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ANNEX II

to the report by Mr A. SPINELLI (Doc. 1-660/81)
drawn up on behalf of the Committee on Budgets

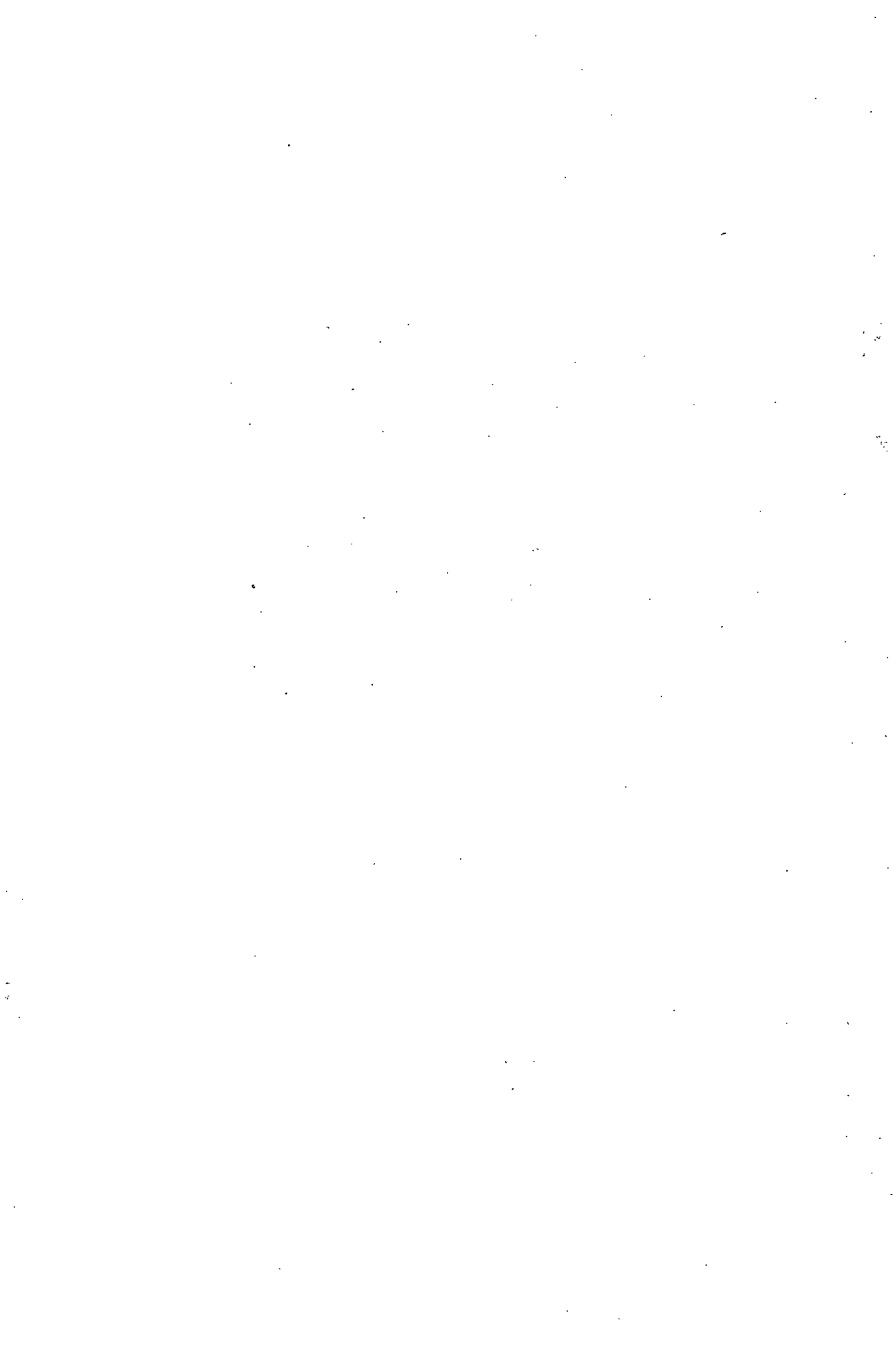
OPINIONS

on the draft general budget of the European Communities
for the financial year 1982

PE 74.917/fin./Ann.II

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OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr A. FANTON

On 16 February 1981 the Committee on Agriculture appointed Mr Fanton draftsman of an opinion.

It considered the draft opinion at its meetings of 6 and 7 July, 21 and 22 September and 1 and 2 October 1981.

At the last of these meetings it adopted the draft opinion by 15 votes to 1 with one abstention.

Present: Sir Henry Plumb, chairman; Mr Fanton, draftsman of the opinion; Mr Blaney (deputizing for Mr Skovmand), Mr Battersby, Mr Costanzo (deputizing for Mr Diana), Mr Davern, Mrs Herklotz, Mr Gatto, Mr Hord, Mr Ligios, Mr Marck (deputizing for Mr Helms), Mr M. Martin (deputizing for Mr Maffre-Baugé), Mr Papaefstratiou, Mrs Péry (deputizing for Mr Sutra), Mr Pranchère, Mr Provan and Mr Thareau.

INTRODUCTION

1. The draft budget for 1982 amounts to 22,800.94 m ECU in commitment appropriations and 21,737.77 m ECU in payment appropriations, which represents an overall increase of 2,118.9 m ECU (+10.24%) in commitment appropriations and 2,607.8 m ECU (+13.63%) in payment appropriations compared to the 1981 budget.
2. For the Council, this draft budget demonstrates its determination to curb Community public expenditure at a time when the Member States are themselves applying austerity measures. The Council draws two conclusions:
 - (a) that it is not possible to allocate public funds to policies that the Member States have not yet approved; and
 - (b) that the further development of existing policies, in particular expenditure on the EAGGF Guarantee Section, must be strictly controlled.
3. The Committee on Agriculture cannot share this point of view. While it recognizes the need to allocate Community resources in such a way as to achieve maximum effect, it does not want that to lead to a situation where the common agricultural policy, the Community's only integrated policy, is challenged. Furthermore, although the Committee on Agriculture welcomes the implementation of new policies to support economic activity and employment, it takes the view that the Community's economic integration should not be strengthened at the expense of the common agricultural policy.
4. That being so, the Committee on Agriculture maintains that the common agricultural policy must not bear the consequences of a reduction in the rate of Community public expenditure. The following considerations must be borne in mind:
 - (a) To begin with, we are too often apt to forget that in terms of the organization of the agricultural markets, the CAP is the Community's only integrated policy. Hence it is only natural that it should absorb a substantial share of the Community budget. This share represents 62.1% of the payment appropriations proposed for 1982, but it is important to note that this is a rough figure, arrived at from a superficial reading of the 1982 budget. We shall see later that it has to be adjusted, because the CAP has to cover certain items of expenditure which have very little connection with the management of the agricultural markets.
 - (b) The CAP'S share of the Community budget would be less if other Community policies were implemented. The regional policy's share, for example, is 16.12%, yet numerous regional disparities remain within the Community. The energy policy's share is only 0.10%, yet Europe depends on imports for more than half its energy requirements. We should therefore be delighted by the amount of money spent by the Community on its farmers, since the CAP guarantees the Community's self-sufficiency in foodstuffs, keeps agricultural workers on the land at a time of high unemployment and helps maintain, if not expand, both the upstream activities (machines, fertilizers) and the downstream activities (agri-food stuffs industry) of agricultural production.

