlorofluorocarbons (CFCs) in the environment. This last Decision takes up the precautionary measures adopted on 26 March 1980 concerning the reduction in the use of aerosols containing CFCs. The Council decided to reconsider this matter before 31 December 1983 on the basis of the proposals from the Commission. Parliament's opinion on the Decision on CFCs was delivered during the April part-session<sup>19</sup>, when Parliament declared itself satisfied with the proposal.

In addition to the decisions taken during these two meetings the Council decided on 4 September 1981<sup>20</sup> to accede to the Convention on the conservation of Antarctic marine living resources. This Convention had been drawn up at the diplomatic conference held in May 1980, in which the Community participated.

On 19 January 1982, the Council adopted a Decision<sup>21</sup> entitling the Commission to participate, on behalf of the Community, in negotiations on a global framework Convention on the protection of the ozone layer. The preparatory work for this Convention, carried out in the framework of the UN Environment Programme, began on 20 January 1982 in Stockholm.

### The role of Parliament

But the Council also has before it important proposals on which Parliament has already expressed its opinion. Over the period in question Parliament has delivered opinions on Directives on the limitation of noise emitted by earth-moving machines<sup>22</sup>; in these opinions Parliament approved the proposals on condition that the Member States retain the possibility of determining supplementary national application standards and that the Commission submit to the Committee on the Adaptation to Technological Progress a proposal establishing noise emission thresholds according to the 'dynamic' method.

Particular attention should be paid to the proposal for a Directive on the assessment of the environmental effects of certain private and public projects, on which Parliament gave its opinion on 18 February 1982<sup>23</sup>. This proposal marks a turning point in the Community's environmental policy: up until now, all measures have taken the form of improvements or penalties but this last proposal is a step towards prevention. The adoption of this Directive will constitute an authentic effort to manage the environment. During Parliament's consideration of the proposal 90 amendments were submitted to the committee responsible. Certain amendments to the proposal for a Directive were adopted by Parliament with the aim of highlighting the proposal's 'ecological' character.

The resolution lays particular stress on the following points:

- (1) the adoption of a procedure to assess environmental effects as a major prerequisite for a policy to ensure that economic progress does not harm human beings or their natural environment;
- (2) a request to the Commission to submit proposals on the assessment of environmental effects since this type of assessment determines investment choices;
- (3) the need for participation by the public;
- (4) the need for consultation with Parliament over this Directive, 'even if this procedure extends over a long period'. On 29 March 1982, after consulting Parliament, the Commission decided to amend its proposal for a Directive. The amendments concerned, in particular the principles regarding information given to the public and consultation of the public. At its meeting of 24 June 1982, the Council considered the proposal for a Directive but was unable to reach agreement as several delegates expressed reservations; the United Kingdom expressed a general reservation while Denmark, France and Greece expressed reservations on certain individual points, in particular on the observation of national provisions for professional secrecy and the protection of the public interest. The Council did, however, announce that it hoped to take a decision on the proposal as a whole at its next meeting in December 1982.

Parliament has also adopted a certain number of resolutions addressed to the Commission and the Council. Thus, at its January part-session<sup>24</sup>, it called on the Commission to renew its approaches to Member States for clearly defined common action with regard to the intra-Community transport of dangerous substances. All Member States were called upon to ratify the ADR Convention (European Agreement concerning international carriage of dangerous goods by road) and the Commission was urged to press for special training for the drivers of vehicles carrying dangerous substances and to formulate a uniform hazard action code.

At the same meeting, Parliament adopted a resolution on the transport of radioactive substances and radioactive waste in which it called, among other things, on the Member States to ratify - if they had not already done so - without delay certain international agreements incorporating more precise measures regarding the recommendations of the International Atomic Energy Agency in Vienna.

Parliament also considers that it is important to adopt measures promoting special training for drivers, to suggest the introduction of special routes, to create a network of emergency services and to inform public opinion of the measures adopted.

At its March 1982 part-session, Parliament conducted a major debate on the slaughter of baby seals<sup>25</sup>, during which it adopted, in a slightly amended form, the resolution in the report submitted by the committee responsible. This report called on the Commission to submit proposals for regulations banning Community imports of skins and other products derived from young seals and trade in these products within the Community. In the interest, however, of indigenous populations who live from seal hunting, the limited and controlled hunting of and trade in seals, including endangered species, would be permitted. The Commission announced during the debate that it would ensure that all species of seal would be included in the list of animal species protected under the Washington Convention. At its June 1982 meeting the Council considered the problem on the basis of a resolution by Parliament, after taking note of the Commission's report on progress made in this matter.

At its April 1982 part-session<sup>26</sup> Parliament adopted a resolution requesting the Commission to draw up an order of priority for the most effective methods of combating chemical air pollution, and to strengthen the relevant Directives in force<sup>27</sup>.

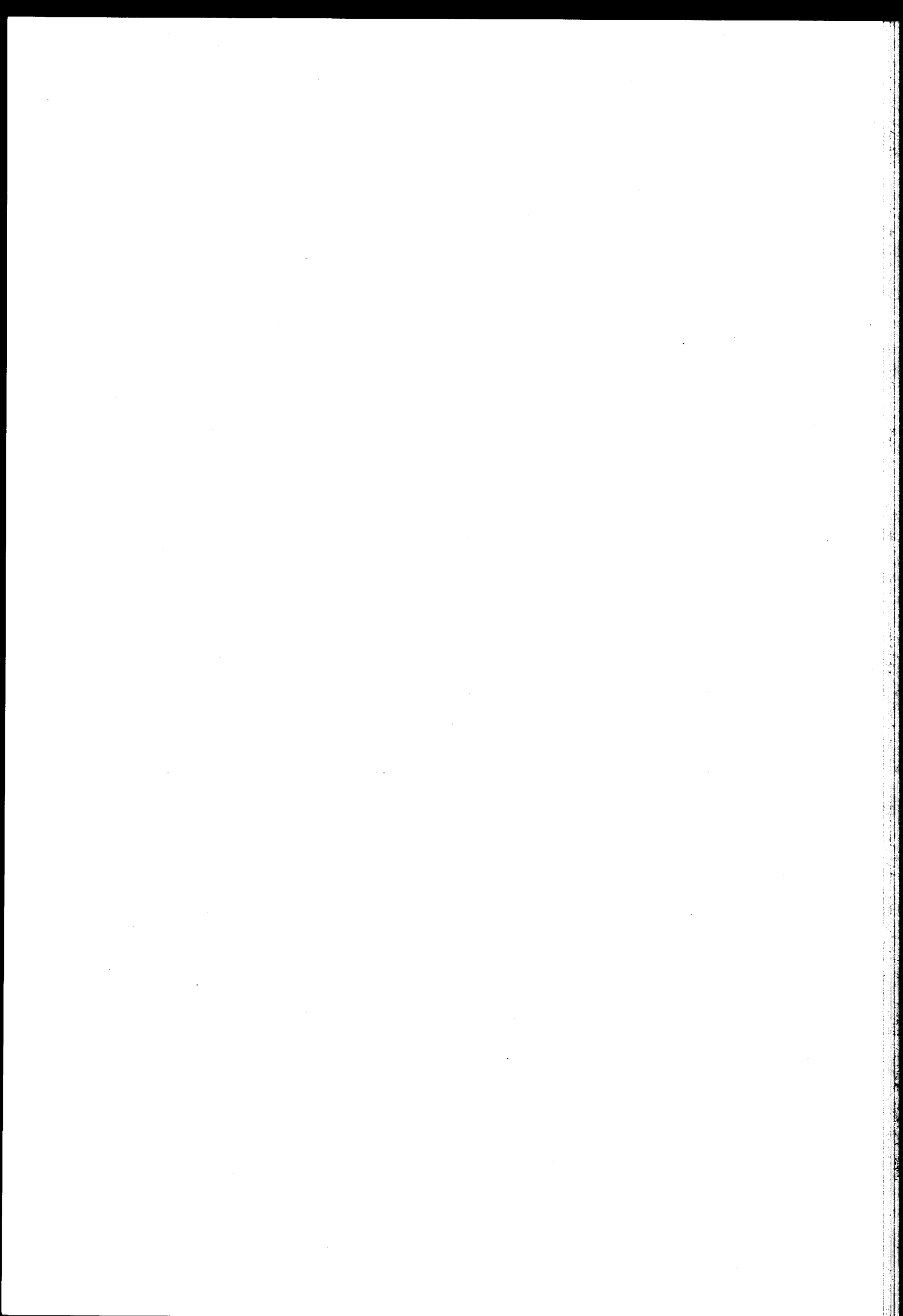
#### International Cooperation

The above developments show that the Community's international action on the environment has a global impact. As a further illustration

