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DOCUMENT 1-682/81

INTERIM REPORT

drawn up on behalf of the Committee on
Economic and Monetary Affairs

on the ~~Commission's~~ response to the mandate
of 30 May 1980

Rapporteur: Mr W. HOPPER

By letter of 9 July 1981 the Commission's response (Doc. COM(81) 300 fin.) to the mandate of 30 May 1980 was referred to the Committee on Economic and Monetary Affairs as the committee responsible, and to the Committees on Budgetary Control, Agriculture, Budgets, Energy, Political Affairs, Social Affairs and Regional Policy and Regional Planning for their opinions.

At its meeting on 22-23 September 1981 the Committee on Economic and Monetary Affairs approved Mr W. HOPPER as rapporteur.

It considered the draft interim report at its meetings on 1-2 October, 20-21 October and 27-28 October 1981 and adopted it at this latter meeting unanimously with four abstentions.

Present: Mr J. Moreau, chairman; Mr Macario, vice-chairman; Mr Deleau, vice-chairman; Mr Hopper, rapporteur; Mr van Aerssen (deputizing for Mr von Wogau), Mrs Baduel Glorioso (deputizing for Mr Fernandez), Mr Beumer, Mr von Bismarck, Mr Bonaccini, Mr Caborn, Mr Combe, Mrs Desouches, Mr Dimopoulos (deputizing for Mr Zighdes), Mrs Forster, Mr I. Friedrich, Mr Gautier (deputizing for Mr Schinzel), Mr Giavazzi, Mr Herman, Mr Leonardi, Mr Markozanis, Mr Martens (deputizing for Mr Franz), Mr Mihr, Mr Petronio, Mr Purvis, Mr Seal (deputizing for Mr Rogers) and Mr Wagner.

The opinions of the Political Affairs Committee, the Committee on Agriculture, the Committee on Budgets, the Committee on Energy and Research, the Committee on Regional Policy and Regional Planning and the Committee on Budgetary Control are attached.

C O N T E N T S

	<u>Page</u>
MOTION FOR A RESOLUTION	5
Opinion of the Political Affairs Committee	9
Opinion of the Committee on Agriculture	12
Opinion of the Committee on Budgets	30
Opinion of the Committee on Energy and Research	34
Opinion of the Committee on Regional Policy and Regional Planning	37
Opinion of the Committee on Budgetary Control	41

The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

on the mandate of 30 May 1980

The European Parliament,

- taking account of the proposals of the Commission¹
- recalling its past opinions²,
- having regard to the Interim Report and the opinions of the Political Affairs Committee, the Committee on Agriculture, the Committee on Budgets, the Committee on Energy and Research, the Committee on Regional Policy and Regional Planning and the Committee on Budgetary Control (Doc. 1-682/81),

Objectives of the mandate exercise

1. Welcomes the opportunity given by the mandate exercise to evaluate afresh the objectives of the Community and to alter the balance of its activities in order to provide a more equitable and dynamic framework for its future development;
2. Considers that the primary objective of the mandate should be to promote convergence, i.e. harmonization of economic policies designed to achieve better results for all the Member States and, in addition, to lessen the economic disparities between these States;

Hopes that the debate on the Commission's document on the mandate will have the effect of promoting convergence and will lead to a better integration of Community policies and hence to a better allocation of resources resulting from economies of scale and the elimination of duplication;

3. Stresses the fact that the mandate must be interpreted on the scale and lines defined by Parliament in its previous resolutions and that it should not be seen as concerning just one Member State, nor interpreted as supporting the narrow concept of 'juste retour';

General comments on the Commission's mandate document³

4. Notes the broad guidelines put forward by the Commission in its mandate document concerning the development of Community policies;

¹ Doc. COM(81) 300 final

² Opinions on restructuring of economic and monetary policies (doc. 1-256/81), (OJ C 172 of 13.7.81), on the future of the Community budget (Doc. 1-264/81), (OJ C 172 of 13.7.81), on Community own resources (Doc. 1-772/80) (OJ C 101 of 4.5.81), and on convergence and budgetary questions (Doc. 1-136/80/rev) (OJ C 50 of 9.3.81) and Doc. 1-512/79 (OJ C 309 of 10.12.79)

³ Doc. COM(81) 300 final

5. Points out that the Commission document, while drawing attention to certain valuable criteria relating to the revival and restructuring of the common policies, is excessively general and lacks the necessary practical proposals for an overall assessment to be made of it;
6. Believes that the mandate document lacks structure and a clear sense of direction;

Progress in the restructuring of the Community budget and of its policies with budgetary consequences must, as the Commission rightly points out in the mandate document, be accompanied by accelerated progress in the achievement of the Community's other objectives - notably the internal market;

7. Fails to understand why the implications of enlargement for the mandate exercise have not been more clearly spelled out in the mandate document; many of the problems faced now are likely to reappear later with greater sharpness;

Community policies other than agriculture

8. Agrees with the Commission's stated objectives with regard to the need to build economic and monetary union, and to reinforce the EMS, but again underlines the fragility of the latter until a greater degree of economic convergence has been achieved;

Requests therefore the Commission and Council to take, with appropriate determination and celerity, the steps necessary to complete the EMS and strengthen the convergence of the Member States' economies;

9. Requests the Commission to clarify what it means by an 'employment policy capable of affording a coherent answer at Community level to the employment problem' (in point 9); the document puts forward few concrete suggestions to this end;
10. Agrees with the Commission's emphasis on the promotion of stronger regional and social policies at Community level, which are clearly central to any attempt to achieve the longer term objectives of the mandate; further agrees with the Commission's view that appropriations for these policies will have to grow faster in future than the general budget as a whole;
11. Recognizes that not all Community action in the energy field will require Community funding (e.g. alignment of energy pricing and co-ordination of national efforts) but regrets the lack of specific proposals for action in energy and research which would have the advantage of ensuring that an increased Community contribution would rapidly have a positive effect on employment, economic development and the balance of payments; but understands that the Commission intends bringing forward such proposals in the near future;

12. Underlines that the borrowing and lending activities of the European Community can strongly reinforce the process of convergence and have the effect of stimulating the structurally weakest economies, on the basis of adequate proposals;

Believes that such lendings should be commensurate with the possibility of raising funds on the capital markets and with the need to implement projects capable of improving the situation of the Community and enabling it to carry through its policies;

13. Calls for a strong Community role in the promotion of new infrastructure projects of Community-wide interest;

14. Stresses the strategic role which the policy of cooperation and development can and must have and the need to endow it with the necessary resources and instruments;

Agriculture

15. Noting the opinion of the Committee on Agriculture emphasizes that, while contributing to the effective attainment of other vital Community objectives, the common agricultural policy has not eliminated disparities between agricultural regions; considers that the attenuation of these disparities, accompanied by the elimination of systematic (structural) surpluses, should be a fundamental objective of all Community restructuring policy;

16. Stresses the need to reform the common agricultural policy without calling into question its basic principles but by dealing with the problem of surpluses with a view to making full use of our production capacity through better adjustment to world market trends, and welcomes the fact that the Commission has set targets based on this concern;

Budgetary mechanisms

17. Recognises the key role to be played by the Community budget in implementing the mandate, and that it must, therefore, be changed in nature and increased in size, with these twin objectives proceeding hand-in-hand, on the basis of respect for the principle of own resources;

18. Hopes that the development of appropriate structural policies (e.g. regional and social policies) will be pursued with the necessary instruments and celerity and will obviate the need for special budgetary mechanisms aimed at correcting unacceptable situations for individual Member States;

19. Seeks more details about the budgetary mechanism suggested by the Commission in its mandate document (paras. 42-44) but fears that such a mechanism could well prove politically unacceptable from the outset because of its particularity of application;
20. Requests the Commission to look carefully at other mechanisms, particularly those which could help to promote convergence in the Community as a whole.

Regrets in this context that the idea of a budgetary equalisation scheme to help the weaker Member States, which has been suggested several times by the Parliament, has not been commented upon by the Commission in its mandate document.

Further considers that the advantages and disadvantages of new, and perhaps more progressive forms of such resources, need to be reviewed within the general framework of Community fiscal policies, the underlying aim being to increase the Community's own resources;

Concluding remarks

21. Considers that the European Community should periodically re-define its objectives and assess the results of its policies; believes, in particular, that the redistributive impacts of all Community policies should be made much more transparent, possibly through formal statements on the likely impacts of each policy on convergence; such statements to be published by the Commission when proposing new policies and in reviewing old ones;
22. Calls for a Commission study into the non-budgetary aspects of membership: recognises the difficulties of quantifying such aspects, but feels that such an analysis is absolutely necessary if the prevalent over-emphasis on national budgetary balances is to be put within a fairer perspective;
23. Recognises that a number of documents about specific areas such as agricultural policy reform, the special problem of the Mediterranean area, energy, job creation and industrial innovation are now being prepared by the Commission;
24. Requests that the European Parliament should be consulted on all these documents and insists that only then can Parliament adopt a more definitive view on the implementation of the mandate;
25. Instructs its President to forward this resolution to the Council and Commission.