We would do well to remember in this connection that the Member States spend 30,000 m ECU in unemployment benefit for the 7 million unemployed in the Community. The common agricultural policy spends roughly one-third of this amount to keep 8.5 million agricultural workers in employment.

All this serves to show that the Community budget proposed for 1982 is a crisis budget, that the austerity advocated by the Council will not help to lift the Community out of the crisis and that it makes no sense to penalize, in the name of austerity, the only integrated policy capable of generating economic activity and creating jobs, namely the common agricultural policy.

- (c) In order to shield the CAP from the criticisms unjustly heaped upon it, it is necessary to point out once again that it represents approximately 0.4% of the Community's gross domestic product (GDP), which is a cheap price to pay for our self-sufficiency in food, in other words for the guarantee to consumers of the continuing availability of supplies at stable prices.

It will be remembered that quite recently a shortage of sugar pushed the world price on this product beyond the price fixed on the Community market. In late September 1980, the world price was 70% higher than the Community's intervention price¹.

5. All these developments show that the CAP is a necessity for the citizens of the Community and that it is essential to evolve other policies if the Community is to have a decisive influence both on the European economy and on world politics. In 1982, the Community budget will represent 0.94% of the Community's GDP. The Commission points out that this percentage is the highest ever reached in the history of the Community, yet once again this budget is too small to have a macroeconomic impact.

If Europe is to face up to its responsibilities, new policies must be evolved whenever Community measures prove more effective than the measures applied, in a piecemeal fashion, by the Member States. This applies particularly to energy policy, industrial policy and transport policy. Consequently, it is essential that the member governments realize the artificial nature of the 1% ceiling on VAT, given that Community expenditure must replace national expenditure. Moreover, in a Community still in the making, is it not natural that the rate of increase of the Community budget should be higher than that of national budgets?

The European Parliament must, then, call the attention of the Council once again to the point it made in its resolution of 9 April 1981 on the Community's own resources, namely the need to exceed the 1% ceiling on VAT².

¹ The Agricultural Situation in the Community - 1980 Report, point 152, p. 68.

² OJ No. C 101, 4.5.1981, p. 75 (see paragraphs 23 and 24)

6. Having made these preliminary observations, we must now attempt a study of those sections of the budget which fall within the terms of reference of the Committee on Agriculture and take stock of the Community's intentions as regards the provision of food aid in 1982, insofar as such aid is drawn from stocks of agricultural products existing in the Community.

After this study, the Committee on Agriculture will examine the new layout of the budget and formulate proposals with a view to making it even more transparent. Lastly, the Committee on Agriculture will submit to Parliament a number of proposals (amendments and modifications) which will reflect its objectives for the 1982 budget, having regard to the need for a policy of continuity in certain sectors (e.g. the fisheries sector) and to the guidelines formulated by Parliament for improving the common agricultural policy (see report by Sir Henry Plumb: Doc. 1-250/81).

7. Before beginning our study of the draft budget for 1982, we must point out that it takes no account of the suggestions which the Commission put forward in its report on the Mandate of 30 May 1980 (COM(81) 300 final). The Commission has also indicated that it reserves the right to introduce during the budgetary procedure a letter of amendment translating some of its conclusions into budgetary terms.

The Committee on Agriculture wishes to emphasize from the outset that it has reservations now that it has read the Commission's report. Although the Commission pays tribute to the common agricultural policy, it seems to want to alter its nature radically and even challenge its underlying principles. The Committee on Agriculture could not accept any watering down - or still more extensive weakening - of the common agricultural policy and it will express itself more forcefully on this matter in the opinion it is to deliver to the Committee on Economic and Monetary Affairs.

II. EAGGF GUARANTEE SECTION (Titles 1 and 2)

8. The appropriations allocated to the Guarantee Section amount to 13,500 m ECU (not including an appropriation of 433 m ECU entered in Chapter 100). This represents an increase of 9.6% compared to the 1981 budget.

The rate of increase of agricultural expenditure is lower than the average rate in the Community budget. While we can accept the need to cut back on agricultural expenditure to the extent that it is justified by stricter management, it must not be to the detriment of farmers. It is essential here to reaffirm a few fundamental premises:

- (a) the amount of agricultural expenditure depends on the regulation of the various common market organizations and on the state of the agricultural markets. The Commission even points out that 'the budget, which reflects in financial terms the combination of these two factors, is therefore essentially an instrument of execution and management, but is not a means of influencing the causes of expenditure'¹;

¹ Preliminary draft budget for 1982, Volume 7/A, p. 24, point 1.1.1.

(b) some items of expenditure are traditionally charged to the EAGGF Guarantee Section although they have no connection with the common agricultural policy. For example:

1. expenditure arising from trading commitments entered into by the Community, either in the context of GATT, or on a bilateral basis (New Zealand),
2. expenditure arising from the preferential agreements concluded with the ACP states (mainly with regard to sugar),
3. expenditure associated with European political cooperation arrangements, such as the decision to grant emergency food aid to Poland and to the Afghan refugees, and
4. food aid refunds resulting from the Community's development aid policy.

9. The Committee on Agriculture deplores the fact that the Council did not follow the Commission's preliminary draft which entered all food aid refunds in Chapter 92. In so doing the Commission was following the recommendations made by the European Parliament and thereby recognizing that this had the advantage of showing the overall cost of these refunds (amounting to 294.5 m ECU), and hence the amount of resources allocated by the Community, and of facilitating their management. The Council preferred to relocate these subsidies in the context of each individual product. The Committee on Agriculture deeply regrets that it did so.