of the significance that the Commission attaches to its role, we have only to recall that on 25 February 1982, the Commission decided to request the Council's authorization to enter into negotiations on participation by the Community in an environmental action programme in the West Indies and in a corresponding agreement on the protection and exploitation of the marine environment and the coastal zones of this region. The Commission believes that the Community, which already participates in many measures concerning the protection of the marine environment, can play an active role in this field and can contribute to the implementation of this action plan. Work is proceeding in the framework of the United Nations Environment Programme.

LIST OF REFERENCES

- (1) OJ No. C 305 of 25.11.1981
- (2) OJ No. C 327/83/81
- (3) Minutes of the meeting of 17.6.1982, PE 79.234
- (4) OJ No. L 81 of 27.3.1982
- (5) OJ No. L 129 of 18.5.1976
- (6) OJ No. L 355 of 10.12.1981
- (7) OJ No. C 210 of 22.8.1979
- (8) OJ No. L 355 of 10.12.1981
- (9) OJ No. L 230 of 5.8.1982
- (10) OJ No. L 210 of 19.7.1982
- (11) OJ No. C 125 of 17.5.1982
- (12) OJ No. L 210 of 19.7.1982
- (13) OJ No. C 327/95/81
- (14) OJ No. L 210 of 19.7.1982
- (15) OJ No. 327 of 14.12.1981
- (16) OJ No. L 54/78
- (17) OJ No. C 149 of 14.6.1982
- (18) OJ No. C 327/105/81
- (19) OJ No. C 125 of 27.5.1982
- (20) OJ No. L 252 of 5.9.1981
- (21) Bulletin CE 1/82, pt 2.1.40
- (22) OJ No. C 260 of 12.10.1981
- (23) OJ No. C 66 of 15.3.1982
- (24) OJ No. C 40 of 15.2.1982
- (25) OJ No. C 87 of 5.4.1982
- (26) OJ No. C 125 of 17.5.1982
- (27) OJ No. C 238 of 13.9.1982



REGIONAL POLICY

In the area of regional policy, the period from June 1981 to June 1982 was extremely quiet as regards the adoption of really new legal acts. However, consideration of the 1982 Community budget led to the customary confrontation between the Council and Parliament on the endowment of the Regional Fund.

The Council's original proposal for the commitment appropriations was 1,600 million ECU, while that of Parliament was 1,970 million<sup>1</sup>. The two sides compromised and the final overall appropriation was 1,759.5 million ECU<sup>2</sup>. The increase as compared with 1,540 million ECU in 1981 was of course more than offset by the inflation registered during the period, but the Regional Fund's share of the overall commitment appropriations nevertheless rose from 7% of the budget in 1981 to 7.65% in 1982.

Council's and Parliament's original proposals for payment appropriations were 950 and 1,150 million ECU respectively. The final amount was fixed at 1,075 million ECU<sup>2</sup>, which represents a substantial increase compared with 1981 when it was only 619 million ECU.

From the point of view of individual countries, particularly of a small Member State, the allocation for the Regional Fund may seem extremely large, but in 1981 it represented barely 0.06% of the Gross Domestic Product of the Ten. If the 1981 quota transfers (95% of the fund's appropriations)<sup>3</sup> to the countries most benefiting from the fund, Italy, Greece, Ireland and the United Kingdom, are examined, a figure emerges equivalent to 0.17% of the 1981 Gross National Product of these countries. Greece received the largest amount of aid in relative terms: 250.23 million ECU, equivalent to 0.72% of that country's Gross National Product. In this regard, we cannot but recognize that the role which the Regional Fund plays at present in transferring resources from the most developed and richest Member States to less-favoured areas of the Community is particularly modest.

The supplementary measures in favour of the United Kingdom<sup>4</sup>, adopted in 1981 in the framework of the 'Mandate of 30 May 1980', are another factor helping to highlight the relative importance of the Regional Fund. These measures,



which also come under the heading of regional policy, were allocated a total of 1,654 million ECU in commitment appropriations for 1982, which amounts to almost the entire endowment of the Regional Fund (1,759 million ECU).

Since a substantial increase in appropriations for the Regional Fund appears unlikely for the moment, last year's debate on reorganising the Fund was centred much more on better use of the sums available than on increasing them. This debate was launched by the Commission's first periodic report on the social and economic situation of the regions of the Community<sup>5</sup>, which showed an unmistakable widening of disparities throughout the 1970s and therefor demonstrates the inadequacy of the policy pursued hitherto at both the national and Community levels.

After forwarding a communication in July 1981 on 'new regional policy guidelines and priorities'<sup>6</sup> intended for use as a basis for general discussion, the Commission published in October of the same year the actual proposal amending the regulation establishing the Regional Development Fund<sup>7</sup>.

The chief aspects of this proposal were as follows:

1. Geographical concentration

The operation of the quota section will in future be concentrated in certain regions and distributed as follows:

- Messogiorno .....	43.67%
- Greek regions with the exception of 'A' areas as defined under Greek law .....	15.97%
- Ireland .....	7.31%
- Assisted areas in the United Kingdom as defined by British legislation .....	29.28%
- Greenland .....	1.30%
- French Overseas Departments .....	2.47%

2. The quota section will be used to finance programmes rather than individual projects

At present, the Commission decides what aid shall be given to the different individual projects in Member States. In future, assistance from the quota section will be granted to programmes approved by the Commission.

3. Increase in the non-quota section

The Commission proposes to increase the non-quota section of fund allocations

from the present 5% to 20%.

4. Genuine coordination between the regional policies of the Member States

The current regulation includes no specific provision on this question.

At the April 1982 part-session, on the basis of the Pasquale report<sup>8</sup>, the European Parliament gave its full support to these changes<sup>9</sup>. It also emphasized the need for an adequate annual increase in the appropriations for the Fund so that it would be able to fulfil its objectives. Furthermore, Parliament insisted that the activities of the Regional Fund should be set in the context of the general policy for equilibrium and progress in which the social and agricultural policies, together with various forms of funding, should also be included.

The Council gave preliminary consideration to the proposal for the new regulation of the Regional Fund at its meeting of 26 April 1982<sup>10</sup> but this did not give cause for much optimism that any fundamental reforms, the need for which was recognized both by the Commission and Parliament, would be carried out. Only the Federal Republic of Germany announced its willingness to give up its share of the quota. The other Member States concerned (France, Belgium, the Netherlands and Denmark), although in agreement on the principle of concentration, all considered that they had regions which ought to qualify for aid, even after the fund's operations had been concentrated in specific geographical areas.

As regards increasing the non-quota section and coordinating national policies, Member States had the opportunity to endorse, in principle the Commission's proposal, but again most seemed not to wish to go as far as the Commission.

Last year, the regional policy debate was marked by negotiations on the accession of Spain and Portugal. Even though these negotiations have become difficult and there are signs in certain Community circles of a number of reservations on the matter, the probable date of the accession of the two countries is nevertheless so close that the question must be asked as to what measures will be taken in the area of regional policy after they have joined.