OPINION OF THE POLITICAL AFFAIRS COMMITTEE

Letter from the chairman of the committee to Mr Jacques MOREAU, chairman of the Committee on Economic and Monetary Affairs

Luxembourg, 30 October 1981

Dear Mr Chairman,

Please find attached the opinion in the form of a letter adopted unanimously by the Political Affairs Committee at its meeting of 27 and 28 October 1981¹ on the report of the Commission of the European Communities on the mandate of 30 May 1980 (COM(81) 300 final).

Please attach this opinion to Mr Hopper's report on behalf of your committee.

Yours sincerely,

(sgd) Mario RUMOR

Annex

¹Present: Mr Rumor, chairman; Lord Bethell and Mr Haagerup, vice-chairmen; Mr de la Malène, draftsman; Mrs Baduel Glorioso (deputizing for Mr Berlinguer), Mr Bangemann (deputizing for Mr Berkhouwer), Mr Bettiza, Mr Blumenfeld, Mr Bocklet (deputizing for Mr Klepsch), Mrs Cassanmagnago Cerretti, Mr D'Angelosante (deputizing for Mr Segré), Mr Diligent, Lord Douro, Mr Donnez, (deputizing for Mr Dambreaux), Mr Fergusson, Mr Hänsch, Mrs van den Heuvel, Mr Jaquet, Mr Lomas, Mrs Macciocchi (deputizing for Mrs Hammerich), Mr Motchane, Mr Normanton (deputizing for Lady Elles), Mr Schieler, Sir James Scott-Hopkins, Mr Seitlinger and Mr Simmonds (deputizing for Mr J.M. Taylor).

Letter from Mr M RUMOR, Chairman of the Political Affairs Committee, to
Mr J MOREAU, Chairman of the Committee on Economic and Monetary Affairs

Dear Mr Chairman,

On 9 July 1981 the Political Affairs Committee was asked to provide an opinion for the Committee on Economic and Monetary Affairs on the report of the Commission of the European Communities to the Council on the mandate of 30 May 1980.

On 24 September 1981 the Political Affairs Committee appointed Mr de la MALENE draftsman and at its meeting of 27 and 28 October adopted the attached opinion which it has instructed me to forward to you in the form of a letter.

In keeping with the committee's terms of reference, its reflections are centered more on the principle of the mandate and the manner in which the Commission has carried it out rather than on the technical points of substance which are the responsibility of other committees whose opinions have also been sought.

The first point of interest to the members of the Political Affairs Committee was the fact that the document submitted to the European Parliament is the product of a Council initiative although it deals with matters falling within the area of competence of the Commission.

Although it is clear that under the Treaty the Council may ask the Commission to submit proposals, it is nevertheless surprising to find that the latter waited to be asked before considering measures which clearly fall within its area of responsibility and could at least alleviate if not end the crisis facing the Community and threatening its equilibrium.

This astonishment is all the greater as the Commission's report reflects a certain degree of assurance in its analysis of the causes of the crisis and the appropriate remedies.

Given the powers of the Commission and its place in the Community's institutional structure there would have been some justification for expecting it to take the initiative at the time the imbalances were foreseen and to put forward, and strongly argue for, proposals credible to those hit by the crisis.

While appreciating the scope of the action proposed and recognizing the interdependence of the measures, the members of the Political Affairs Committee noted with regret that the Commission document contains no more than a list of technical measures, the political implications of which are insufficiently clear and which have been put forward with the utmost timidity as far as their implementation is concerned.

The report should contain a series of specific proposals which could be directly put into effect. Although such proposals have been put forward in the case of the common agricultural policy and the U.K. contribution, the same is unfortunately not true of the other policies. These seem to have been forgotten or rather to have been catered for by excessively vague guidelines for the future.

The Commission refers in its report to the proposals which it intends to put forward at a later stage. It is difficult, however, to see what connection there is between these and the procedure proposed by the President of the Commission in his letter to the Heads of State and of Government of the Member States of 24 June 1981.

It is of the utmost importance that the Commission should clarify the procedure to be followed before Parliament and give it assurances that formal proposals will be drawn up as soon as possible and implemented rapidly.

While it is aware that when the mandate was given to the Commission on 30 May 1980 the new Commission had not yet taken up office, the Political Affairs Committee would like this institution to adopt a much more forceful approach to the crisis facing the Community and its plans to be backed up by clearly stated political intentions that have been discussed in advance in the European Parliament with a view to gaining widespread popular support in the Member States of the Community.

Yours sincerely,

Mariano RUMOR

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr Charles DELATTE

On 21 September 1981 the Committee on Agriculture appointed Mr Delatte draftsman.

The committee considered the draft opinion at its meetings of 20 and 21 October and 26 and 27 October 1981. At the latter meeting it adopted the draft opinion by 19 votes to 12 with 4 abstentions.

Present: Sir Henry Plumb, chairman; Mr Delatte, vice-chairman and draftsman; Mr Battersby, Mr Blaney (deputizing for Mr Skovmand), Mr Clinton, Mr Curry, Mr Dalsass, Mr Davern, Mr De Keersmaecker (deputizing for Mr Bocklet), Mr Eyraud, Mr Gatto, Mr Gautier, Mr Helms, Mrs Herklotz, Mr Hord, Mr Jürgens, Mr Key (deputizing for Mrs Castle), Mr Kirk, Mr Ligios, Mr McCartin (deputizing for Mr Colleselli), Mr Maher, Mr Marck (deputizing for Mr Früh), Mr M. Martin (deputizing for Mr Maffre-Baugé), Mr B. Nielsen, Mr d'Ormesson, Mr Péry (deputizing for Mr Thareau), Mr Pranchère, Mr Provan, Miss Quin, Mr Sutra, Mr Tolman, Mr Vernimmen, Mr Veronesi (deputizing for Miss Barbarella), Mr Vitale and Mr Woltjer.

I. INTRODUCTION

1. At the close of its meeting of 30 May 1980, the Council published a series of conclusions¹ on the United Kingdom contribution to the financing of the Community budget. It thereby fixed the manner in which the United Kingdom's net contribution to the financing of the Community budget would be calculated for 1980 and 1981.

2. In order to prevent such a situation recurring for any other Member State in 1982, the Council instructed the Commission to propose structural changes by the end of June 1981. What was envisaged was a 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 policy².

3. The European Council, meeting on 1 and 2 December 1980 in Luxembourg, reiterated the mandate given to the Commission. On 24 June 1981 the latter adopted a report entitled 'Report pursuant to the mandate of 30 May 1980' which, according to its president, Mr Thorn, goes beyond the framework of the task with which it had been entrusted. Mr Thorn stressed that 'the report submitted by the Commission should be considered as an overall view of both the Community and the functioning of the institutions'³ and that it showed the way to a 'second-generation Community'⁴.

II. ANALYSIS OF THE AGRICULTURAL ASPECTS OF THE REPORT

4. The Commission considers that the Community, before advancing in other policy areas (energy policy, harnessing of new technologies, active competition policy), must put its budgetary affairs in order. With this aim in view, it states that the major effort must centre on the CAP.

5. In recognizing that the objectives set by the Treaty of Rome have been achieved (security of food supplies, increased productivity, growth in incomes of farmers, the Commission emphasizes that the cost of the CAP, which represents 0.5% of Community GNP, is not excessive. It stresses that its renationalization would cost Member States more.

6. As regards the three fundamental principles of the CAP (market unity, Community preference and financial solidarity) which remain essential, the Commission considers that adjustments are possible and necessary. In particular, there is a need for improved control of the unwelcome effects of the operation of market organizations, linked to increased productivity.

¹ OJ No. C 158, 27.6.1980, p.1.

² Idem see paragraph 7.

³ See verbatim report of proceedings of 7.7.1981, p.41.

⁴ See Europe 'Documents' No. 1159, 27.6.1981.

1. The Commission has accordingly drawn the following conclusions:

- (a) Price policy, which remains an essential instrument of agricultural policy, must be based on a narrowing of the gap between Community and world prices and on a hierarchy of prices designed to improve the balance of production.
- (b) The Community must pursue an active commercial policy in compliance with its international commitments. A particular aim of this policy should be to stabilize prices by means of cooperation agreements with other major exporters. The Community should also conclude long-term export contracts, and monitor import trends that might cause market imbalances to ensure that its commercial and agricultural policies are mutually consistent.
- (c) The guarantees offered to agricultural producers should be adjusted in line with Community production targets. These targets should encompass projected market trends and the desired degree of self-sufficiency. They should also allow for the volume of imports arising out of the Community's international commitments and its concern to take its place as a structural supplier on a world market which is persistently in deficit for a number of essential products.

Once these production targets are reached, producers would be required to contribute or the intervention guarantee would be reduced.

- (d) The Community should pursue an active structures policy tailored to the needs of each agricultural region. The Commission will give special consideration to the Mediterranean regions, for which it will propose medium-term Community programmes encompassing action concerning incomes, the market, production and structures.
- (e) In certain specific cases, the Community will pursue a policy of direct income aid which, given the cost, will be confined to small-scale producers. Decisions on such aid and on the criteria therefor will be taken by the Community. On this basis a Community contribution to their financing will be envisaged.
- (f) Provision should be made for increased Community control of the quality of products. The Commission should be given its own powers and means of control in managing the agricultural funds for which it is responsible.
- (g) The Commission advocates strict discipline in relation to national aids to avoid undermining Community policies.