Similarly, the Committee on Agriculture deplores the fact that the Commission failed to indicate, in its preliminary draft budget for 1980, the cost of importing 1.3 million tonnes of preferential sugar (see Article 972). Such transparency in the recording of expenditure is, however, useful, in order to satisfy both European public opinion and the third countries which are able to see that the Community is not an economic entity exclusively preoccupied with its own interests. The cost of sugar imports from the ACP states and India in 1982 will therefore amount to 260 m ECU. The Council, as might have been expected, has shown itself to be as pusillanimous as the Commission on this issue.

10. In drawing up its preliminary draft, the Commission gave the amount of the expenditure which results from the Community's commercial policy but continues to be charged to the EAGGF Guarantee Section.

- The 92,000 tonnes of butter which the Community will import in 1982 from New Zealand will have to be offset by exports of an equivalent amount, estimated at 160 m ECU. Since the levies applied to this butter will bring in approximately 30 m ECU, the overall net cost to the Community may be put at 130 m ECU.

- Each year the Community imports about 400,000 tonnes of beef and veal at a reduced rate of duty or duty-free, primarily from Yugoslavia and from the developing countries (such as Botswana). The direct cost of these concessions may be evaluated at 550 m ECU (out of refunds totalling 788 m ECU).

11. The Commission also points out that following the tariff concessions granted by the Community, the latter has been compelled by the need to protect its producers' incomes and its production capacity to adopt a market organization system providing for the grant of a subsidy to offset the difference between the world price and production costs within the Community. This, as the Commission says, imposes a very heavy financial burden on the Community.

- Oils and fats such as groundnuts imported at a very low rate of duty constitute a competitive threat to butter and olive oil, the financial impact of which is difficult to assess, according to the Commission. The Committee on Agriculture feels that a global fats policy is essential if expenditure in those two sectors is to be controlled more effectively. We must not forget that support costs for olive oil will increase sharply once Spain becomes a member of the Community. We must therefore make immediate preparations for the implementation of a fats policy if we are to achieve anything approaching consistency on this matter and bring about a balance between animal and vegetable fats.
- Duty-free imports of oilseeds and oil cake have prevented the development of protein plants in the Community and induced the authorities to grant substantial aid to stimulate their production.
- The Community is stepping up imports, at low rates of duty or duty-free, of substitute products for Community cereals for use as cattle feed, particularly manioc, maize gluten, by-products of brewing, distillation, starch manufacture from cereals and potatoes, molasses, fruit pulp, etc. (Imports of maize gluten, for example, amounted to 2.6 million tonnes in 1980.)

12. In its report on the agricultural situation in the Community in 1980¹, the Commission notes that imports of manioc, which plays an important role in the rearing of pigs and poultry, rose from 2.2 million tonnes in 1975 to 4.8 million tonnes in 1980. The duty levied on manioc is bound at 6% in the GATT agreements. Admittedly, the Community has concluded a voluntary restraint agreement with Thailand, but other countries, particularly in Africa, might well take over from Thailand. Bearing in mind that the cultivation of manioc hardly benefits the indigenous population, that the manioc market is controlled by large commercial undertakings and that the production of manioc is harmful to the expansion of Community cereals production, it can be seen that the problem will be solved not so

¹ Pages 97 to 105

much by concluding voluntary restraint agreements as by unbinding the import charges on this product. The Commission calculates that imports of manioc (tapioca) and cereal brans (which amounted to 2 million tonnes in 1979) have replaced almost 9 million tonnes of feed grains. Imports of cereals substitutes are likely to cost the Community budget 650 m ECU.

In the case of soya, which is a source of protein, imports of bean rose from 9.1 million tonnes in 1974 to 11.75 million tonnes in 1980, while imports of cake and meal rose from 3.4 to 7.2 million tonnes over the same period.

Imports of soya from the United States in 1979 cost 2,300 m EUA. This is a major component of the Community's trade deficit with the United States. Here again, the Community should consider the advisability of securing an unbinding of the zero-rated duty on soya imports into the Community, or, at the very least, obtain trading concessions from the United States in order to restore the balance of trade between the two partners. We might, in this connection, reflect on the fate of the Airbus, a superb European aircraft, whose successful penetration of the American market is being impeded by countless obstacles which ostensibly relate to the aircraft's qualities, even though they are universally recognized as being satisfactory, as sales on the world market go to show.

The Community should therefore rethink its trade relations with a view to achieving greater balance with that country. Nor must we forget that soya imports make the Community dependent on the United States, that a shortfall in that product would cost it dear and would adversely affect its stock breeders. The Community should therefore encourage greater cultivation of protein plants with a view to reducing its dependency on that country. Duty-free importation of soya into the Community prevents the expansion of protein plant production.

13. All these examples show that the problems facing the Community cannot all be laid at the door of the common agricultural policy. On the contrary they show that the Commission should re-examine all the tariff concessions at present granted with a view to striking an equitable balance between the interests of Community producers, the interests of the developing countries and the benefits accruing to European manufacturers from the granting of tariff concessions to third countries, especially rich third countries like the United States. At the same time, the Commission should provide for a new title or chapter entitled 'Trade relations with third countries', in order to show up the cost to the Community of its commercial policy and, in particular, the consequences of granting tariff concessions. Similarly, whenever exceptional aid is granted to a state for reasons

relating to the Community's external policy, that aid should be recorded in a title or chapter entitled 'The Community's external relations'. In this way, the exceptional aid granted by the Community to the Afghan refugees cost 20 m ECU and the price reductions granted to Poland for its purchases of foodstuffs in the Community between 60 and 80 m ECU.

In future, all such expenditure should be shown separately from that relating to the common agricultural policy.

14. Finally, accession compensatory amounts (ACAs) and monetary compensatory amounts (MCAs) are still charged to the EAGGF Guarantee Section, in spite of repeated requests by Parliament for a change of procedure. ACAs are a temporary necessity resulting from Greece's accession to the Community and will disappear once Greek prices are brought into line with Community prices. They amount to 10 m ECU.

MCAs are a reflection of the differing pace of economic development in the Member States. Negative MCAs have virtually been abolished. Positive MCAs still exist in Germany and the United Kingdom, although in Germany they are now of the order of 3.6%, as against 12% 3 or 4 years ago. It is because they are mainly positive that the remaining MCAs appear as revenue in the Community budget (163 m ECU) and therefore have the effect of reducing expenditure under the EAGGF Guarantee Section.

However, this gain must not be allowed to obscure a question of principle, which is that agri-monetary expenditure must be charged not to the EAGGF but to another section of the budget. In view of the fact that in the short term agri-monetary expenditure serves to ensure that the agricultural common market operates smoothly, it could be entered in a new Chapter 45. In the long term, on the other hand, MCAs distort the conditions of competition between farmers, which is why their abolition must remain a fundamental objective.