The European Parliament's contribution to this debate took the form of a resolution<sup>11</sup>, drawn up on the basis of a report (rapporteur: Mr Pöttering) on the establishment of a 'Mediterranean plan' in favour of Mediterranean members of the European Community and the two applicant countries, Portugal and Spain<sup>12</sup>.

In its resolution, Parliament invites the Commission to draw up, in cooperation with Member States and the two applicant countries, integrated development programmes to help the less-favoured regions of the Mediterranean basin. The Commission is also invited to draw up proposals for creating suitable financial instruments based on low interest rates and fully repayable loans. At the same time, the resolution stresses the fact that the probable duration of such a scheme to achieve regional balance will be at least 30 years.

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Fifteenth general report on the activity of the European Communities, pages 44-74
2. OJ No. L 31 1982, pp. 519-22
3. PE 77.130, p. 3
4. OJ No. L 284 1980, pp. 4-8
5. COM(80) 816 final
6. COM(81) 152 final
7. COM(81) 589 final
8. Doc. 1-61/82
9. PE 77.965, pp. 63-67
10. Agence Europe, No. 3359 of 28 April 1982, p. 9
11. OJ No. C 25 1982, pp.26-28
12. Doc. 1-736/81

THE COMMON AGRICULTURAL POLICY

Agriculture is the only economic sector of the Community in which it has been possible to achieve integration, at least up to a certain point. No sooner had the common agricultural policy been set up than one Member State or another was asking the Commission to consider reforms. But each country has a very different understanding of the concept of the common agricultural policy, depending on its principal products, its agricultural structures, particularly the proportion of the working population employed in this sector and, more recently, depending on its net contribution to the Community budget.

Whereas for some it is a question of assuring better protection for certain products, generally originating in the south, which, either for historical reasons or, more often, for technical reasons, are less well protected than northern produce, the important thing for others is to combat certain surpluses. Circumstances occasionally offer a solution to the latter problem and for this reason there is sometimes hesitation in adopting more restrictive policies.

The history of the common agricultural market reveals that in two supposed sectors of surplus production, sugar and milk-powder, it has been necessary on occasions to introduce export levies to peg internal prices and avoid too great an imbalance between demand and supply.

These cases are, nonetheless, exceptional, and the basic view, which was referred to in last year's document (PE 73.300), is that the CAP, which was designed 20 years ago at a time of relative shortage, is now faced with the consequences of enormous technical progress which has brought about an

increase in productivity and production in spite of a 50% reduction in the number of people working in the sector. The other question which must be decided is whether Europe should restrict its production to its own needs or take advantage of its fairly exceptional climatic situation by exporting its produce and participating in world trade in agricultural products, bearing in mind that it is at the same time the largest importer in the world, accounting for around one-quarter of world imports of agricultural products.

Parliament has naturally taken an active part in this debate. On the eve of the first European elections it adopted a resolution (1) following a seminar in Echternach which was attended by the German Minister of Agriculture and a number of experts.

It is not surprising, given the importance which the European Parliament attaches to its budgetary powers, that it has also concerned itself with the cost of the CAP. The Council also, as part of the Mandate of 30 May 1980, called on the Commission to examine Community policies, their financing and the associated budgetary problems. In a report published in June 1981 (2), the Commission made the following main criticisms:

- (a) farm incomes cannot be the sole point of reference for fixing guaranteed prices,
- (b) it is neither economically sensible nor financially possible to give producers a full guarantee for products in structural surplus, and
- (c) given the degree of self-sufficiency, prices must reflect market realities more than they have in the past.

These comments come at a time when, in spite of repeated calls by the European Parliament, the Council is hesitating over whether to raise the ceiling on the Community's own resources. Unless there is such an increase, common policies other than the CAP can be financed only at the expense of agriculture.

In this respect, the implementation of the 1981 budget brought with it a pleasant surprise insofar as the balance for the chapters concerned with agriculture showed an appreciable surplus because the situation on the world markets was different from that expected when the estimates were prepared and

also, perhaps, because of stricter management. Is this just a temporary improvement? The fact remains that joint spending to support agricultural markets, which had increased by 23% per annum between 1975 and 1979, rose by only 10% per annum between 1979 and 1982, which, taking account of inflation, represents a certain stability in real terms. On an international level, Community spending on agriculture is on a par with that of the United States (3) and is lower than that of some other industrialized countries.

It is true that the CAP will have to face a new challenge if Spain and Portugal accede to the Community. Disparities in the development of production structures in the agricultural and agri-foodstuffs sectors, differences in marketing structures and the varying levels of economic development in the Member States are certain to affect in differing ways - as they already do today - the results of the CAP in the individual Member States.

It was hoped that the European Monetary System would bring a certain amount of stability to exchange rates within the Community, and the Commission, in its proposals for 1982/1983 prices (4), hoped to reduce MCAs as a step towards reunification of the common agricultural market. Unfortunately, three series of currency adjustments, one in the autumn of 1981, one in February 1982 and one in June 1982, increased the number of countries in respect of which MCAs are payable and brought the Community no nearer to the realization of a common agricultural market.

It is obvious that, in view of the complexity of the agricultural situation, particularly as between one Member State and another, decisions taken on prices alone are unable to satisfy regional demands and at the same time strike a market balance for the Community as a whole. The European Parliament, with this in mind, has repeatedly drawn attention to the continued existence of disparities between the agricultural incomes of the various sectors of production and between the less-favoured and more-favoured regions of the Community and the Community's basic failure to solve this problem (5).

Mediterranean producers in the Community fear that the accession of Spain and Portugal will mean particularly fierce competition, in particular because their production and marketing structures have scarcely advanced since the

implementation of the CAP, which for years neglected the admittedly difficult but necessary task of agricultural restructuring and attached too much importance to guaranteed prices as a means of protecting farmers' incomes. While the Community, with the support of the European Parliament, has recently begun to adapt the market organizations in typically Mediterranean products, accession will nonetheless cause imbalances both within the Community and in the third countries bordering on the Mediterranean which will have to face increased competition on the European market, their main outlet.

The Commission's proposals included an increase in common prices of 9% for most products and between 6% and 12% for other products. In its opinion adopted on 26 March 1982 (6), the European Parliament asked for an increase of 14%, a figure which, it was felt, would take account of high inflation rates in many Member States. Parliament also recommended measures to curb surplus production in order to reduce pressure on agricultural incomes and asked that extra support be given to Mediterranean agricultural products by way of integrated action and particularly by increasing prices for major Mediterranean products by more than the average.

Parliament felt that the flat rate co-responsibility levy in the dairy sector should be abolished and rejected any proposal to extend co-responsibility to new sectors.

The Council, in deciding on an average price increase of 10.4% (7), did not satisfy Parliament's request, but it did attempt to give higher than average increases to Mediterranean products.

It is interesting to note that the Council arrived at this decision by a majority voting procedure which has led to considerable discussion regarding the circumstances in which a Member State can claim national interest when it seeks to veto a Council decision by invoking the Luxembourg Compromise of 1966.

During the year the Commission put forward new proposals to amend the common organization of the market in wine (8) and fruit and vegetables (9). In June (10), Parliament considered that the Commission proposals on fruit and



vegetables were too cautious. It proposed that market management rules should be improved to give producers a profitable income and to extend the number of products covered by the market organization.

Commission proposals for improvements in the wine sector were debated in Parliament on a number of occasions. In general, Parliament criticised ad hoc measures to deal with surpluses and repeated its demand for a long-term policy to improve quality, to develop exports and control imports, to reduce excise duties, to implement structural measures and to strengthen quality controls and fraud prevention services.