8. The Commission believes that if these guidelines are adopted, their application will mean that agricultural spending will grow less rapidly than the Community's own resources. This will make it possible to release additional resources to reinforce Community solidarity in other sectors. In particular, the Commission stresses that the reduction of regional imbalances remains a priority Community objective. To this end, the Regional and Social Funds should be given greater importance.

9. Concluding its study, the Commission stresses that the problem of the British contribution is partly linked to the fact that the United Kingdom obtains a much smaller financial benefit from the CAP than the other Member States on account of the special features of its agriculture. It affirms that Community solidarity demands that a remedy be found to this inequitable situation and that the funds made available to the United Kingdom should be used to finance activities designed to increase convergence of the economies.

III. POSITION OF THE COMMITTEE ON AGRICULTURE

10. First of all, the Committee on Agriculture is critical of the Commission for its amalgam of the problem of the British contribution and that of reforming the common agricultural policy.

The fact that one Member State does not receive sufficient money from the Community should not mean that the entire process of European unification, in particular the existing policies, is called into question.

The real need is to operate the necessary transfers of resources between all the Community Member States by effectively increasing resources under the Regional Fund and the Social Fund, even if this might lead to a raising of the 1% ceiling on VAT. The European Parliament has previously declared itself in favour of an increase in the Community's own resources.

11. Secondly, the Committee on Agriculture would criticize the weakness and imprecision of the Commission report: it is weak inasmuch as it does not stress sufficiently the need to pursue a vigorous agricultural exports policy, if necessary by setting up a Community export agency¹; the Commission report is imprecise inasmuch as the intentions expressed therein are more vague than those contained in the document entitled 'Reflections on the common agricultural policy'² on which the Committee on Agriculture expressed its position within the framework of the report by Sir Henry Plumb (Doc. 1-250/81) on possible improvements to the common agricultural policy.

¹ See Doc. 1-37/80 - report by Mr Delatte on the 1980/81 farm prices.

² COM (80) 800 final.

Indeed, the new Commission proposals should be examined in the light of the considerations expressed on that occasion.

12. Above all, when the Commission states that the common agricultural policy should bear the major consequences of a reorganization of the Community budget, it takes a resigned view of the status quo according to which the Community's own resources are subject to a ceiling and the EAGGF - Guarantee Section will inevitably use up all existing appropriations. The rectitude of this view is yet to be proved. Furthermore, if the Community wishes to achieve a greater degree of integration, it must implement new policies and overcome the barrier represented by the 1% ceiling on VAT. The Commission and Parliament are in favour of such action and it would seem that this idea is gaining support within the Council. We can only hope that the Council will soon acknowledge the practical implications of the VAT ceiling.

13. The renationalization of the common agricultural policy, on the pretext that it is too expensive, would spell the end of that policy and the beginning of the end of the free movement of products within the Community. This would mean the negation of the process of European unification launched in the early 1950's. Such a solution is therefore unacceptable.

If we deduct the expenditure unjustly attributed to the common agricultural policy (trade agreements, food aid, MCAs etc.), the cost of that policy is closer to 0.4% than 0.5% of the Community's gross domestic product and agriculture's share of the Community budget is well below 50%. Its cost is modest when we consider that its objectives have been achieved.

14. The Commission pays tribute to the fundamental principles of the common agricultural policy. However, the adjustments which it advocates must not lead to its dismantling or, indeed, make it weaker.

It would be dangerous to penalize European agriculture for no good reason at a time of world crisis, given that it can represent a dynamic factor in economic development if it benefits from the necessary investment, particularly in the agri-foodstuffs sector, and if an effort is made to promote agricultural development in both the less-favoured regions and in mountain and hill areas. It should not be forgotten that agriculture, at the different stages of the production process, creates employment and thus wealth. In consequence, any unjustified penalization of European agriculture would be dangerous for the Community's prosperity.

15. Caution is therefore required when advocating, as the Commission does, the bringing of Community prices closer to those ruling in the principal competing countries, or to world prices. Firstly, these countries enjoy

very different production conditions from those of European agriculture. Secondly, the world market in agricultural products is marginal by comparison with world agricultural production and world prices are somewhat artificial: the truth of the matter is that all States, be they large or small-scale producers, subsidize their agriculture.

The Commission admittedly refers to an 'organized' world market, but it is essential to specify the type of organization envisaged, given that the countries competing with the EEC show little interest in creating any form of organization of the world markets. Such a policy nevertheless remains vital.

16. The common agricultural policy should be based on a price system but those prices should enable the farmer to earn a living. In particular, account must be taken of production costs in the Community if we wish to safeguard the independence of its food supplies. For example, competition from American soya bean oil cakes which enter the Community at zero duty hampers the development of products containing protein. There are thus legitimate grounds for fearing that the alignment of Community prices on a marginal price - that of the world market - may cause the disappearance of small and medium-sized farms in the Community. It is to be hoped that this is not the Commission's objective. In any case the Committee on Agriculture advocates that agricultural prices should be fixed on the basis of the results provided by the objective method.

On the other hand, the Committee on Agriculture is in favour of a hierarchy of prices to ensure a better balance of products (see para. 17 of Doc. 1-250/81).

17. The Committee on Agriculture is able to support the Commission's proposals with regard to commercial policy. It considers that its commitments to the Third World must be respected. At the same time, it has come out in favour of concluding long-term export contracts for both the creation and the management of buffer stocks.

As regards imports, they must be kept under close review inasmuch as they affect the overall amount of refunds or storage expenditure, but there is above all need to restore, by appropriate measures (taxes, levies) concerning certain duty-free imports, competition with Community products, the development of which should be encouraged.

The Committee on Agriculture reiterates the need to indicate in the budget the cost of the Community's international commitments, including those covering ACP sugar, New Zealand butter, imported cheese, food aid: refunds, supplies of food products to certain countries such as Poland, etc.

18. The idea put forward by the Commission of Community production objectives is on the same lines as that of an overall Community quantum, for each sector, as proposed by the Committee on Agriculture. The Commission proposal seems balanced, but a definition must now be reached of the way in which it is to be applied.

As regards the limitation of the guarantee, there again the detailed rules for its application must be examined to ensure against discrimination between producers. The idea of co-responsibility would appear feasible, provided that exemption be given to farmers in difficult regions having low incomes or small-scale production. Clearly, in the event of a generalized co-responsibility levy being adopted, the producers should be involved in the management of funds. In this connection, the co-responsibility levy introduced in the dairy sector has been transformed from an instrument exclusively designed to find new outlets for dairy products into a disguised own resource. Its main contribution is to finance Community expenditure in the dairy sector¹.

Your draftsman would point out in passing that the Commission's reflections on the common agricultural policy (COM(80) 800 final) were more precise in describing the instruments designed to control expenditure for certain markets. We might have expected the latest Commission report to take its analysis further by envisaging at the present time certain rules of application.

19. The Committee on Agriculture considers that the structures policy should aim at reducing regional disparities. It is therefore necessary to promote a regional approach to structures policy through coordinated intervention by the three Funds within the framework of integrated action. It would also be desirable for Community action to be harmonized with action undertaken by the Member States under their own regional policies.

The Mediterranean regions merit particular attention, given that Spain and Portugal will be joining the Community. In this connection, we can approve the spirit of the Commission proposals for action concerning incomes, the market, production and structures. But once again, we must wait for the first concrete proposals in order to see whether these programmes effectively meet the needs of the Mediterranean regions.

20. Particular attention must also be paid to mountain and hill regions, where the conditions of exploitation are especially difficult. Aid provided for mountain and hill farming must be substantially increased

¹ See preliminary draft budget for 1982, Volume 7/A.

if we wish to maintain the farming population in these regions. It must not be forgotten that this population enhances the potential of these areas by conserving the natural environment. Farming, for example, in particular stock farming, is a means of protection against avalanches at medium attitude. Furthermore, jobs are created by maintaining the active farming population in mountain and hill areas inasmuch as this population contributes towards the maintenance of village life, which is beneficial both for tourism and craft activities.

Aid to mountain and hill regions should therefore be increased. However, the Commission should consider the desirability of envisaging new action in addition to that provided for under Directive 75/268/EEC with a view to aiding mountain and hill areas more effectively, in particular for the benefit of the poorest farmers or those working under especially difficult natural conditions. This examination ought to be carried out in close collaboration with the populations concerned and, in particular, with their political and socio-professional representatives.

21. Finally, when mentioning the structural problems, the Commission should have laid greater stress on the need to develop a strong agri-foodstuffs industry in Europe, particularly in the Mediterranean regions and in Ireland. This action would make it possible to avoid the destruction of fruit and vegetables (euphemistically called 'withdrawal from the market') which makes a particularly unfavourable impression on public opinion. It should be established whether the existing instruments under Regulation (EEC) No. 355/77¹ on joint action to improve conditions for the processing and marketing of agricultural products are sufficient to develop the agri-foodstuffs industry, particularly in the Mediterranean regions, which suffer from considerable seasonal difficulties.