15. We are also too often apt to forget that the common agricultural policy is a source of revenue.

For example, the agricultural levies will bring in 1,899.10 m ECU and the sugar and isoglucose levies 786 m ECU.

On the basis of the data available, the real cost of the common agricultural policy may be put at:

	13,933.00 m ECU (including 433 m ECU entered in Chapter 100)
Food aid refunds	-294.50 m ECU
ACP sugar	-260.00 m ECU
New Zealand butter	-160.00 m ECU
Beef and veal	-550.00 m ECU
Manioc and maize gluten	-650.00 m ECU (estimate)
ACAs	- 10.00 m ECU
MCAs	+163.00 m ECU
	<hr/>
	12,171.5 m ECU
 <u>Revenue from the CAP</u>	
Levies	1,899.10 m ECU
Sugar and isoglucose levies	786.00 m ECU
	<hr/>
	2,685.10 m ECU

On this basis, the common agricultural policy does not account for 62.1% of the budget, as a superficial reading of its contents might lead us to believe, but to 49.79% of the budget.

16. Would-be critics should therefore develop a sense of moderation before launching an attack on the CAP. In its resolution on possible improvements to the common agricultural policy¹, Parliament requested that all items of expenditure unrelated to agriculture should be excluded from the EAGGF (see paragraph 54). It is the object of this opinion to justify that request.

17. Now that we have demonstrated the real cost of the common agricultural policy, we must proceed to an examination of the main areas of expenditure under the EAGGF Guarantee Section.

18. With an appropriation of 4,337.0 m ECU, the milk and milk products sector takes the lion's share of expenditure under the Guarantee Section. In 1982, milk production is expected to amount to 117.9 million tonnes. The granting of refunds is the most important of the measures taken to dispose of milk products (it will be recalled that in addition to 92,000 tonnes of New Zealand butter, the Community imports 70,000 tonnes of cheese from third countries), but it should not be forgotten that exporting these products is less expensive than granting subsidies for internal consumption, especially as domestic demand for milk and butter is at present stagnant.

¹ See minutes of the proceedings of the sitting of 17 June 1981, p. 5 (PE 73.639)

The Commission should review the amount of the subsidies paid for the use of skimmed milk powder in feedingstuffs. 758 m ECU is earmarked in the budget for a quantity of 1,300,000 tonnes of skimmed milk powder. However, the manufacture of this product, especially where the feeding of calves is concerned, entails a wasteful use of a scarce and expensive commodity, namely energy. It would be preferable for the Community if part of this sum were set aside for other measures, except of course for cases where the use of milk powder as feed for calves is justified by the remoteness of breeding areas from milk production areas. However, this by no means obviates the need to strengthen the measures to encourage the suckling of calves (see item 2120 'Premiums for suckler cows' for which only 97 m ECU have been set aside) and the measures to promote Community production of protein plants (see Article 131 'Protein plants' for which only 94 m ECU have been set aside).

Aid for the consumption of butter in the Community amounts to 91 m ECU to which should be added 113 m ECU entered in Chapter 100. This should make it possible to dispose of 600,000 tonnes of butter on the Community market. An appropriation of 106 m ECU is set aside for the supply of milk to schools. The Commission hopes that this measure will dispose of a further 400,000 tonnes of milk. For an assessment of the success of the measures, please refer to the 1979 report by the Court of Auditors which gives information on special measures for the disposal of milk products.¹

The Commission estimates that the co-responsibility levy should bring in 423 m ECU in 1982.

Part of this revenue will be used to expand the market in milk products and the balance will be used to finance the organization of the market in milk and milk products.

Revenue from the co-responsibility levy during the period from 1977 to 1982 may be broken down as follows:

1977:	24.1 m ECU	
1978:	156.1 m ECU	
1979:	94.2 m ECU	
1980:	222.9 m ECU	estimate
1981:	508.0 m ECU	"
1982:	423.0 m ECU	"
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	1,328.3 m ECU	

The rate of utilization was as follows:

¹ Report by the Court of Auditors for 1979 - OJ No. C 342, 31.12.1980, pp. 71 et seq

	Amount already committed at the end of the 1979/80 marketing year	Amount committed for the 1980/81 marketing year	Amount committed for the 1981/82 marketing year	Total
(a) Publicity and sales promotion within the Community	83.4	-	28.0	111.4
(b) Market research within the Community	9.6	-	-) 27.0
(c) Market research outside the Community	17.4	-	-	
(d) Improving the quality of milk	41.1	-	4.0	45.1
(e) Distribution of milk to schools	68.4	47.0	55.0	170.4
(f) Butterfat for icecream	86.1	36.0	-	122.1
(g) Concentrated butter	17.0	6.0	-	23.0
(h) New measures to be adopted	-	-	11.0	11.0
TOTAL:	323.0	89.0	98.0	510.0

A comparison between these two sets of figures shows that only a fraction of the co-responsibility levy is used to finance measures to dispose of milk products. Its primary function is to provide revenue under the common agricultural policy, and that is contrary to the spirit in which the levy was introduced.

19. An appropriation of 17.4 m ECU was set aside for market research outside the Community for the 1979/1980 marketing year but has not been renewed.

In its resolution of 17 June 1981 on possible improvements to the common agricultural policy, the European Parliament called for the strengthening of the commercial policy in the agricultural exports sector, notably through the conclusion of long-term contracts (paragraphs xi and xii of the preamble) and through the promotion of export sales agencies (paragraph 36(iv)). The Commission should act on this proposal and take steps to set up a Community agricultural exports agency. It would not be the function of an agency of this nature to supersede the Community's services or private undertakings but rather to help them to explore new markets and coordinate their efforts so that they could conclude long-term contracts which guarantee not only the regular disposal of the Community's agricultural produce but also regular incomes for the producers.

It is not enough to carry out market surveys (that has apparently already been done), the markets must also be sought out and opened up. But that requires action in conditions that are not bound by the traditional administrative regulations which Community officials are obliged to follow.

Need it be added that for an agency of this nature to be fully effective, representatives from agricultural organizations would be required to assist in its promotion and management.

The Committee on Agriculture recommends that 20 m ECU be allocated to serve as the basic capital required for the setting up of a Community agricultural exports agency of this nature, half of the appropriation entered in Item 2064 being used to this end. Even so, that amount would be insufficient. The principle might then be established that 1% of the overall total of Community refunds should be set aside to finance the agency's activities. Subsequent experience would show whether it was necessary to increase the appropriation which, for 1982, would amount to 81.635 m ECU (61.635 m ECU + 20 m ECU).