The European Parliament's philosophy regarding the reform of the CAP meets with difficulties when it comes to changing the actual content of the market organizations, which the Commission intends to bring into line with its 'guidelines for European agriculture'. The common organization of the market in cereals, which is suffering from surpluses and quality problems, now has a guarantee threshold beyond which intervention will no longer be automatic. The European Parliament is not prepared to accept this innovation until the problem of imports of cereal substitutes has been solved satisfactorily. It takes the view that imports of manioc lead to a build-up in stocks of feed-grain which have to be exported at a high rate of refund.

1981-1982 is a year of transition inasmuch as number of proposals have been finalized. Progress from this stage to application of the proposals by means of Community regulations is not automatic. In the coming years, the European Parliament will have the difficult task of seeing to it that the CAP is adjusted to the realities of the 1980s and of thereby ensuring the continuation of one of the few common policies established by the Community.

- (1) 11 May 1979, OJ No. C 140/79
- (2) COM(81) 300 final of 24 June 1981
- (3) See the speech given at the University of Minnesota by the Director-General of the Commission's DG VI, published in 'Europe verte', April 1982
- (4) COM(82) 10 final of 27 January 1982 - Working Doc. 1-1033/81 of 17.2.1981
- (5) EP Resolution of 17.6.1982 on the Mandate of 30 May 1980, para. 16, and EP Resolution of 17.6.1981 on possible improvements in the CAP - OJ No. C 172, 13.7.1981
- (6) EP Resolution on the Commission's price proposals for 1982-1983 - OJ No. C 104/82, page 25
- (7) EC Bulletin 5/82
- (8) COM(81) 408 final of 15 October 1981 - Working Doc. C 1-675/81 of 30 October 1981
- (9) COM(81) 403 final of 14 October 1981 - Working Doc. C 1-674/81 of 30 October 1981
- (10) EP Resolution of 16 June 1982, OJ No. C 182/82

FISHERIES POLICY

In December 1981, the Council of Ministers adopted a new common organization of the market<sup>1</sup> in fishery products. The main items in this new organization of the market concern:

- a new discipline for producer organizations, in particular the possible extension to all fishermen, even non-members, of the rules imposed by these organizations;
- a new intervention system: until now, producers were guaranteed financial compensation for all products withdrawn from the market. In future, this guarantee will be degressive and will even disappear completely if the products withdrawn from the market exceed 20% of annual production. In compensation, the level of financial assistance has been increased. These two measures are intended to ensure a level of financial compensation which is closer to market prices while encouraging producers to organize themselves better;
- safeguard measures in respect of third countries. Imports may be suspended or subjected to a countervailing charge should prices remain below the reference price for more than three days.

Despite these important innovations, which had raised hopes that the fisheries dossier would be completely cleared up, the Council confined itself to approving this part of the 'package' on the common fisheries policy. It continues to postpone a final decision in the structural sector, confining itself to extending provisional schemes. The European Parliament has, however, remarked on several occasions that a structural policy can only be conceived and implemented over a period of several years.

The fact that the fisheries 'package' as a whole is still blocked prevents the sound management of resources. And although the Commission, on the basis of expert opinion, fixes and authorizes catches each year (TACS), the Council is not in a position to adopt them formally. Under the circumstances, the Council has adopted a decision<sup>2</sup> in which it calls on the Member States to 'conduct their fishing activities in accordance with the usual seasonal cycles, taking into account the TACs proposed by the Commission'. This procedure, which is certainly unusual, is necessary pending an overall decision on the common fisheries policy and it enables the Commission to continue supervising the conservation measures applied by the Member States. It should be added that the Court of Justice (Case 804-79)<sup>3</sup> has ruled that the Member States may only introduce national measures in cooperation with the Commission, which must give its views on each project.

The European Parliament has always pleaded in favour of the common fisheries policy that the Community fishermen are asking for. In this connection, it adopted, in May 1982, an important resolution on the coordination of maritime inspection and surveillance operations, to bring all control operations at sea more closely under Community control<sup>4</sup>.

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<sup>1</sup> Reg 3796/81, OJ 29.12.1981. These provisions entered into force on 1 June 1982

<sup>2</sup> Council decision 82/346 of 31.5.1982, OJ L 152 of 2.6.1982

<sup>3</sup> Case 804/79, Commission v United Kingdom - Judgment of the Court of 5 May 1981  
Report of cases before the Court, Volume 4/81

<sup>4</sup> Report by Mrs Pery on the coordination of maritime inspection and surveillance operations - Doc PE 1-833/82

### Transport Policy

In the third year of its term of office the European Parliament considered 15 committee reports on transport questions in six part-sessions.

While eight of these reports were drawn up as part of the consultation procedure at the request of the Council, seven originated as initiatives taken by the European Parliament itself.

Parliament was consulted on a minor amendment of the regulation on public service obligations, on which Mr Doublet drew up a report<sup>1</sup>. On the question of uniform summer time a report by Mr Baudis obtained the assent of the plenary assembly only at the second attempt<sup>2</sup>. Mr Gabert<sup>3</sup> and Mrs von Alemann<sup>4</sup> drew up reports on proposals to promote combined transport. Mr Janssen van Raay submitted a report on the Commission proposals to improve inter-regional air services<sup>5</sup> and Mr Ripa di Meana drafted a report on Commission proposals for minor changes in previous regulations concerning railway finances<sup>6</sup>. The report on annual consultations on the Community road transport quota was drafted by Mr Nyborg<sup>7</sup>, and finally, Mr Buttafuoco reported on a Commission proposal designed to secure the accession of Community countries to the agreement on international coach services (ASOR)<sup>8</sup>.

Parliament's own-initiative reports included a major report by Mr Albers on ways and means of effecting energy savings in the transport sector<sup>9</sup> drawing the conclusions suggested by a series of hearings of experts and making a number of proposals. Mr Key reported on measures to liberalize express air cargo services<sup>10</sup>, Mr Seefeld on the transport of radioactive waste<sup>11</sup> and Mr Gatto on the transport of other dangerous substances<sup>12</sup>. In three other incisive own-initiative reports, Mr Gaber<sup>13</sup>, Mr Carossino<sup>14</sup> and Mr Albers<sup>15</sup> considered the railway network, the basis of transport policy and air traffic control.

The three above-mentioned reports reiterate many of Parliament's long-standing demands which have yet to be fulfilled by the Council of Ministers.

The main event in the field of transport policy concerned the plenary assembly's authorization of the Committee on Transport, following the report by Mr Carossino, to prepare to institute proceedings against the Council for failure to act, under Article 175 of the EEC Treaty. The committee has duly adopted a report by Mr Seefeld on the matter<sup>16</sup> which is to be discussed in plenary sitting on 15 September 1982. If the House adopts the motion which was passed almost unanimously by the Committee on Transport this will be the first time in the history of the Community that one institution (Parliament) has instituted proceedings against another (the Council) for failure to act.

Since the meeting of the Council of Transport Ministers planned for June 1981 was cancelled, only two Council meetings took place in the period under review, in Brussels on 15 December 1981 and in Luxembourg on 10 June 1982. The decisions taken in June 1982 were not reflected in practical legislative measures during the period under review. The only specific decisions taken in December 1981 concern the amendment of some existing regulations, the annual fixing of the Community quota and the mandate conferred on the Commission to enter into negotiations with Austria on transport questions of common interest. Since, however, financial questions were explicitly excluded from the mandate, so that a possible Community contribution to the Community transit routes to Italy and Greece (particularly via the Pyhrn motorway) cannot be discussed, the question has been raised in the European Parliament as to whether these negotiations can actually serve any purpose at all. During the period it may be noted that progress on transport questions has virtually come to a halt. It is not surprising, therefore, that Parliament should be instituting proceedings against the Council for failure to act.