Such action would contribute towards the development of the market economy inasmuch as farmers could sell their products to processors instead of sending them in for intervention or destroying them to maintain prices.

The development of a strong agri-foodstuffs industry must naturally be backed up by the search for new outlets, particularly as regards exports. This would be extremely beneficial for the balance of payments of the Member States on which the cost of oil imports is a heavy burden,

¹ OJ No. L 51, 23.2.1977, p.1.

22. The direct income aid advocated by the Commission for small-scale producers was also mentioned by the Committee on Agriculture in its report (see paragraph 15 of Doc. 1-250/81). The committee wishes that the European Parliament should be involved in the definition of criteria for aid when the Commission comes to make suitable proposals to the Council. In addition, the Committee on Agriculture wishes to know whether this income aid is coordinated direct aid, granted by the Member States with, where appropriate, a financial contribution by the Community, or whether it will be granted by the Community alone. If it were the former, the Committee on Agriculture fears that it might constitute a first step towards a renationalization of the common agricultural policy, and recalls that the Commission itself has rejected renationalization. It might be asked whether this imprecision does not reflect contradictions within the Commission itself.

At all events, the Committee on Agriculture strongly reiterates its opposition to any attempt at renationalizing the common agricultural policy.

Renationalization is unacceptable, not only to the farmers themselves, but also at a political level as it would eventually spell the end of the European Community itself. What would be Europe's fate if it had to tackle world problems in extended order, while the world is dominated by powers on a continental scale? This prospect should give second thoughts to those who condemn out-of-court the common agricultural policy.

23. As regards tighter control of the quality of products and the strengthening of the Commission's powers and means of control over the EAGGF, the Committee on Agriculture would refer the reader to points 12(f) and 31(vii) respectively of its abovementioned report.

It is important that the Community should produce quality products, in the interest both of its trade and the consumer. This is an essential commercial requirement if the Community wishes to increase its sales on external markets. It is a moral duty when the Community delivers products to developing countries as food aid. There have been cases in the past of deliveries of food aid by unscrupulous operators which have damaged the Community's image in the developing countries. Quality control of products delivered as food aid should therefore also be improved.

24. It is also important that the Commission should be able freely to control the utilization of Community funds in all States. Improved cooperation should be established between the Member States administrations and the Commission's control services. However, thought should be given as to

whether the Commission should not possess a body of Community inspectors responsible for combating fraud and able to act without prior authorization or notice in the Member States. The Commission should ensure compliance with the Treaties and the proper utilization of Community funds. It is in the interests of all the Member States that own resources are not allocated for the financing of fraudulent operations. Under existing Community law, the Commission does not have the power to verify itself the utilization of Community funds. The Member States should therefore agree to correct this anomaly.

25. The problem of national aid is a difficult and delicate matter on which the Committee on Agriculture has adopted a clear position (see paragraphs 23 to 26 of its report). It opposes uncoordinated national aid which distorts conditions of competition between farmers. The Commission must make full use of its powers under the EEC Treaty to prohibit aid incompatible with the common market. This naturally presupposes that the Commission is informed by the Member States of the aid which they grant, pursuant to the Treaty. As this does not always appear to be the case, the Commission services responsible for monitoring and controlling national aid granted to agriculture should be strengthened. This would be a first step towards a more effective functioning of the common market.

26. It is to be regretted that the Commission has not raised the more general problem of taxation in agriculture, social security, different rates of inflation and interest rates which have an undoubted impact on the competitiveness of the Member States' agriculture. It is clear, in this connection, that the common market will not be fully achieved until there is effective economic and monetary union. In order to achieve this, the European Monetary System (in which, preferably all Member States should participate) should be strengthened, its functioning improved and an end put in the future to use of monetary compensatory amounts which, in time, distort conditions of competition between Community farmers.

27. In addition, the Committee on Agriculture wishes to draw attention to a serious omission from the Commission report - namely the Commission's views on the problem of enlargement, of which it makes no mention. In its 'Reflections on the common agricultural policy' the impression was given that the Commission was proposing adjustments to the CAP in order to take account of the problems posed by the enlargement of the Community, particularly in such sectors as fruit and vegetables and olive oil. In its report, on the other hand, the Commission has nothing to say on the subject. We can only deplore that this should be so, given that the entry of Spain into the Community will probably disturb the balance on certain markets, whereas that of Portugal will give rise to serious financial problems concerning the structural action to be implemented in that country.

This example shows clearly that no solution of the current financial problems of certain Member States can be envisaged without considering the implications for a Community of Twelve. The difficult financial situation from which certain Member States may suffer is thus only relative, whether they claim that they do not receive enough or whether they say that they pay too much, and no attempt should be made at reaching a final solution without allowing for the prospect of enlargement.

28. Finally, the Committee on Agriculture has the strongest possible reservations as regards the corrective mechanisms for the United Kingdom advocated by the Commission in its report pursuant to the mandate of 30 May 1980.

It seems strange, to say the least, to compare that country's share of Community GNP and its share of expenditure under the EAGGF-Guarantee Section in order to establish the amount of compensation which it ought to receive from the Community. Could this same method not be applied to all the Member States?

Furthermore, when the Commission declares that 'the compensation could be financed by Member States other than the United Kingdom via abatements on their receipts from the Community, based on the payments they receive under the EAGGF Guarantee Section', it might be asked whether the Commission is not really inciting Member States to finance certain policies - and why not the common agricultural policy - from national budgets instead of from own resources.

Assuming, however, that this method of compensation were adopted, it would be necessary to deduct from the compensation all imports which fail to comply with the principle of Community preference, as it would seem logical that the cost of such imports should be met by the Member States concerned. The Treaty gives each Member State the freedom to obtain its supplies on

either the world market or the Community market. But if a State prefers to obtain its supplies on the world market, it should pay the price for so doing. That is the meaning of Community preference.

There is no doubt that the method envisaged by the Commission, if it is maintained, threatens the essential achievements of the Community hitherto. The idea of a 'Europe à la carte' may be justified in certain sectors of advanced technology (aerospace manufacturing, space etc.), but not when the aim is to construct a harmonized entity within which agricultural and industrial products must move freely. What would be the result, if certain policies were financed partly by the Community and partly by the Member States, with the danger that the richer States might be able to do more for their own citizens? It should be remembered that, in its 'Reflections on the common agricultural policy', the Commission rejected the theory of 'two-tier financing'¹. Under such a system there would no longer be any coherence between action decided at Community level and that implemented at national level. We must therefore hope that, in drawing up its report pursuant to the mandate of 30 May, the Commission has not gone back on its reflections of December 1980.

IV. CONCLUSIONS

29. At the beginning of its critical review, the Committee on Agriculture expressed its regret that the Commission had taken together the problems of the British contribution and a reform of the common agricultural policy. The CAP cannot be held responsible for a situation brought about by historical factors.

Let us first of all recall that, in the 18th century, the United Kingdom sacrificed its agriculture for the benefit of its industry. Given this fact, it is normal that it should derive less benefit from the common agricultural policy than other Member States with a clearer agricultural vocation.

In the 19th century and in the first half of the 20th century, the United Kingdom founded its prosperity on trade with its Empire. Notwithstanding its decolonization, this country has not broken its trading links with those parts of its Empire now brought together within the Commonwealth, and it can be understood that, despite its accession to the Community on 1 January 1973, the United Kingdom has not yet completely re-adjusted its pattern of trade. Non-respect for Community preference is expressed in levies and customs duties, although it must be recognized that the United Kingdom is not alone in failing to respect Community preference. Naturally, this non-respect for Community preference increases the United Kingdom's deficit vis-à-vis the Community.

¹COM (80) 800 final, p. 14

30. However, it must be made quite clear that this conception of the situation in no way reflects a Community spirit. The theory of a 'fair return' is unworthy of a Community. It penalizes the smaller countries and favours the richer countries. The principle of a Community is, on the contrary, to transfer resources between rich countries and less rich countries. The idea of a fair return should therefore be replaced by solidarity.

31. It is on the basis of that solidarity that we should recognize that the United Kingdom might receive more from the Community. Its industry has aged, its cities and infrastructures need to be rebuilt or modernized. But the United Kingdom is not the only State in this situation. Consequently, even if we can agree that the United Kingdom should benefit from a special contribution, this should nevertheless be seen as a solution of a specific and provisional nature.

32. The economic development of the United Kingdom and other Community regions facing serious economic difficulties is dependent upon the implementation of new policies, in such fields as industry, transport, energy, research etc.. This implies the raising of the 1% ceiling on VAT, and a diminution of the relative share of agriculture in the Community budget. Budgetary expenditure on agriculture, which amounts to 0.9% of the Community's gross domestic product, is still too low to have a macro-economic impact. It is clear, therefore, that the Community can make a significant contribution to the economic development of our Member States provided that the political will exists. That will is still lacking.