20. With an appropriation of 2,257 m ECU, the cereals and rice sector ranks second in terms of its share of expenditure under the EAGGF Guarantee Section. There is a shortage in the Community of maize, which accounts for two-thirds of cereal imports, which in turn provide 75% of the agricultural levies. Cereals are once again tending to take a larger share of the agricultural budget (30% in 1973, 11% in 1977, 17% in 1982), owing to the competition from substitute products, which are responsible for a substantial increase in refunds. Rice production remains stable (about 1 million tonnes) and there continues to be a high level of trade with third countries, since the qualities produced do not always correspond to the qualities consumed.

21. With an appropriation of 1,415 m ECU, the beef and veal sector takes the third largest share of the Guarantee Section budget. Appropriations have been reduced by 8.53% compared to 1981. This is mainly attributable to the reduction in intervention expenditure from 515 m ECU to 417 m ECU (a new Community scale for the classification of carcasses on which the Council took a decision of principle at its meeting from 30 March to 2 April 1981 should be introduced before 31 March 1982) and to a reduction in suckler cow premiums (from 169 m ECU to 97 m ECU). As we have already stated in connection with milk powder, this latter reduction seems ill-advised.

22. The sugar sector has been allocated 1,068.5 m ECU, which represents a very considerable increase on the 1981 appropriation (+ 53.22%).

This increase is due to the expected trend in world sugar prices and to an increase in storage costs from 347 to 419 in ECU. Under the Convention of Lomé and the Protocol concluded with India, the Community annually imports 1,300,000 tonnes of sugar. This costs the Community 260 m ECU since it must re-export that amount, the sugar supply exceeding demand on its domestic market. Sugar is also subject to competition from substitute products, such as isoglucose, an inexpensive product made from maize imported at a low rate of duty. All this explains the increase in the expenditure to support the sugar sector.

On 1 July 1981 a new market organization was established in the sugar sector¹. Revenue from the levies laid down in the new organization should total 786 m ECU.

23. The four sectors dealt with above account for 68% of market support expenditure. They must therefore be given a special place in this survey.

¹ See Doc. 1-471/80, Doc. 1-839/80 and Doc. 1-57/81 - rapporteur: Mr Bocklet

24. Of the other agricultural sectors, the following have had their appropriations increased:

- olive oil: (684 m ECU: + 17.32%). This increase is partly due to the accession of Greece.

- oilseeds and protein plants: (621 m ECU: = 7.25%). This increase is primarily due to the increase in production aid for colza, rape seed and sunflower seed, peas and field beans and dried fodder. The Commission notes that the extraction of proteins from green fodder gives a product with a protein content close to that of soya bean oil cake. It would be in the interests of the Community to develop this product in order to reduce its dependence on soya imported from the United States.

- textile plants and silkworms: (75 m ECU: + 31.57%). This increase is mainly due to the new cotton regulations¹, introduced in accordance with Protocol 4 of the Greek Act of Accession.

- fruit and vegetables: (849 m ECU: + 13.95). Expenditure on this sector, which was 687.2 m ECU in 1980 and 745 m ECU in 1981, has been considerably increased following Greece's accession to the Community. The largest increase concerns products processed from fruit and vegetables.

- tobacco: (618 m ECU, as against 327 m ECU in 1981: + 88.99%). The increase in this sector is the largest in relative terms and one of the largest in absolute terms. Greek tobacco accounts for an extra 245 m ECU, the fixing of prices and premiums for 35 m ECU and increased output for 20 m ECU.

- seeds: (43 m ECU: + 10.25%). There has been a slight upturn in production. The 1981 harvest is expected to be of the order of 240,000 tonnes.

- hops: (9 m ECU: + 12.5%). The Commission forecasts that the 1981 crop will be between 43,000 and 46,000 tonnes, as against 39,543 tonnes in 1980, when there was a poor harvest². The estimate of 9 m ECU is perhaps a little too high, especially since the 1980 estimate of 8 m ECU has already proved to be excessive. Moreover, in the financial statement attached to its proposal for aid to hop producers for the 1980 harvest (Doc. 1-340/81), the Commission estimates such aid at 5.7 m ECU.

¹ See Doc. 1-82/81 and Doc. 1-172/81 - rapporteur: Mr Papaefstratiou

² See Doc. 1-340/81 and Doc. 1-392/81 - rapporteur: Mr Bocklet

- sheepmeat and goatmeat: (213 m ECU: + 5.97%). An appropriation of 184 m ECU has been entered to cover premiums relating to the 1981/82 and 1982/83 marketing years (+ 6 m ECU) and an appropriation of 29 m ECU (+ 6 m ECU) to cover storage expenditure.
- eggs and poultrymeat: (111 m ECU: + 6.73%). The Commission predicts that larger quantities of poultrymeat will be disposed of on external markets (+ 6 m ECU).
- goods obtained by processing agricultural products: (440 m ECU: + 22.22%). The substantial increase in this sector is attributable to:
 - (a) the application of Protocol No. 19 of the United Kingdom Act of Accession. Export refunds on cereals-based spirituous beverages amount to 90 m ECU (including 30 m ECU for the payment of arrears), as against 60 m ECU in 1981;
 - (b) the refunds paid on non-Annex II products¹ with a view to making the processing industries as competitive as their external counterparts. The appropriations earmarked for these refunds have risen sharply: 1980: 221.3 m ECU; 1981: 300 m ECU; 1982: 350 m ECU. The Commission should review this sector at regular intervals because in terms of the value added, the proportion of the agricultural product in processed products is quite small. Savings can probably be made in this sector without jeopardizing the competitive capacity of the European industry.

25. Expenditure on a number of other agricultural sectors is lower than in 1981. The beef and veal sector has already been cited as an example. Other sectors in this category are as follows:

- wine: (464 m ECU: - 13.75%). The Commission attributes this reduction to the 1981 decision on exceptional distillation (17 million hl), which had the effect of reducing wine stocks at the beginning of the 1981/82 marketing year and hence of reducing the amount of storage and distillation required during that year compared with the previous marketing year.
- apiculture: (5 m ECU: - 16.6%). Under the common organization of the market in sugar, the Community used to grant a denaturing premium for sugar to be used as feed for bees. Now, however, apiculture has become a separate aid sector. During the 1981/82 farm price review, the Council decided to establish for three years a system of aid for apiculture, with the amount of aid being fixed at 1 ECU per hive. The cost of this system for 1982 is estimated at 5 m ECU.

¹ See Regulation (EEC) No. 1059/69 -OJ No. L141, 12.6.1969, p. 1 Non-Annex II products are goods in the manufacture of which have been used, either unprocessed or after processing, agricultural products such as cereals, milk, cream, butter sugar or molasses.