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- 1 Doc. 1-244/81, 3 June 1981
  - 2 Doc. 1-356/81, 6 June 1981 and Doc. 1-975/81, 4 February 1982
  - 3 Doc. 1-395/81, 31 August 1981
  - 4 Doc. 1-835/81, 8 December 1981
  - 5 Doc. 1-553/81, 5 October 1981
  - 6 Doc. 1-564/81, 9 October 1981
  - 7 Doc. 1-1076/81, 8 March 1982
  - 8 Doc. 1-182/82, 4 May 1982
  - 9 Doc. 1-249/81, 25 June 1981
  - 10 Doc. 1-559/81, 5 October 1981
  - 11 Doc. 1-355/81, 28 September 1981
  - 12 Doc. 1-357/81, 30 September 1981
  - 13 Doc. 1-982/81, 15 February 1982
  - 14 Doc. 1-996/81, 15 February 1982
  - 15 Doc. 1-211/81, 19 May 1981
  - 16 Doc. 1-420/82, 1 July 1982

DEVELOPMENT OF THE COMMON ENERGY POLICY  
FROM JUNE 1981 TO JUNE 1982  
AND PROSPECTS FOR THE IMMEDIATE FUTURE

After the dramatic crude oil price increases of 1979/1980 and the consequent serious disruption to all sectors of the economy in all the Community Member States, there were increasing calls for the development of a common energy policy. However, in the period from June 1981 to June 1982 actual progress on a common energy policy was slight. As stressed in last year's report on the main aspects of work on European integration, this was not attributable, as is widely believed to any reluctance or lack of initiative on the part of the Commission or the European Parliament. It is simply due to the fact that such opportunities as exist within the limits which the Member States in the Council have so far been prepared to accept for a common energy policy have been largely exhausted.

Energy savings and the rational use of energy

Energy savings and the rational use of energy are priorities in the Community's energy policy objectives, as was stressed in the Council resolution<sup>1</sup> adopted on 9 June 1980 on Community energy policy objectives for 1990 and convergence of the policies of the Member States. The Community has already achieved significant success in its attempts to curb the growth of energy consumption and reduce oil dependence through the more rational use of energy and a wider range of energy supplies. Compared with 1975 energy dependence (dependence on oil) in the Community as a whole (EUR 10) was reduced from 59.3% (55.2%) to 54.4% (45.2%) in 1980, and to an estimated 47.6% (38.3%) in 1981. However, it should be borne in mind that this successful reduction of the Community's energy dependence (or oil dependence) has been achieved primarily as a result of increases in the prices of energy and of the low level of economic growth in the Member States, as was pointed out in the Commission communication<sup>2</sup> on the energy situation in the Community, 1981/1982.



### Development of a Community energy strategy

In order to lend stronger encouragement at Community level to this reduction of the Community's energy dependence and diversification of supplies, the Commission submitted in October 1981, a white paper<sup>3</sup> on the development of an energy strategy for the Community. This paper expresses the view that the funds made available in the Community budget for energy (including research and development) must be increased more rapidly than in the past in line with the priorities laid down in the strategy. The following are designated priority areas for Community action:

- ensuring an adequate level of investment in alternatives to oil and in the more rational use of energy;
- the development of a common approach to energy pricing and taxation;
- the establishment of measures of Community solidarity to avoid instability on the markets;
- the reinforcement of common policies in the fields of research, development and technological demonstration; and
- the further development of common approaches and initiatives in external energy relations.

### Investment in the rational use of energy

With the aim of amplifying the Community energy strategy referred to above, the Commission submitted in February a strategy paper<sup>4</sup> on investment in the rational use of energy. Taking note of the report<sup>5</sup> of the Committee on Energy and Research, and of the opinion of the Committee on Economic and Monetary Affairs and the Committee on Transport, in its Resolution<sup>6</sup> of 14 June 1982 the European Parliament fully supported the Commission's intended initiatives to stimulate investment in the rational use of energy. Referring to its earlier resolutions on energy savings (particularly on potential energy savings in the transport sector<sup>7</sup>) the European Parliament emphasized that an increase in investment in the rational use of energy was the fastest means of reducing dependence on oil imports, as well as being the most appropriate in terms of cost savings and job creation.

In this connection it should, however, be remembered that the main responsibility for promoting investment continues to lie with the Member States. Specific expenditure on energy from the Community budget is not very high and is largely concentrated on research, development and demonstration projects. The provision of additional funds at Community level proved difficult during the period under review owing to the strained budgetary situation; this will no doubt continue to apply to at the same extent in the immediate future, particularly as it is bound up with the difficult question of whether Community financing of energy projects should lead to a transfer of resources, and if so, in what direction.

#### The place of coal in the Community's energy strategy

In the development of a common energy strategy coal assumes particular importance as the most significant domestic source of energy. This was explicitly acknowledged by the Commission in its comments on the development of a Community energy strategy, not only in its annual statement<sup>8</sup> on the situation in the Community coal market 1981/1982 but also in a special strategy paper<sup>9</sup> on the role for coal submitted in February 1982 and listing the ways and means by which the use of coal, which has not grown appreciably since the first oil crisis of 1973/1974, may be substantially increased in the Community - by the elimination of obstacles to supply and demand.

The European Parliament has consistently called for an increase in domestic coal production, notably in its report<sup>10</sup> on aspects and requirements of coal supplies for the European Communities and in its subsequent Resolution<sup>11</sup> of 19 February 1982. This was why in a report<sup>12</sup> and accompanying Resolution<sup>13</sup> Parliament expressly welcomed the Commission's most recent initiative on the development of a common coal strategy, calling for the initiative to be translated into practical energy policy measures.

#### The role of nuclear energy in the energy strategy of the Community

In the development of a common energy strategy which seeks to reduce dependence on oil, nuclear energy - like coal - acquires particular significance, especially in countries which - like the Community's Member States - show a high level of energy consumption and possess no hydrocarbon reserves of their own. The Commission has accordingly submitted a special strategy paper<sup>14</sup> on the role of nuclear energy as part of the development of a common energy strategy. The aim of the paper is to examine

the conditions for a more widespread recourse to nuclear power and to outline the action to be taken at Community level in order to tackle the specific problems posed by this energy source in the following areas:

- the supply of nuclear fuels;
- the safeguarding of nuclear materials;
- the protection of the health and safety of workers and the general public, and the protection of the environment; and
- information to the public.

In a report<sup>15</sup> and accompanying Resolution<sup>16</sup> dated 16 June 1982 the European Parliament expressly welcomed the broad intentions behind this Commission initiative and again called for the initiative to be translated into practical measures - taking account of the recommendations contained in the Resolution.

In the period under review the European Parliament also considered various other questions in the field of nuclear power. In its report<sup>17</sup> and accompanying Resolution<sup>18</sup> of 19 February 1982, the Commission and Council were urged to take steps to raise EURATOM loans to contribute to the financing of nuclear power stations.

In a highly regarded report<sup>19</sup> and Resolution<sup>20</sup> dated 8 March 1982, major aspects of nuclear safety were considered and the Commission and Member States were urged to take practical measures to increase nuclear safety.

The important report<sup>21</sup> on the results of the INFCE Conference (International Nuclear Fuel Cycle Evaluation) should also be mentioned in this context.

#### Energy pricing policy and price transparency

Energy pricing policy represents one of the most important ways of contributing in a consistent and rational manner to the attainment of energy demand and supply objectives set by the Community. In October 1981 the Commission submitted a communication<sup>22</sup> on the subject, which also contains a draft Council resolution on the principles of energy pricing policy and proposes an action programme to improve transparency.

A draft report<sup>23</sup> currently under consideration by Parliament urges the need for a joint Community approach to energy price structures in order to eliminate the marked differences in price structure between Member States and counteract the consequent distortion of competition.

Mention should also be made in this connection of the Council Recommendation<sup>24</sup> of 27 October 1981 on the improved approximation of electricity tariff structures in the Community, which takes note of the opinion<sup>25</sup> of the European Parliament.