33. To round off this analysis, it must be made clear that the Community cannot be divided into countries which pay and countries which receive. It is admittedly possible to draw up a financial statement showing the amount which each country pays to and receives from the Community, but this approach is false inasmuch as membership of the Community should transcend considerations based purely on accountancy. Membership of the Community brings advantages which cannot be quantified: access for a country's industry to an extended market, without customs duties; elimination of technical barriers to trade; a new dimension in the foreign policy of each State, particularly with regard to negotiations with major economic and political powers; enhancement of the diplomatic strength of each State when it speaks on behalf of the Community, during presidencies etc.. Membership of the Community thus forms a whole and the quantitative aspects cannot be disassociated from the qualitative aspects. This factor gives further grounds for criticism of the Commission report, which has considered only the quantitative aspect in dealing with the problem of the British contribution and that of the reform of the common agricultural policy.

34. In taking together the problems of the British contribution and the reform of the common agricultural policy, the Commission has based itself on a false premise, namely that the lack of budgetary resources (assuming a 1% ceiling on VAT) makes it necessary to reform the common agricultural policy. Policies cannot be defined on the basis of the budget. On the contrary, the budget is the expression of the policies which have been decided. In the present case, what is needed is to establish which agricultural policy the Community wishes to pursue and then to draw the financial consequences. Your draftsman would appeal to the Member States to be coherent in the decisions which they adopt, as they cannot at the same time seek to maintain the existing situation, aid Member States in difficult economic situations and refuse the corresponding financial means.

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35. On the basis of its considerations concerning the 'Mandate of 30 May 1980', the Committee on Agriculture asks the Committee on Economic and Monetary Affairs to include the following points in its report and draws attention to the Commission's observation that a greater degree of cooperation on economic and monetary questions is needed in the Community; this is also required in order to ensure that the agricultural policy can be maintained and developed as a common policy.

'The Committee on Agriculture'

A. As regards the further development of the Community

1. Considers that a solution to the problem of the British contribution should be sought within the framework of an overall analysis of the effects of the different Community policies and with a view to the further development of the Community, but firmly refuses that this solution should be sought only by calling into question the common agricultural policy and that the latter policy should be amputated for the benefit of others;
2. Points out that the budget is the financial expression of policies decided by the Council and that those policies should not be defined on the basis of the budget;
3. Is convinced that the problem of the British contribution will be effectively solved only when other Community policies have been implemented following the removal of the ceiling on own resources, as previously called for by the European Parliament, and on the basis of a clearly stated political resolve;

4. Affirms, nevertheless, that the development of existing or future Community policies should be considered in the light of the intrinsic merits of such policies and not as a means of adjusting the budgetary contribution of any Member State;

5. Affirms its strong opposition to any application of the principle of a 'fair return', a principle which penalizes the less rich countries; declares that the Community can be built only through solidarity among its members;

6. Takes the view, however, that the Community budget has not been effective in fulfilling its redistributive function between the rich and less rich regions of the Community, and that the situation of the United Kingdom does not therefore constitute an isolated case;

7. Calls therefore for a strengthening of the Community's structural resources in order to reduce regional disparities within the Community, in particular by means of integrated regional programmes, together with the implementation of other policies to tackle the crisis of our economies;

B. As regards a possible corrective mechanism for the United Kingdom

8. Considers that, with regard to the deficit of the United Kingdom, a distinction should be drawn between the structural part due to the relative strength of its agriculture and the part resulting from trade relations maintained with third countries for historical reasons;

9. Requests therefore that an assessment be made of the financial consequences of these trade relations and that these consequences should not give rise to compensation from the Community budget;

10. Insists that any system of a corrective mechanism should incite the requesting Member State to integrate itself further into the Community as a whole by developing its trade relations with the other Member States.

11. Is of the opinion that such a financial adjustment must not be allowed to cause pressure on farm prices or adversely affect the financing of the CAP;

12. Considers that any corrective mechanism should be only temporary and for a limited period;

13. Recalls the dynamic role of the common agricultural policy in the construction of Europe;

Stresses at the same time the serious production and regional distortions it causes;

Recognizes that such policy should be adjusted to take account of changed circumstances if it is to survive;

14. Reiterates its opposition to any form of renationalization of the common agricultural policy;

15. Repeats its request that the EAGGF should be relieved of all expenditure not concerning agriculture, in order to bring out the truth as regards the real cost of the common agricultural policy;

16. Emphasizes the contribution that agriculture is making to employment directly and indirectly in the Community, particularly at this time when unemployment is running at very high levels;

17. Considers it unrealistic and economically unjustified that Community prices should be brought closer towards those prevailing in competing countries, or world prices, and that such action would eventually threaten the independence of the Community's food supplies and increase unemployment, and threaten the survival of many farms operated on a full-time basis;

18. Reiterates its conviction that pricing policy alone cannot achieve the objectives laid down in the Treaties and that this policy should therefore be coupled more effectively with appropriate regional and structural measures;

19. Reaffirms its preference for a price policy fixed on the basis of objective methods;

20. Does not believe that direct income aids to farmers should have any role in an efficient agricultural policy, whether financed by the Community or the Member State, but does not exclude the possibility of social or regional aid being made available for the maintenance of population and economic activity in the less-favoured areas;

21. Asks to be involved in the definition of any Community production targets and calls for the utmost prudence as regards limiting access to intervention in order not to penalize small and medium-sized agricultural holdings, but suggests at all events that greater use should be made for this purpose of quality criteria;

22. Proposes that imports of competing products from countries other than developing countries be monitored more effectively and curbed, if necessary by the introduction of taxes;

23. Points out the need to establish an overall policy in respect of oils and fats;

24. Considers it necessary to stimulate output of products which are in deficit in the Community and to promote methods of stock-farming based on the use of fodder produced on the farm;
25. Emphasizes again the need to pursue an active and permanent export policy based on a sound Community policy of buffer stocks, refunds and export credits. This policy should be backed up by a Community exports agency and the conclusion of long-term supply contracts;
26. Recommends that the Community should export surplus food supplies, with special export refund levels, to developing countries, in regard to their ability to pay for Community agricultural produce.
27. Believes it would be useful to reach agreement with the principal producer countries of agricultural products in order to prevent production being hampered by uncontrolled competition and with a view to regulating and stabilizing the markets in the interests of producers and consumers;
28. Considers that the unrestricted duty-free import of substitutes such as tapioca, soya, etc. contributes substantially to surplus production in certain sectors and thus places an extra burden on the Community budget;
29. Requests that, within the framework of such action, greater account be taken of the interests of the developing countries through multiannual supply contracts for available agricultural products at preferential rates;
30. Requests that full consideration be given to the impact of the energy crisis on agriculture worldwide and in the EEC, how it will affect the production cost and availability of food in future, and also the possible contribution that agriculture can make towards easing the energy supply problem;
31. Calls for a strengthening of the social and structural policy in less-favoured areas particularly in mountain and hill areas and the Mediterranean regions;
32. Affirms that the impact of regional policy in the latter regions is illusory without a strengthening of the market regulations for Mediterranean product lines;
33. Also stresses, in the context of an export policy, the need to promote the agri-foodstuffs industry in the Community, particularly in regions like Ireland and the Mediterranean area;
34. Calls upon the Member States to cooperate effectively with the control services of the Commission responsible for establishing the justification of expenditure incurred under the EAGGF; also requests that the Commission should be given adequate means of control and that its control services be permitted to operate in collaboration with the administrations concerned throughout the territory of the Community;

35. Reiterates its opposition to uncoordinated national aid; calls upon the Commission to make use in this matter of all its powers pursuant to the EEC Treaty;

36. Regrets that the Commission has failed to mention the economic and social climate in which European agriculture operates (taxation, social security, inflation rate, interest rate ...) with a view to ending the resulting distortions of competition between Community farmers;

37. Stresses the need, in this connection, to strengthen and develop the European Monetary System to which all Member States should belong in order that the European Economic Community may eventually form an economic and monetary union;

38. Considers, finally, that given the current state of progress, the adjustment of the CAP should not be further delayed.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr PFENNIG

On 23 September 1981 the Committee on Budgets appointed Mr PFENNIG draftsman.

The committee considered the draft opinion at its meetings of 24 September and 1 October 1981 and adopted it on 12 October 1981 by 10 votes in favour, 1 against and 1 abstention.

Present: Mr Lange, chairman; Mr Notenboom and Mr Spinelli, vice-chairmen; Mr Adonnino, Mrs Barbarella (deputizing for Mr Gouthier), Mr Brok (deputizing for Mr Konrad Schön), Mr R. Jackson, Mr Kellett-Bowman, Mr Lange, Mr Price, Mrs Pruvot (deputizing for Mrs Scrivener), Mr Saby and Mr Simonnet.