- pigmeat: (149 m ECU: - 1.97%). Production in the pigmeat sector has expanded steadily since 1975, increasing from 8.3 million tonnes in that year to 9.9 million tonnes in 1979. Consumption has increased at the same rate. While expenditure on refunds has been reduced (from 124 to 111 m ECU), intervention expenditure has been increased (+ 10 m ECU), mainly on account of the exceptional market support measures necessitated by the application of the measures designed to combat the spread of diseases in pigs. Such market support measures have had to be applied when it has been impossible to guarantee the free movement of meat throughout the Community.

26. This review of the EAGGF Guarantee Section has demonstrated that a number of adjustments must be made to redirect the common agricultural policy along a path which is more consonant with the interests of European agriculture. Furthermore, we must remember that the Council has entered in Chapter 100 an appropriation of 433 million (see Annex) which it can transfer to Titles 1 and 2 after consulting the European Parliament. This appropriation should be kept available for agriculture, in particular to cope with the farm price decisions taken in respect of the 1982/83 marketing year.

We must now turn our attention to the resources allocated to the EAGGF Guidance Section, which are an essential element of the common agricultural policy.

III. EAGGF GUIDANCE SECTION (Chapters 40 to 43)

27. The EAGGF Guidance Section performs a threefold function:

- (a) it is an essential complement of the prices policy, inasmuch as it helps raise the living standards of farmers, primarily through measures to boost productivity, the granting of direct income support and special measures to assist farming in mountain and hill areas and in certain less-favoured areas;
- (b) it helps mitigate the imbalances on the markets for certain products through the application of specific measures or through incentives to farmers to switch to products that are not in surplus;
- (c) together with the Social Fund and the Regional Development Fund, it is one of the instruments of the Community's structural policy. It thus helps to reduce regional disparities in the Community.

28. The appropriations of the EAGGF Guidance Section may be broken down as follows:

	Payment appropriations		
	1982	1982	1981
Improvement of agricultural structures	176.8 m ECU	23.30%	15.81%
General socio-structural measures	113.6 m ECU	14.97%	18.15%
Measures to assist less-favoured regions	316.65 m ECU	41.73%	36.08%
Structural measures connected with the common organization of markets	151.7 m ECU	20.00%	29.96%
TOTAL	758.85 m ECU	100%	100%

It will be noted from this table that the structural policy is intended to become more strictly oriented towards regional problems, while projects aimed at improving agricultural structures are intended to receive more substantial financial backing.

Projects for the improvement of agricultural structures

29. The projects to be financed under this heading are of two types:

- (a) the individual projects covered by Regulation No. 17/64/EEC, to which only payment appropriations (48 m ECU) have been allocated, given that expenditure on these projects is committed only if expenditure on the common measures has not exhausted all the funds available;

- (b) the common measures, which are directed towards improving the conditions under which agricultural products are processed and marketed. These measures have been allotted 148 m ECU in commitment appropriations (+ 15.62%) and 128 m ECU in payments appropriations (+ 111%).

30. The aid provided for in Regulation (EEC) No. 355/77 is designed to assist projects that meet one or more of the following criteria:

- (a) they create new outlets for agricultural production, particularly through the manufacture of new products;
- (b) they help to lighten the burden on the intervention mechanisms;
- (c) they apply to regions experiencing particular difficulty in adjusting to the conditions and economic consequences of the CAP;
- (d) they help to improve marketing channels for agricultural products or to rationalize the method of processing such products;
- (e) they help to improve the quality, presentation and market preparation of products or help to ensure that by-products are better used, in particular by the recycling of waste.

31. The other common measures are more specifically geared to the solution of regional problems. They relate to the marketing and processing of agricultural products in the Mezzogiorno, Languedoc-Roussillon and the West of Ireland. In the wine sector, specific projects are envisaged for the French departments of Vaucluse, Bouches du Rhône, Var, Drôme and Ardèche. In the case of pigmeat, there is a need to improve quality and regulate supply in France and the United Kingdom.

General socio-structural measures

32. The fundamental aim of the 1972 socio-structural directives, which are intended to promote the modernization of farms from the point of view of production, is to bring the national structural policies more into line with the objectives laid down at Community level, while ensuring a measure of financial solidarity between the Member States via the EAGGF Guidance Section.

Commitments in 1982 will amount to 113.6 m ECU, broken down as follows:

Modernization of farms: (mainly Directive 72/159/EEC)	108.0 m ECU
Cessation of farming and reallocation of land for structural improvement: (Directive 72/160/EEC)	1.2 "
Vocational training and guidance: (Directive 72/161/EEC)	4.4 "

33. The largest increase is for measures carried out under Directive 72/159/EEC (+ 22.72%) and is justified by the extension of the provisions of this Directive to Greece. It has to be pointed out, however, that this Directive,

however necessary it may be, is used far more by some farmers than by others. In some countries farmers are better organized than in others when it comes to submitting applications. Corrective action is therefore needed to reduce the resulting regional disparities within the Community. This will be done by ensuring that the essential approach of the structural policy is a regional one.

Measures to assist less-favoured areas

34. These areas are characterized by the employment of a very high percentage of the population in agriculture, by an inadequate infrastructure and a high level of unemployment.

For 1982, the Commission proposes that aid to the less-favoured areas should be substantially increased, and has accordingly increased commitment appropriations from 268.87 m ECU to 356.95 m ECU (+ 32.75%) and payment appropriations from 184.87 m ECU to 316.65 m ECU (+ 71.28%). The Committee on Agriculture strongly supports this regional approach by the structural policy, since it avoids the danger of Community funds being too thinly spread and ensures that public funds are directed towards the most needy regions.

35. Most of the payment appropriations are earmarked for mountain and hill farming and for the less-favoured areas (these areas have recently been delimited in Greece¹ (147 m ECU) and for the Mediterranean regions (63 m ECU), in which forestry measures and measures to improve the infrastructure are envisaged².

36. In addition, a number of programmes² have been elaborated for the individual Member States:

- Italy (37.3 m ECU): agricultural advisory service, irrigation works in the Mezzogiorno, development of animal farming in upland areas of Italy to promote meat production;
- France (26.75 m ECU): restructuring and conversion of vineyards in Languedoc-Roussillon and certain other regions, irrigation works in Corsica, prevention of flooding in Hérault, conversion of areas under vines in the Charente departments, integrated development programme for Lozère, measures to assist overseas departments.
- Ireland (36.4 m ECU): drainage operations, including drainage in catchment areas on both sides of the border between the Republic of Ireland and Northern Ireland, development of farming in the West of Ireland, development of beef cattle production in Ireland and Northern Ireland, pre-movement veterinary testing of cattle in Ireland³.