#### Alternative energy sources

In its work the European Parliament has made it clear that it recognizes the special importance of alternative energy sources in solving energy problems and reducing the Community's oil dependence. This is especially clear in the reports currently being considered by Parliament and planned for the energy debate in the European Parliament in September 1982 on the use of biomass as a source of energy<sup>26</sup>, the encouragement of combined heat and power production<sup>27</sup> and the use of solar energy<sup>28</sup> in the Community; the possibility of cooperation between the Community and third world countries on a solution of world-wide energy problems also occupies an important position in this regard.

#### Research, Development and Demonstration

In this field the role of the Community is generally recognized. There are two reasons for Community-level action, economies of scale (e.g., in the JET programme) and the interests of industrial policy.

The share taken by Community research in total public expenditure on research in the European Community is at present a mere 1.5%. But though this is a small percentage in relative terms, it conceals the factual importance of the Community contribution, inasmuch as during the period under review the community has deliberately stepped up its action in the fields of energy savings, the new energy sources (particular solar energy and geothermal energy) and new energy technologies (particularly the gasification and liquefaction of coal); and activities initiated or encouraged by the Community occupy a leading position in these sectors, which are of such great importance for the future (for further details, see No 25 in this series, on the development of Community research policy).

#### International dialogue

International dialogue constitutes an important part of Community energy policy. There was increasing recognition in the period under review that the Community must present a united front in international negotiations with other industrialized countries, with the oil-producing countries and the developing countries.

In this connection mention should be made of an important Resolution<sup>29</sup> based on an own-initiative report<sup>30</sup> - of the European Parliament of 16 September 1981 on the need to strengthen the European Community's trade relations with the Gulf States. Finally, the important draft report<sup>31</sup> currently under consideration by Parliament on the creation of a Community financial instrument for recycling petro-dollars as a means of increasing and diversifying energy supplies should also be mentioned.

#### Mandate of 30 May 1980

In September 1981 the Committee on Energy and Research considered the Commission report<sup>32</sup> on the Mandate of 30 May 1980, delivering an opinion on this subject<sup>33</sup>.

In its report, the Commission includes a proposal to increase the production of domestic and new energy sources in view of their beneficial impact on economic growth, development, employment and the balance of payments. Furthermore, specific targets are to be defined for energy savings, the necessary changes in infrastructure and differentiated energy supply. To carry out this policy the coordination of national funds and the increased use of Community instruments are proposed.

In its opinion the Committee on Energy and Research stressed that while it approved this analysis, it should be remembered that the proposals put forward to solve the Community's energy problems were virtually indistinguishable from the Commission's pronouncements over the last ten years, and that the present policy could not be regarded as a Community-level energy policy. However, in the light of initiatives subsequently submitted by the Commission on the development of a common energy strategy, which have been described above, this criticism cannot be sustained. The only doubt relates to the extent to which these initiatives will be backed up by practical energy policy measures.

#### The role of the European Parliament

In spite of these moves in the direction of a common policy, what progress there has been in this field has been very slight; a Community policy worthy of the name still seems a long way off. In particular, national circumstances in the energy sector impede the practical implementation of a common energy policy.

In this situation the European Parliament has always considered that its most important task is to foster understanding in the Member States that the long-term common interest carries more weight than short-term national interests which give priority to other solutions. The European Parliament has frequently expressed its concern at the absence of a genuine common energy policy and has urged the Council to make real progress in this area. In the period under review, the European Parliament, in its many resolutions and opinions - some of which have been mentioned above - clearly stressed its concern to provide impetus in the important field of energy policy. This concern will undoubtedly be particularly apparent in the plenary debate on energy policy issues to be held in September 1982.

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It is evident that in the review period from June 1981 to June 1982 some progress was made in the energy policy sphere and that in the initiative for the development of a common energy strategy there is at least some hope of real progress in the near future. At the same time it should be remembered that a genuine common energy policy does not exist at present and is unlikely to be achieved easily in the near future because of the marked differences in national circumstances and the insistence by some Member States on their own sovereignty. Whether the Community can go beyond the minimal consensus so far secured on energy-saving measures and substitutes for crude oil, and progress towards a coherent general energy strategy - which would have to include some elements of a transfer of resources between Member States and the partial relinquishment of national sovereignty - seems doubtful to say the least.

- <sup>1</sup>OJ No C 149/80
- <sup>2</sup>COM(82) 77 fin.
- <sup>3</sup>COM(81) 540 fin.
- <sup>4</sup>COM(82) 24 fin.
- <sup>5</sup>Doc. 1-205/82
- <sup>6</sup>OJ No C 149/82
- <sup>7</sup>OJ No C 287/81 , page 66
- <sup>8</sup>OJ No C 131/82
- <sup>9</sup>COM(82) 31 fin.
- <sup>10</sup>Doc. 1-662/81
- <sup>11</sup>OJ No C 66/82
- <sup>12</sup>Doc. 1-204/82
- <sup>13</sup>OJ No C 149/82
- <sup>14</sup>COM(82) 36 fin.
- <sup>15</sup>Doc. 1-303/82
- <sup>16</sup>PE 79.235 (Minutes of 18.6.82)
- <sup>17</sup>Doc. 1-709/81
- <sup>18</sup>OJ No C 66/82
- <sup>19</sup>Doc. 1-852/81
- <sup>20</sup>OJ No C 87/82
- <sup>21</sup>Doc. 1-200/82
- <sup>22</sup>COM(81) 539
- <sup>23</sup>PE 76.994/rev.
- <sup>24</sup>OJ NoL337/81
- <sup>25</sup>OJ No C 144/81
- <sup>26</sup>PE 77.281/rev.
- <sup>27</sup>PE 76.177/rev.
- <sup>28</sup>PE 77.072/rev.
- <sup>29</sup>OJ No C 260/81, page 28
- <sup>30</sup>Doc. 1-866/80/rev.
- <sup>31</sup>PE 76.961/rev.
- <sup>32</sup>COM(81) 300
- <sup>33</sup>PE 74.094/fin.

DEVELOPMENT OF THE COMMON RESEARCH POLICY  
FROM JUNE 1981 TO JUNE 1982  
AND PROSPECTS FOR THE IMMEDIATE FUTURE

In the period under review (June 1981 to June 1982) further progress was made in the gradual development of Community research policy; the essential aspects of this policy were laid down in 1974(1) and expanded by the conclusions adopted by the Council in 1979(2).

Objectives of Community research and development programmes

In the review period Community research policy was largely characterized by the implementation of previously adopted programmes. These were:

- the four-year research and development programme in the energy sector adopted by the Council in September 1979 for the period 1979 to 1983, with planned expenditure of 105 m EUA;
- the multi-annual programme of direct-action projects for the period 1980 to 1983 adopted by the Council in March 1980 for implementation by the Joint Research Centre with planned expenditure of 511 m EUA; and
- the multi-annual programme of indirect action projects in the field of thermonuclear fusion, including the establishment of JET with 335.5 m EUA for the programme period 1979 to 1983.

As part of its work on the mandate of 30 May 1980(3), the Commission put forward a strategy(4) intended to serve as the framework for R & D policy and action by the Member States and the Community. The purpose of this strategy is to evaluate the Community's current knowledge and experience and make optimum use of the advantages of Community dialogue. The Commission therefore proposes to concentrate research and development expenditure of the Community on the areas of absolute priority - that is, on energy, raw materials, environmental protection, agriculture and certain industrial sectors.



The elaboration of an outline programme encompassing the whole of Community research and intended to improve the integration and coordination of national, international and Community projects, forms an essential part of this strategy.

#### Community energy and research policy at a time of scarce budgetary resources

In assessing the present situation of Community research, it should be borne in mind that the share of such research in total public research expenditure in the European Community is currently no more than about 1.5 % and the share of research expenditure in the Community budget amounts only to approx. 1.8 %. Moreover, dramatic increases in research costs have further aggravated the budgetary problems of the Member States and the Community.