The Committee on Budgets requests the Committee on Economic and Monetary Affairs to include the paragraphs of the resolution set out below in its report on the Commission report on the Mandate of 30 May 1980:

- whereas it is 15 months since the Council instructed the Commission to submit specific proposals for restructuring the Community budget and reforming agricultural policy,
- whereas the Commission was urged for the first time in March 1981 in the guidelines adopted by the European Parliament on the European Community's financial and budgetary policy for 1982 to put forward specific proposals for decisions on changes in the agricultural sector, and in particular the amendment of the agricultural regulations, and on the utilization of own resources - including possible new own resources - for new policies and to take account of any such measures in the preliminary draft budget for 1982,
- whereas the European Parliament recently urged the Commission in its resolution on the future of the budget of the European Communities of June 1981¹ to carry out a review of existing expenditure under the Community budget in accordance with the priority areas listed in paragraph 15 of the resolution, to take account of the proposals put forward in the resolution in its report on the Mandate, and to submit to the European Parliament by December 1981 specific measures for the conclusion of a financial agreement,
- whereas the European Parliament has already made known its point of view and proposals in its
 - . resolution of 15 November 1979² on the communication from the Commission entitled 'Convergence and Budgetary Questions';
 - . resolution of 17 April 1980³ on the European monetary system (EMS) as an aspect of the international monetary system; and
 - . resolution of 18 September 1980⁴ on the European Community's contribution to the campaign to eliminate hunger in the world;
 - . resolution of 18 September 1980⁵ on the Commission's proposals for:

¹ OJ No. C 172, 13.7.1981, p.54

² OJ No. C 309, 10.12.1979, p.34

³ OJ No. C 117, 12.5.1980, p.56

⁴ OJ No. C 265, 13.10.1980, p.37

⁵ OJ No. C 265, 13.10.1980, p.47

- a Regulation instituting supplementary Community measures to contribute to the solution of the principal structure problems affecting the United Kingdom and hence to the convergence of the economies of the Member States of the Community;
 - a Regulation amending Regulation (EEC) No. 1172/76 of 17 May 1976 setting up a financial mechanism;
 - . resolution of 6 November 1980¹ on the draft general budget of the European Communities for the financial year 1981;
 - . resolution of 13 February 1981² on the communication from the Commission to the Council concerning convergence and budgetary questions;
 - . resolution of 9 April 1981³ on the Community's own resources;
 - . resolution of 17 June 1981⁴ on possible improvements to the common agricultural policy;
 - . resolution of 17 June 1981⁵ on the restructuring of economic and monetary policies and its resolution of the same date on the future of the Community budget,
1. Regrets that although the Commission provides an accurate analysis of the Community's problems in the report on the Mandate of 30 May 1980 which it submitted at the end of June 1981, it has as yet indicated no more than a general approach to their solution without formulating any specific proposals;
 2. Reminds the Commission of the statements made in its report and repeated later to the effect that it is prepared and in a position to put forward the appropriate detailed proposals at an early date;
 3. Recalls in this connection the repeated demands made by Parliament and the Committee on Budgets that such proposals be put forward in sufficient time for them to be incorporated in the budget for 1982 in the course of the budgetary procedure;
 4. Expresses its deep concern, therefore, at the Commission's repeated attempts to gauge the Council's attitude towards proposed reforms by sending it communications, thus running the danger of seeing essential initiatives and proposals watered down at the planning stage or even of remaining inactive in the absence of a reaction from the Council;

¹OJ No. C 313, 1.12.1980, p.39

²OJ No. C 50, 9.3.1981, p.93

³OJ No. C 101, 4.5.1981, p.75

⁴OJ No. C 172, 13.7.1981, p.32

⁵OJ No. C 172, 13.7.1981, p.50

5. Appeals to the Commission to become conscious of its political task in submitting proposals which are essential to the further development of the Community and to resume its original role as 'the driving force of the Community';
6. Expects the Commission to put forward as soon as possible a well-balanced package of specific proposals which analyse all the Community's previous expenditure, do not attempt to solve budgetary problems simply by introducing new levies and taxes and which
- enable the unbridled production of agricultural surpluses to be brought under control and the agricultural policy to be clearly realigned with the aims of the Treaty, so as to ensure that the rate of increase in agricultural expenditure by comparison with the rate of increase in own resources is as low as possible,
 - determine the degree of urgency to be attached to the further development of rudimentary Community policies, whether or not they have financial implications, and to the establishment and financing of new Community policies (e.g. shipbuilding, textile industry, data processing, harmonization of technical standards and norms),
 - contain a multiannual programme for a European regional policy in which the emphasis is placed on specific projects, especially in the Mediterranean sector, and the present fund system, involving the repayment of resources contributed on a quota basis is abandoned,
 - ensure that the restructuring of the budget and the reform of the agricultural policy are accompanied by the financing of other, necessary Community policies, outline the financial implications of new Community policies and also show where and in what amount further own resources are required,
7. Calls upon the Commission to make proposals for a general financial mechanism which would
- (a) enable the Community to develop policies without constantly having to consider the financial implications of each such policy for the individual Member States,
 - (b) prevent Member States being treated differently from each other, and
 - (c) contribute towards the convergence of the economies of the Member States.

OPINION OF THE COMMITTEE ON ENERGY AND RESEARCH

Letter from Mrs Hanna WALZ, chairman of the Committee on Energy and Research, to Mr J.P. MOREAU, chairman of the Committee on Economic and Monetary Affairs

Subject: Commission report on the mandate of 30 May 1980
(COM(81) 300 final)

The Committee on Energy and Research considered the above-mentioned report at its meeting of 22 September 1981¹ and wishes to deliver the following opinion:

The Committee on Energy and Research welcomes the fact that the Commission has interpreted its mandate broadly so that it covers more than just an analysis of the Community's budget problems (the structural changes mentioned in the mandate). The Commission does not feel it can assess the 'reality' of the Community's energy policy as the effects of the budget are too limited to be 'meaningful'.

If this is true, the committee wonders whether the Community energy policy proposed in the report on the mandate constitutes a reality different from that which can be implemented under the budget.

In brief, the Commission proposes to increase the production of traditional and new forms of energy on the grounds that this will boost economic growth and development and employment and improve the balance of payments. Precise energy saving targets have also to be set, new infrastructures created and supply sources diversified.

Coordination of national resources and greater use of Community instruments are proposed as a means of implementing this policy.

The Committee on Energy and Research agrees with this analysis but points out that the description of the Community's energy problems and the proposals for solving them are much the same as the statements made by the Commission over the last ten years. The policy hitherto pursued cannot be described as a Community energy policy. It is therefore difficult to believe that the policy proposed in the report will be a genuine policy. The Council has often been criticized by the Commission for its lack of constructive action. The committee feels that the same criticism

¹ Unanimously adopted on 22 September 1981

Present: Mrs WALZ, chairman, Mr ADAM, Mr CROUX, Mr EISMA (deputizing for Mrs BONINO), Mr FUCHS, Mr GALLAND, Lord HARMAR-NICHOLLS (deputizing for Mr PRICE), Mr LALOR, Mr MEO, Mr MORELAND, Mr MÜLLER-HERMANN, Mr PAISLEY, Mr PURVIS, Mr SÄLZER, Mr SASSANO, Mr VANDEMEULEBROUCKE, Mr VERONESI, Mr VIEHOF (deputizing for Mr SCHMID), Mr VLAHOPOULOS (deputizing for Mr SOUSSOUROYIANNIS).

can now justifiably be made of the Commission: its report does not propose any specific action in respect of the energy policy, merely vague declarations of intent.

Unlike the Commission, the Committee feels that only action programmes granted financial aid from the budget can be regarded as Community policies even though they may be fragmentary. While a limited Community policy can also be pursued through converging measures taken by the Member States, i.e. without Community funding, the result would likewise be fragmentary. Both are required for a common energy and research policy. Hence the situation is manifestly different from that described in the Commission report. The following is given by way of illustration from the Commission's preliminary draft budget for 1982 (Million EUA):

	<u>Commitments</u>		<u>Payments</u>	
	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>
Total budget	23,919	20,786	22,373	19,300
Energy (Chapters 70 and 71)	91	109	57	35
Research (Chapters 73 and 74)	437	284	355	261

(Nuclear research and nuclear safety account for almost 80% of the research budget).

These budget proposals have as usual been considerably reduced by the Council.

A common energy policy can obviously not be achieved with the proposed budget appropriations, despite the undisputed importance of the individual items. The committee therefore proposes that in future Community financing of the energy policy should to a greater extent be based on e.g. the EIB's existing borrowing and lending facilities. The committee points out however that the EIB's energy policy priorities focus mainly on nuclear development and are thus different from those set by Parliament, i.e.: (1) energy savings, (2) new energy sources, (3) internal resources and (4) nuclear energy.

Apart from nuclear research, which is important and of a general and Community nature, the Commission's intentions as regards the research policy depart considerably from the facts as reflected in the budget. R&D programmes in the field of raw materials, quality of life, technological developments, long-term forecasts, the information market, innovation and distribution account for about 35 and 48 million EUA respectively in payment and commitment appropriations in the 1982 preliminary draft budget. Appropriations of this order cannot 'make an original and probably unique contribution to the development of new techniques and industry' as the Commission hopes when it admits that the Community 'is falling behind the other major industrial powers' in these areas.