¹
Doc. 1-341/81 and Doc. 1-353/81 - rapporteur: Mr Papaefstratiou

²
Doc. 47/79 and Doc. 1-824/79 - rapporteur: Mrs Barbarella

³
Doc. 1-508/81 and Doc. 1-108/81 - rapporteur: Sir Henry Plumb

- Greenland (0.5 m ECU): development of sheep farming.
- United Kingdom (2.4 m ECU): integrated development programme for the Western Isles of Scotland, programme to speed up development in Northern Ireland, processing and marketing in certain agricultural sectors (feeding-stuffs) in Northern Ireland¹.
- Belgium (0.3 m ECU): integrated development programme for South-Eastern Belgium (Belgian province of Luxembourg). Commitments total 2 m ECU.
- Germany (3 m ECU): improvement of the infrastructure in certain less-favoured areas².

37. The Commission will have to consider how far specific programmes could be elaborated for Greece to supplement the measures financed under Directive 75/268/EEC or Regulation (EEC) No. 269/79 concerning forestry measures in the dry Mediterranean regions. Similarly, encouragement should, generally speaking, be given to the integrated development programmes in which the EAGGF, Guidance Section, the Social Fund and the ERDF are all involved.

Structural measures connected with the common organization of markets

38. These measures concern producer groups and agricultural sectors in difficulty.

Payment appropriations are allocated as follows:

producer organizations	2.6 m ECU
Milk and meat sectors	93.6 m ECU
Wine sector	49.5 m ECU
Fruit sector	6.0 m ECU

39. The purpose of granting aid for the formation of producer groups is to try to remedy the structural weaknesses in the supply and marketing of agricultural products that may exist in certain regions. Special aid is also available to encourage the setting up of hop and potato producer groups.

40. In the milk and meat sectors, which have the largest share of the expenditure in this section of the budget, the aim is to curb milk production and encourage beef and veal production by granting premiums for beef and veal production and for the non-marketing of milk. These measures should be linked more closely to the scheme for granting suckler cow premiums if high quality beef and veal is to be produced in the Community. A further objective is to combat the diseases that commonly affect livestock (brucellosis, tuberculosis and leucosis in cattle, classical and African swine fever in pigs), in order to guarantee the free movement of meat in the Community.

¹ Doc. 1-314/80 and Doc. 1-492/80 - rapporteur: Mrs Barbarella

² Doc. 1-654/80 and Doc. 1-860/80 - rapporteur: Mr Früh

41. In the wine sector, the aim is to balance supply and demand by granting conversion premiums, premiums for the abandonment of areas under vines and the renunciation of replanting rights and premiums for the cessation of wine production. A further aim is to promote collective projects for the restructuring of vineyards, primarily with a view to improving the quality of wines. Since consumers are now showing a greater interest in quality wines, their production should be encouraged. There is also a need for a more general review of the problem of taxes applicable to wines, alcohol, beer etc.

42. In the fruit sector, the chief objective is to promote the penetration of Community citrus fruit on the various Community markets and facilitate the conversion of this sector to varieties that are better suited to the tastes of the consumer. An appropriation of 6 m ECU has been included to finance the necessary measures.

IV. EXPENDITURE IN THE AGRICULTURAL SECTOR

43. There are a number of measures which, although not financed by the EAGGF nonetheless have a bearing on agriculture. The Commission has grouped them together in Chapter 48.

These measures include action in the veterinary sector (campaigns against epidemics, application and supervision of the directives on veterinary matters), the plant health sector and the statistical field (farm accountancy data network and agricultural surveys in Italy), supervision of the application of agricultural rules, the vocational training of farmers (subsidy to CEPFAR) and agricultural research.

44. Campaigns against epidemics (6 m ECU) and research (5.05 m ECU) have been allocated the largest appropriations. As far as research is concerned, priority should be given to the production of varieties that have a naturally high resistance to disease provoked by external agents - with a view to reducing the use of pesticides - and of varieties that require little, if any, fertilizer - with a view to reducing energy consumption in agriculture. Biogenetics will be an essential agricultural tool in the years to come. Biogenetic research must therefore be encouraged now and steps taken to create gene banks at Community level, perhaps on the basis of coordinated action by the Member States. With a view to promoting such action, the Committee on Agriculture recommends an increase in the resources allocated for agricultural research in the Community and, hence, an increase in the relevant appropriations from 4.75 to 6 m ECU. Similarly, encouragement must be given to all research aimed at expanding production of protein plants and oilseeds in the Community.

45. Title 6 of the preliminary draft budget, 'Appropriations for operations in the social sector', included an Article 680 'Training of national inspectors', with an appropriation of 0.125 m ECU. The Council deleted this entry which was to cover the training of inspectors to monitor operations financed by the structural Funds. The Committee on Agriculture takes the view that given the very specialized nature of monitoring operations in the agricultural sector, the EAGGF should be dealt with separately from the other Funds.

46. Efforts to combat fraud under the EAGGF should be generally stepped up since both Community finances and the Community's public image are at stake.

V. APPROPRIATIONS FOR OPERATIONS IN THE FISHERIES SECTOR (Title 3)

47. Before studying this sector in detail, the Committee on Agriculture wishes to make a general point. While it is gratifying to note that, as part of the reorganization of the budget, the fisheries sector has been given its own title, it is nevertheless regrettable that the wording of Title 3 is not 'Common fisheries policy'. For several years now the Committee on Agriculture, supported by the European Parliament, has been demanding that a common fisheries policy be introduced as quickly as possible¹ as the present situation is damaging to all the Community's fishermen.

48. Having made that general observation, the Committee on Agriculture notes that the payment appropriations for the fisheries sector have almost doubled compared to 1981 (75.786 m ECU as against 44.28 m ECU)². As regards commitment appropriations, on the other hand, the situation is less favourable, since there has been a slight reduction (from 87.480 m ECU in 1981 to 74.736 m ECU in 1982)³.

49. When we examine the fisheries budget, we find that structural expenditure accounts for half (50.45%) of the appropriations allocated to the sector and that expenditure on the organization of the market in fishery products accounts for 41.9% of these appropriations. It is gratifying to note that the Commission

¹ Doc. 1-560/80 - rapporteur: Mr Clinton

² 11.825 m ECU are entered in Chapter 100

³ including Chapter 100

has given priority in this way to the need to improve and adapt fishery structures, in order to take account of the international dimension assumed by fishing activities since the creation of exclusive economic zones and of the level of fish stocks which has necessitated the implementation of conservation measures at Community level.