In its opinion(5) of September 1981 on the Commission report on the Mandate of 30 May 1980, the Committee on Energy and Research of the European Parliament pointed out that a limited Community policy could be pursued by convergent action in the Member States without requiring the use of Community budgetary resources. But this would be a truncated version of a Community policy; there cannot be a genuine Community (energy) research policy worthy of the name until funds comparable with the scale of national spending are provided at Community level; and this is at present still a long way off.

#### The main thrust: energy research

The research and development programmes mentioned above and the guidelines for future policy clearly show that the accentuation of past Community research policy is continuing unchanged, according absolute priority to energy research (orientated particularly towards nuclear research and nuclear safety). In view of this concentration on energy research, over 70 % of total Community research funds (1981 figures) are currently being spent on energy research in the broadest sense (including nuclear research). This concentration of resources on a specific high-priority sector is perhaps the best way of obtaining significant results, rather than allocating funds to a large number of relatively small programmes, even though these would then cover all those areas in which Community research and activity might be of use.

In the field of energy research, the aim of the present Community research and development programmes is to contribute to promoting technological development through work in the Community's own research centres (in Ispra in Italy, Geel in Belgium, Petten in the Netherlands and Karlsruhe in the Federal Republic of Germany) and by means of specially commissioned research, particularly in the following sectors of especial importance to research strategy:

- fossil fuels (coal and hydrocarbons),
- energy savings,
- nuclear energy.
- fusion energy, and
- 'new' energy sources (solar energy, geothermal energy, etc.).

In the period under review the European Parliament repeatedly welcomed this concentration of Community research on the energy sector. In its report(6) and subsequent resolution(7) of 19 February 1982, on the requirements of coal supplies for the European Communities and the report(8) and subsequent resolution(9) of 14 May 1982 on the development of a common coal strategy, Parliament expressly welcomes the Commission's intention to step up research promotion in the coal sector and calls for a further increase in appropriations for the future.

In addition, the European Parliament's report(10) and resolution(11) of 8 March 1982 on nuclear safety, and its report(12) and resolution(13) of 18 June 1982 on the development of a Community nuclear energy strategy advocates an increase in research effort in the nuclear energy sector, principally in order to raise the level of nuclear safety. This call for further research in the nuclear energy sector was also made by Parliament in its report(14) and resolution(15) of 12 March 1982 on the establishment of a research and training programme (1982-1986) in the field of controlled nuclear fusion.

Finally, the reports currently under consideration by Parliament and scheduled for the energy debate of the European Parliament in September 1982 (on the use of biomass as a source of energy(16), the encouragement of combined heat and power production(17) and the use of solar energy(18) in the

Community, not only welcome the present concentration of the research effort on the energy sector but call for a marked increase in future expenditure on research and demonstration, especially in the field of alternative energy sources which hold the key to the future.

In the reference period the Commission also submitted a communication(19) to the Council reviewing the current energy research and development programme (1979 to 1983), which - in conjunction with two other Commission documents(20), (21) - aims to increase the orientation of research investment towards the safeguarding of industry's international competitiveness and prospects for economic growth.

#### R & D Programme in the field of raw materials

In June 1981 the Commission submitted a proposal(22) for a Council decision establishing a sectoral research and development programme in the field of raw materials (1982-1985) designed to reduce the Community's dependence on supplies from third countries by increasing research efforts. In an important report(23) and Resolution(24) of 18 December 1981, the European Parliament expressly endorsed these efforts. The objectives were again supported by the European Parliament in its report(25) and resolution(26) of 9 March 1982 on the supplies of mineral and vegetable raw materials in the European Community.

#### European space policy

In a highly regarded report(27) and Resolution(28) of 18 September 1981 on European space policy, the European Parliament called for increased Community initiatives in this field and urged the Council to take practical measures to this end.

#### Industrial research

In any assessment of the Community's current research policy it should be borne in mind that the funds made available for industrial research at Community level are so meagre to the point of insignificance in comparison to research expenditure by industry and the individual Member States. But as the

industrialized countries must be prepared to accept unavoidable structural changes in the wake of the increasing international division of labour, to accept in other words the transfer of simple mass-production technology to the less industrialized countries (the 'threshold' and developing countries) and to concentrate increasingly on advanced technology industries, it may be asked whether the Community should not significantly step up its activity in the field of industrial research too.

However, more vigorous efforts by the Community in industrial research are considerably hampered by the fact that the decision-making process of the national governments is influenced by the extremely powerful short and medium-term interests of the national industries, as a result of which too little significance is attached at Community level to important aspects which hold the key to the future.

#### The role of the European Parliament

Despite these moves towards the expansion of Community research policy, there is an unquestionable need further to intensify action in an area so vital for the future. In particular, there would seem to be a need - despite the strained budgetary situation - to increase appropriations in this area and step up the transfer of research activities from the national to Community level.

As evidenced by its intensive efforts in the 1970's to maintain and expand the Joint Research Centre, the European Parliament has always regarded one of its main tasks as ensuring that Community activities are increased in this area and fostering an understanding in the Member States that Community research activities will be of greater long-term value to all the Member States than isolated national research programmes. As was clearly shown during the review period in the numerous abovementioned resolutions of the European Parliament on research policy issues, Parliament has always endeavoured to encourage and stimulate action in this area. Further impetus for the future guidance of joint research policy may be expected in the important own-initiative report(29) currently under consideration by

Parliament on the common research policy: problems and prospects, which includes an appeal to the Council to reallocate appropriations in the Community budget to research purposes; the Member States are also urged to coordinate their research more closely and to combine selected projects at European level in order to save funds and increase the effectiveness of research. In the light of past experience, it may be doubted, however, whether these demands for acceptance in principle of the need to step up Community research will be followed by practical measures in the near future.

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- (1) Council Decision No. 75/510 EEC of 22.9.1975; OJ L 231/75
  - (2) Council Decision No. 79/785 EEC of 11.9.1979; OJ L 231/79
  - (3) COM(81) 300 final
  - (4) See Bull. EC 10-1981, point 2.1.152
  - (5) PE 74.094/final
  - (6) Doc. 1-662/81
  - (7) OJ No. C 66/82
  - (8) Doc. 1-204/82
  - (9) OJ No. C 149/82
  - (10) Doc. 1-852/81
  - (11) OJ No. C 87/82
  - (12) Doc. 1-303/82
  - (13) PE 79.235 (Minutes of 18.6.1982)
  - (14) Doc. 1-1080/81
  - (15) OJ No. C 87/82
  - (16) PE 77.281/rev.
  - (17) PE 76.177/rev.
  - (18) PE 77.072/rev.
  - (19) COM(82) 124 fin.
  - (20) COM(81) 639
  - (21) COM(81) 574
  - (22) COM(81) 281
  - (23) Doc. 1-744/81 and Doc. 1-744/81/Annex
  - (24) OJ No. C 11/82
  - (25) Doc. 1-873/81
  - (26) OJ No. C 87/82
  - (27) Doc. 1-326/81
  - (28) OJ No. C 260/81
  - (29) PE 74.527/rev. 2

EDUCATION POLICY

The economic and social objectives of the European Community can be achieved only if economic and social policies go hand in hand with appropriate directives in the field of education, thus helping to ensure not only the economic strength of Member States but also greater enrichment and fullness in the life of every citizen. In accordance with the wish expressed at the Paris Summit of Heads of State or Government in 1972 and with a view to taking specific Community measures in the field of education, the Ministers of Education of the Member States met within the framework of the Council in Brussels on 24 May 1982.

On the basis of a report drawn up by the Education Committee, the Ministers reached agreement on the setting up of a new series of Community pilot projects for the period 1983 to 1986 at a cost to the Community of 18 million ECU. These projects are intended to supplement the development of national policies and are specially designed to establish a thriving process of interaction between the school and its extra-mural environment in order to encourage a fuller social and professional preparation for adult life.