The Committee on Energy and Research therefore requests the committee responsible to incorporate the following in its motion for a resolution:

the European Parliament,

- regrets the lack of genuine proposals for specific action - ~~including an~~ investment strategy - in energy and research, which would have the advantage of ensuring that an increased Community contribution would have a positive effect on employment, economic development, environmental protection and the balance of payments.

(sgd) Hanna WALZ

FIR
M. WALZ

OPINION OF THE COMMITTEE ON REGIONAL POLICY AND REGIONAL PLANNING

Draftsman: Mr COSTANZO

On 24 September 1981 the Committee on Regional Policy and Regional Planning appointed Mr Costanzo draftsman of an opinion.

At its meeting of 20 October 1981 the committee considered the draft opinion and adopted the motion for a resolution with 11 votes in favour and 1 abstention.

Present: Mr De Pasquale, chairman; Mr Costanzo, vice-chairman and draftsman; Mr Blaney, Mrs Boot, Mr Giavazzi (deputizing for Mr Zecchino), Mr Griffiths, Mr Harris, Mrs Kellett-Bowman, Mr Key (deputizing for Mr Hume), Mr Maher (deputizing for Mr Cecovini), Mrs Martin and Mr von der Vring.

The draftsman of the Committee on Regional Policy and Regional Planning:

1. Notes that, in its report on the Mandate of 30 May, the Commission has not confined itself to indicating how balance can be restored in the budget but has also tried to put forward proposals and guidelines for the whole range of Community policies;
2. Agrees that order should be restored to the budget in view of the need to make Community financial solidarity more effective and to distribute it more equally among all the Member States, notably as regards agricultural, regional and social policy, since the reduction of regional imbalances is still one of the priority objectives of the Community's policy;
3. Agrees that 'there can be no development of Community activities as long as the Community budget remains artificially limited by the current ceiling on its resources' and hopes that proposals designed to overcome this obstacle will be presented shortly;
4. Wholeheartedly agrees that if the Community is to play a more active role in the world this must not be at the expense of the more vulnerable regions and sectors, and that the needs of the regions must be better defined in the interests of a policy of active competition among the Member States;
5. Agrees that the problems of agricultural producers in regions facing difficulties caused by natural phenomena should be seen in a different perspective and, in particular, that the problems of the Mediterranean regions should be given greater consideration because of the importance of agriculture for their economies: the common agricultural policy should therefore help to improve the situation of these regions by means of structural as well as price and market measures, bearing in mind, however, that the CAP alone can never solve all their problems. As the Commission report states, the Community's agricultural instruments and other financial instruments will have to be used to help the Mediterranean regions overcome these difficulties;
6. Agrees that the Regional Fund and the Social Fund must be made more effective, particularly by concentrating resources in areas where the problems are most serious and by coordinating Community aid with national measures in order to maximize their combined effect;

7. Agrees that it is especially important to coordinate the Member States' regional policies with that of the Community and that it is also necessary to consider the regional impact of assistance provided under other policies;
8. Agrees on the need for greater concentration of ERDF resources by directing assistance from the national quota section of the fund to the regions which are suffering from serious structural underdevelopment and non-quota aid to the regions hardest hit by certain Community policies; also agrees that it is necessary to move away from the system of providing ERDF aid for isolated projects towards a new system based on the joint financing by the Community and the Member State concerned of integrated regional development programmes covering both infrastructure projects and individual projects;
9. Welcomes the Commission's intention to propose medium-term Community programmes for Mediterranean agriculture and, above all, hopes that programmes of this kind will be implemented as a matter of priority in view of the forthcoming enlargement of the Community; also hopes that these programmes will lead to higher levels of productivity in the agriculture and food sector as a whole in order to help it to catch up with developments and incomes in the agricultural sector in richer areas - the gap having been widened in the past decade by the uneven application of the CAP - taking account of the fact that programmes of this kind cannot fully achieve the expected results if Mediterranean producers are not guaranteed genuine Community preference, if there is no satisfactory policy for promoting domestic consumption and supporting exports and if the Member States are not encouraged to pursue an effective policy for the protection and proper use of land and the natural environment;
10. Welcomes the Commission's intention to increase ERDF and ESF appropriations, but hopes that the Regional Fund will increase by at least 50% more than the overall rate of increase of the Community budget;
11. Calls on Parliament to vote in favour of entering a new article in the budget to cover preparatory measures for the creation of a revolving fund for the benefit of Mediterranean countries belonging to the European Community as an instrument of economic and social policy designed to create permanent jobs;

OPINION

12. The committee on Regional Policy and Regional Planning considers that, although the report on the mandate of 30 May puts forward acceptable guidelines for the development and reform of Community policies, it is merely a statement of good intentions. It therefore proposes that the Committee on Economic and Monetary Affairs should include the following points in its motion for a resolution:

The European Parliament,

- (a) Urges the Commission to present, in good time, proposals designed to overcome the difficulties caused by the limits on budgetary resources;
- (b) Considers that the resulting increase in the margin of manoeuvre should be principally used to increase employment and convergence in the Community and that regional policy instruments are of special importance here;
- (c) Welcomes the Commission's aim to concentrate the Community's budgetary resources on regions in particular need, by taking special account of those areas which have suffered from serious industrial decline;
- (d) Proposes that a new article on a revolving fund for the benefit of Mediterranean countries should be entered in the budget from 1982 onwards;
- (e) Urges that medium-term Community programmes for Mediterranean agriculture should be implemented as a matter of priority and that these should also include measures to guarantee Mediterranean products genuine Community preference, while adequately promoting domestic consumption and providing effective support for exports, and be backed up by a policy of regional planning and support for activities related and complementary to agriculture (rural crafts, agritourism, afforestation, etc.);
- (f) Calls on the Commission to speed up the procedure for ERDF assistance and to work out, in close cooperation with the Member States, infrastructure and investment aid programmes to be financed jointly, thus stepping up its share of joint financing;
- (g) Calls on the Commission to encourage initiatives relating to 'integrated operations'.

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

Draftsman: Mr Konrad SCHÖN

By a Bureau decision of 22 September 1981 the Committee on Budgetary Control was instructed to draw up an opinion for the Committee on Economic and Monetary Affairs.

At its meeting of 1 and 2 October 1981 the Committee on Budgetary Control appointed Mr Konrad Schön draftsman. It considered the opinion at its meeting of 26 and 27 October 1981 in Luxembourg and adopted the opinion unanimously with one vote against.

Present: Mr Aigner, chairman; Mrs Boserup, vice-chairman; Mr Price, vice-chairman; Mr Konrad Schön, draftsman; Mr Antoniozzi, Mr Cluskey, Mr Irmer, Mr Kellett-Bowman, Mr Langes (deputizing for Mr Alber), Mr Notenboom, Mr Patterson (deputizing for Mr Battersby), Mr Saby and Mr Simmonet.

1. The report submitted by the Commission to the Council on 24 June 1981 was drawn up in pursuance of a mandate given by the Council. It is thus for the latter institution to judge whether this mandate has been carried out satisfactorily. However, this report deals with subjects of vital importance for the future of the Community and Parliament has a clear duty to take an active part in the current and future debate within the institutions on the restructuring and development of Community policies.
2. As Mr Thorn stressed in his forwarding letter, 'this mandate called for a review of the operation and funding of Community policies'. It was with that same objective that Parliament set up, immediately after direct elections, its Committee on Budgetary Control. Indeed, the work carried out by that committee since its creation will help to define Parliament's position on the Commission Report.
3. The approach used by the Commission is justified in theoretical terms. At the same time as defining an 'overall Community strategy', the Community 'must put its budgetary affairs in order'. During the current period of recession and restriction on public financing, it would be inconceivable either to seek the advancement of Community policies requiring funds or the creation of new policies, without having assessed the impact of Community financing, analyzed its possible shortcomings and proposed ways of improving the effectiveness of such financing.
4. Nevertheless, the Commission report remains extremely vague when it comes to defining the methods or even the objectives of improving the quality and effectiveness of Community financing. The report is so vague that one is obliged to doubt whether most of the Commission's ideas about improved effectiveness of financing and control of expenditure have been considered in depth.
5. In other words, although the Commission solemnly affirms that 'the most effective use of available funds must be seen as a permanent priority', its political resolve to put the Community's budgetary affairs in order remains extremely vague, and the concept of savings in the report would seem more of a declaration of intent than a clearly-defined objective: its view of budgetary disorder and imbalance is somewhat confused; its analysis of the causes of this disorder is scant and superficial; finally, it barely mentions the methods and objectives to be pursued in this field.