The Council also approved a report, drawn up by the Education Committee, on the recognition of academic diplomas and periods of study which proposed that a distinction be made between, on the one hand, recognition of academic diplomas, with the intention of facilitating mobility between institutions of higher learning, and on the other, recognition of professional qualifications for the purposes of setting up and practising particular activities. It also proposed, if required, a series of specific measures.

The decisions taken by the Council will be acted on after the European Parliament has adopted a clear position on them.

In fact, at the March 1982 part-session, the Assembly adopted a resolution

(rapporteur: Mrs. Gaiotti di Base, Doc.1-845/81)<sup>1</sup>, tabled on behalf of the Committee on Youth, Culture, Education, Information and Sport, on the Community programme on education, in which dissatisfaction was expressed at the lack of Council decisions in the educational field and the infrequency of meetings of Education Ministers since 1976.

In the same resolution, the Commission and Council were called on to promote, amongst other things, Community action in those areas of education policy where cooperation could help to resolve social problems and where joint action would make it possible to achieve Community objectives. The resolution confirmed the principle of Member States' competence in the field of education but nonetheless called on them to cooperate more closely.

The resolution stressed the importance of the recognition of diplomas, the need to provide school-record cards for the children of migrant workers, and the importance of new informatics technologies in the area of education, especially with regard to handicapped children.

Another of the European Parliament's initiatives on education was the resolution on measures to combat illiteracy (rapporteur: Mrs. VIEHOFF Doc.1-88/82)<sup>2</sup>, adopted at the May 1982 part-session. In this resolution, Parliament called on Member States to strive to eradicate illiteracy and proposed that the Education Ministers draw up national literacy policies and make available as a priority the funds necessary for literacy work. It also called on the Commission to increase support for research, in particular through the European Social and Regional Funds, to draw up a comparative report on government measures to combat illiteracy, to encourage the creation of a Europe-wide non-governmental literacy organization and to cooperate with relevant governmental agencies, including the Youth Forum of the European Communities.

The Commission reacted favourably to the European Parliament's

proposals by initiating a series of measures in the field of primary education financed by the Social Fund. The Commission intends to take advantage of the particular experience of the European Centre for vocational Training in Berlin. However, the Commission regrets the frequent lack of practical political support from national authorities.

With a view to safeguarding the cultural identity of European citizens who belong to different ethnic groups, the European Parliament has recently adopted a resolution tabled on behalf of the Committee on Youth, Culture, Education, Information and Sport on a charter of the regional languages and cultures in the Community and a charter of rights for ethnic minorities (rapporteur: Mr. ARFE, Doc.1-965/80)<sup>3</sup>.

In this resolution, national governments and regional and local authorities are called on to foster the languages and cultures of their various minorities in the fields of education, mass communication and public life and social affairs. The Commission too has stated that a wide range of cultures is an essential and real characteristic of Europe and has expressed its willingness to study measures which might be envisaged in the areas of social affairs, culture and education.

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The schemes which the Commission has proposed to date in the educational field include pilot projects, studies, research and exchanges of information and experience.

The broad lines of these schemes can be summarized as follows: coordination of national education policies regarding syllabuses and the length of periods of study; working towards the equivalence of end-of-study certificates at various levels; increasing cultural exchanges of teachers and students and the



adoption of common measures designed to facilitate their stay in other Community countries; encouraging refresher courses for teachers on European culture; the reform of certain subjects such as history, geography, the history of art, literature, etc.; and promoting the teaching of Community languages.

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1. OJ No. C 87 of 5 April 1982, p. 80
  2. OJ No. C149 of 14 June 1982, p.85
  3. OJ No. C287 of 16 October 1981, p.106

APPLICATIONS FOR ACCESSION FROM SPAIN AND PORTUGAL

Negotiations with both Spain and Portugal have continued at an accelerating pace in the period June 1981 to June 1982. It is still uncertain however whether they will be concluded in time to permit accession as planned on 1 January 1984. There remain grave problems with regard to the application of the Community's Common Agricultural Policy which may hold up the negotiations on this essential chapter with both countries. If the deadline is to be respected, the negotiations must be completed on all important aspects by the end of 1982 in order to allow one year for the process of ratification.

The difficulties that have arisen in these negotiations are not only on the European Community's side. A great deal of work remains to be done by the Spanish and Portuguese negotiators in establishing their position on essential aspects such as the timetable for dismantling tariff and other barriers to trade and in preparing their respective countries for the challenge of accession.

The specific problems which enlargement presents to both the applicants and the existing Community are described in previous editions of this document (PE 65.560 - June 1979/1980; PE 73.300 June 1980/1981). The progress in negotiations with each country taken individually is described below.

A. PORTUGAL

Following some difficulties within the EC early in 1981 concerning the position of the Community with regard to the Customs Union and in particular the question of unrestricted Portuguese exports of textiles, a common position was transmitted to Portugal in July 1981. Negotiations have been concluded however only on a certain number of specific items which were brought together in a 'mini-package' at the Ministerial Meeting of 22 February 1982. The chapters of the negotiations thus concluded were as follows: capital movements, regional policy, EURATOM and transport. It is hoped that negotiations on further 'technical' issues will soon be concluded to leave free the remainder of 1982 for negotiations on the crucial issues such as agriculture. On 22 June 1982 a Ministerial Meeting reached agreement on questions of taxation, foreign investment and the transitional period for elimination of tariffs on industrial

products traded between Portugal and the EC, these agreements and other subjects such as the regimes for trade in textiles, and for trade with Japan, as well as the exclusion of the Portuguese steel industry from the Community's anti-crisis measures, are likely to be included in a second 'package' to be signed in July 1982.

With regard to Inter-Parliamentary relations three meetings of the European Parliament/Portuguese Assembly Joint Committee have been held in the period under review : Lisbon in October 1981, London in March 1982 and the Algarve in June 1982. The Committee has heard regular reports from Ministers responsible for the accession negotiations and has conducted detailed examinations of certain specific problems of accession such as agriculture and fisheries, sensitive industries and the free movement of workers. It continues to press for the conclusion of negotiations in time for the accession of Portugal on 1 January 1984.

#### B. SPAIN

Spain's request for membership was presented in July 1978, shortly after that of Portugal. Negotiations for Spain's accession to the EC have also been speeded up in the last year despite the continuing opposition expressed towards enlargement in some quarters both in the EC and in Spain.

The Community's internal difficulties with regard to the Common Agricultural Policy has made progress in this crucial chapter of the negotiations difficult, although Spain has made some proposals. Agreement has however been reached in the course of the last year on transport, regional policy, capital movements, right of establishment, standardisation of legislation and economic and financial questions. One major advance has also occurred in relation to the Customs Union: Spain has now agreed to introduce VAT from the date of accession thus permitting discussions to begin on the transitional periods for the lowering of tariff barriers and the adoption of Community regulations. Spain is seeking a transitional period of 10 years both for industry and agriculture.

Mr THORN, President of the Commission, visited Spain at the end of 1981 and stated that 1 January 1984 remained possible as the date of Spanish accession to the EC but he also emphasised the need for Spain to draw up its position on the main issues in a clear and detailed manner and to make thorough preparations for the integration of the Spanish economy into the EC.

The pace of meetings between delegations from the Spanish Cortes and the European Parliament is also speeding up. The Fifth such meeting was held in London from 30 November to 2 December 1981 and a further meeting was held in Madrid on 25 and 26 June 1982. This meeting expressed disappointment at the lack of progress in negotiations and urged that the important questions of agriculture and fisheries be tackled as soon as possible.

The European Parliament adopted a resolution on 19 November 1981 on the enlargement of the Community to the South in which it reaffirmed its commitment in favour of the accession of Spain.