I. Disorder in the Community budget

6. The Commission's conception of budgetary disorder remains extremely unclear and, although it claims not to have concerned itself with illusory Community balances, its analysis of the utilization of budget appropriations aims at establishing the existence or otherwise of possible problems of particular concern to the Member States. The real budgetary imbalances exist at quite another level, stemming from the disequilibrium between the agricultural sector and other sectors, the insufficiency of appropriations for structural policies, the failure of Community financing to narrow the gap between the poor and rich regions of the Community and to attain the objectives which have been pursued. These imbalances are thus more qualitative than quantitative and are based on the fact that there is no concept of a new Community policy.
7. Indeed, the 'inequitable' imbalance for certain Member States between their contributions and the funds they receive is a consequence of fundamental disequilibria. These inequitable situations illustrate a lack of coherence, rather than the absence of Community budgetary policy. Depending on circumstances, certain sectors of the Community's financial activities develop more rapidly than others without the budget fulfilling its coordinating and regulating function.
8. These symptoms are serious, as they constitute a direct threat to the very basis of the Community by calling into question the idea that each Member State, through its membership of the Community, increases in general terms and in the long term its means of action and enhances the well-being of its citizens. However, any attempt to eliminate these symptoms by attacking the foundations of the Community and one of its underlying principles, namely financial autonomy, would be tantamount to throwing out the baby with the bath water.
9. Consequently, in addition to temporary measures aimed at remedying forthwith 'inequitable situations', the correction of the Community's budgetary shortcomings presupposes the prior creation of the necessary instruments for defining and administering an effective Community budgetary policy.
10. Since it first assumed responsibilities in the budgetary field, Parliament has repeatedly emphasized the following preconditions for the achievement of the above objective, viz.:
 - the Community must have complete financial autonomy, in other words its budgetary authority must have unrestricted power to fix the level of its expenditure and revenue - of course within the framework of a European financial system;

- this budgetary authority must fulfil its function and take budgetary decisions which do not constitute a simple accounting record of decisions taken elsewhere, but are the expression of an effective policy and specific objectives;
- the budgetary instrument should be such as to enable the budgetary authority to fulfil its function. In particular, the existing budget should encompass borrowing and lending operations and the EDF;
- the Commission should have full responsibility for the implementation of the budget;
- decisions on budgetary policy taken within the framework of the budget should not be blocked by the fact that the Council fails to act at legislative level and, by its attitude, hinders implementation of the budget.

II. Increasing the impact of Community financing

11. The Commission's analyses of the impact of its financing, and its proposals to improve the control of such financing, are extremely imprecise.
12. As regards the CAP, the Commission notes that the current volume of expenditure is not excessive, particularly if compared with the cost of the agricultural policies of other countries, and that such expenditure has ensured 'security of food supplies, satisfaction of consumers' requirements, increased productivity and higher farm income'. The Commission alone is answerable for this assessment, particularly as regards the last point.
13. It nevertheless concludes that 'the imperatives of sound market management, combined with budgetary constraints, call for improved control of the unwelcome effects of the operation of market organizations', and formulates a whole series of proposals which should be left to the judgment of the Committee on Agriculture, as they concern the objectives of agricultural policy. On the question of more rigorous budgetary management, the Commission confines itself to recommending tighter Community control of the management of expenditure under the EAGGF, whereas it would be necessary in this connection to analyze in detail the advantages and disadvantages of the decentralized budgetary management of the EAGGF-Guarantee Section, and the role of intervention agencies.

It is clearly illusory to speak of tighter control of agricultural expenditure without tackling the question of how such expenditure is implemented.

14. As regards other budgetary expenditure, the Commission is even more vague, and merely notes that the very limited volume involved leaves little room for flexibility in attaining the objectives of the Funds. It adds laconically that 'there is considerable room for improvement in their efficiency'. Following on from that euphemism, the Commission reels off solutions as though reciting a chant: concentration of efforts, integration of the various Community instruments, coordination with national resources, additionality.

15. These remedies have been proposed so often in recent years without result that we are entitled to ask whether their inclusion is not designed to conceal more serious difficulties.

Generally speaking, the Committee on Budgetary Control, which shares the Commission's view that the effectiveness of the various Community funds could be considerably improved, ascribes this lack of effectiveness to

- the imprecision of the objectives pursued
- excessively cumbersome decision-making procedures
- the dissipation of responsibility for implementation
- in the great majority of cases, the subsidiary nature of Community financing.

The result of these shortcomings is that the Community objectives of the funds are watered down during the various stages of the procedure involved and these funds have come to be considered as instruments of mere financial compensation.

16. As regards the Regional Fund in particular, it is clear that the division of the endowment into national quotas is a fundamental obstacle to an effective Community regional policy, which cannot be efficient under the current system. However, the modifications to the Fund mechanisms proposed by the Commission appear positive inasmuch as they are aimed at incorporating resources into programmes defined on the basis of Community objectives.

17. As regards the Social Fund, the Commission considers that it 'should be free from the constraints which have hitherto limited its effectiveness', and states that it will present proposals on the means of formal organization of the Fund. Naturally, the need remains to establish a clear definition of these 'constraints'. Furthermore, even if the objective - the creation of jobs - is spelt out clearly, it could facilitate the definition of a Community policy only if it included specific Community features and elements.

18. Finally, the Commission refers to borrowing and lending activities and implies that their volume may be increased still further.

Even more than in the case of other funds, an increase in the volume of such financing carries the risk of creating a mere illusion of a Community policy unless their utilization is governed by effective Community criteria and procedures, which is at present hardly the case.

III. Objectives and methods for improving the effectiveness of Community financing

19. A report such as that submitted by the Commission cannot be exhaustive and has to confine itself to basic principles. Nevertheless, given that it is a report devoted to the restructuring of the budget, we were entitled to expect certain developments or at least certain ideas on ways to improve the effectiveness of Community financing.

20. Although the Commission has been extremely evasive on the extent and nature of the ineffectiveness of Community funds, it implies that the degree of such ineffectiveness is considerable. A first step to improve the effectiveness of Community financing would be to evaluate it. However, an assessment of the impact of the various Community funds is virtually non-existent at present. Furthermore, a number of obstacles, which are at the same time the causes of this ineffectiveness, would stand in the way of such an assessment: the subsidiary nature of Community funds by comparison with national funds, the watering down of Community objectives, etc.. The only assessments which have been carried out have dealt with isolated cases and have been partial, negative and dangerous; their aim has been to produce for each Member State a comparison between its budgetary payments and the funds which it receives.

A valid assessment of the impact of such funds should, on the contrary, take as its point of departure the objectives of financing policies.

21. In addition, the principle feature of the current management of the various Community funds is a total lack of transparency due to the extremely cumbersome and complex decision-making and implementation procedures and the dispersion of responsibilities among the various Community and national authorities. This bureaucracy makes it difficult to undertake virtually any analysis of the shortcomings of the system. A further difficulty would be the Commission's occasional reluctance to give an objective analysis of the difficulties which it encounters.

22. Finally, the Commission has difficulty in organizing itself in line with the objectives it proposes for improving the effectiveness of Community funds: concentration, coordination, integration, etc. The allocation of responsibilities and sectors within the Commission and among its various services largely fails to reflect these objectives.

IV. Conclusions

23. The Committee on Budgetary Control proposes that the following points should be included in the resolution:

The European Parliament,

- approves the approach formulated by the Commission and aimed at re-examining the operation and funding of Community policies with a view to proposing the necessary reforms for a restructuring of the Community budget;
 - considers, however, that the report submitted by the Commission does not constitute an adequate review of this operation and funding, and that as a result the reforms proposed may well fail to achieve the desired objective, given that they have not taken account of the preconditions for effective restructuring;
 - emphasizes that the Community's budgetary disorders are above all qualitative and are principally due to the absence of a Community budgetary policy;
 - considers that solutions aimed at eliminating merely the symptoms of these disorders, solutions which are extremely serious when they lead the Member States to compare their contributions and the funds they receive, can be only provisional and temporary, and that final solutions must tackle the effective causes of these disorders;
 - stresses that the bureaucratic watering-down of the objectives pursued under - and the failure to apply fully the principle of additionality in the administration of - the Community funds reduces the latter to the role of mere instruments of financial compensation, which are judged only on the basis of their redistributive effect and provoke reactions of national egotism in all Member States inspired by the idea of a fair return;
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- recommends once again that the necessary instruments and mechanisms for the definition and application of a Community budgetary policy should be set up, viz.:
 - (a) a genuine dialogue between the institutions concerned on the objectives of budgetary policy;
 - (b) a single budget for all the financial and budgetary activities of the Community;

- (c) total financial autonomy, in other words the unrestricted power for the budgetary authority to fix the volume of expenditure and revenue in the framework of a European financial system;
 - (d) full responsibility for the Commission as regards the implementation of the budget as provided for in Article 205 of the EEC Treaty;
 - (e) a guarantee that the implementation of budgetary decisions will not be blocked by the Council's attitudes at the rule-making level;
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- considers that real restructuring of the Community budget can be achieved only if the function of the Community's budgetary policy is defined and specified on the basis of objective and rational criteria, and if the competent Community institutions enjoy powers corresponding to the function thus defined. This function should be, depending on the circumstances,
 - the financing of an exclusively Community policy;
 - financial support for national policies in which the Community element should be developed;
 - the coordination of national policies;
 - notes in general a discrepancy between the Community nature of objectives and the delegation of responsibilities to the national authorities;
 - regrets the lack of an assessment of the impact of the funds operated hitherto to serve as a basis for the projected development of Community policies and wishes to see the Commission granted its own supervisory functions commensurate with its administrative responsibilities.