50. On the other hand, we can only express regret at the paucity of the sums earmarked for research (80,000 ECU), at a time when marine research is still in its infancy. The Community should, in its own interest, find the resources to finance research projects in the Member States. Similarly, the Council has deleted the 100,000 ECU which the Commission set aside for the coordination of surveillance operations by Member States. This measure is designed to set up a rapid information and communications system between the Member States with a view to rationalizing their inspection procedures. Inspection is an essential component of a common policy on fisheries. The Commission should therefore submit to the Council without delay a proper proposal on this matter based largely on its earlier studies¹.

51. Although the layout adopted by the Commission and the Council for the fisheries budget is clear, it is incomplete. There are a number of budget lines whose proper place is in Title 3. The relevant articles and items are as follows:

Article 635: Schemes relating to common policy on education and vocational training in the fisheries sector (token entry)

Item 6484: Grant towards medical assistance and safety at sea (token entry)

Article 662: Specific measures for protection of the marine environment

Item 6620: Community participation in the Action Plan for the Mediterranean (token entry)

Item 6621: Protection of the marine environment (0.5 m ECU)

The Council deleted Article 635 when it established the draft budget. That article should be reinstated to show that the Community is not only concerned with product management but also with the human aspect.

The Committee on Agriculture also recalls that when the European Parliament adopted the report by Mr Clinton on the common fisheries policy (Doc. 1-560/80), in paragraph 19 of the resolution² it called for direct Community fuel subsidies to help small-scale inshore fishing. Such aid should replace existing national aid.

52. The Committee on Agriculture considered that there was a need to promote research into marine biology. It also expressed the desire that the structural policy in the fisheries sector should be strengthened and that this policy should protect employment. For this purpose, it considers that ~~the~~ appropriations provided for by the Commission in its preliminary draft constitute a minimum for which the Council's approval should be obtained.

¹ See the draft report on this subject by Mr Josselin (PE 72.261/rev.)

² OJ No. C327, 15.12.1980, p.84

VI. FOOD AID

53. In 1982 the Community will export the following quantities of food aid if the Council's proposals are adopted:

Cereals:	727,663 tonnes
Rice:	100,000 "
Milk powder:	150,000 "
Butteroil:	45,000 "
Sugar:	6,086 "

54. The Committee on Agriculture regrets that the Council did not follow the Commission's proposals to export 960,000 tonnes of cereals, 48,800 tonnes of butteroil, 10,000 tonnes of sugar and 20,000 tonnes of vegetable oil. It recalls the following principles:

- (a) food aid measures must be carried out independently of the common agricultural policy. If the Community is unable to supply certain foodstuffs because of domestic shortages, it must obtain them on the world markets;
- (b) food aid must be suited to the dietary habits of the recipients; if need be, the Community must purchase the products requested by the developing countries on the world market;
- (c) food aid can only be a temporary solution: the developing countries must be helped to develop ways of meeting their own food requirements.

55. The Committee on Agriculture deplors the fact that the Council has deleted from Chapter 92 food aid refunds totalling 294.5 m ECU. It proposes to reinstate that appropriation in Chapter 92 as the Commission recommended in its preliminary draft.

VII. GENERAL COMMENTS ON THE NEW LAYOUT OF THE BUDGET

56. The problem of presentation was raised last year by the Committee on Agriculture in its opinion on the budget¹. The Committee on Agriculture notes with satisfaction that the Commission has heeded the conclusions it formulated at the time and that the new layout makes the budget much clearer. However, the Commission has not followed things through to their logical conclusion.

57. The separation of staff and administrative appropriations (Part A) from the operating appropriations (Part B) makes for a very considerable improvement. But why has the Commission not produced two separate volumes in order to make the budget even more transparent and easier to handle?

58. Why has it inserted fisheries (Title 3) between the Guarantee Section of the EAGGF (Titles 1 and 2) and the Guidance Section (Chapters 40 to 43)?

Admittedly, the fisheries sector is at present financed by the EAGGF Guarantee and Guidance Sections, but is that good enough reason for placing it where it is? Does not the Commission itself maintain that the structural

¹ Doc. 1-540/80/Annex I - draftsman: Mr Curry

policy is an essential complement of the prices policy? The two sections of the EAGGF must therefore be brought closer together. It has also been noted in the course of this study that certain items of expenditure relating to agriculture or to fisheries have been entered haphazardly throughout the budget. They should be transferred to the proper budget heading.

59. The Committee on Agriculture recommends the following presentation for those sections of the budget falling within its terms of reference:

- Titles 1 and 2 - EAGGF Guarantee Section
- Title 3 - EAGGF Guidance Section
- Title 4 - Measures connected with the common agricultural policy (former Chapter 48)
- Title 5 - common policy on fisheries

As regards the latter title, a European Fisheries Fund (EFF) should eventually be created to finance a range of measures that are still covered by the EAGGF. Fishing cannot easily be treated in the same way as agriculture. Its specific nature should be highlighted. By creating a separate fund, it will be possible to fulfil the hopes that fishermen have placed in the Community.

60. It is regrettable that the Community has not seen fit to make more innovations; the budget still ends with Title 10: 'Other expenditure'.

Surely we should now be creating a new title devoted to the Community's agricultural trade policy in which would be entered, for example, the expenditure arising from GATT and other trade agreements.

A further title devoted to European political cooperation would cover all the expenditure incurred on this account in the agricultural sector.

In this way, the real cost of the common agricultural policy would be made clear, and a large amount of useless, even harmful, polemic would disappear of its own accord.

61. The Committee on Agriculture must urge the Commission to show more boldness when it comes to draw up the preliminary draft budget for 1983, for only if it does will the budget become comprehensible to all the citizens of the Community.

62. Before concluding this opinion, the Committee on Agriculture wishes to mention two fundamental problems which the Commission and the Council ignored in drawing up the 1982 preliminary draft budget and draft budget respectively.

- Firstly, it would be interesting to know the impact of the budget on farmers' incomes. The Commission might draw up a working document on this subject to be forwarded to the European Parliament.
- No mention is made of the question of national aids. Consideration should be given to ways in which the budget might be used as an instrument to reduce national aids, which distort the terms of competition between farmers. This is also a matter which the Commission should look into.

VIII. CONCLUSIONS

63. With a total appropriation of 21,737.77 m ECU, and allowing for the 1% ceiling on VAT, the draft budget for 1982 leaves a margin for manoeuvre of 1,218.3 m ECU. This sum represents the margin for manoeuvre available to the Community when it determines the increase in agricultural prices for the 1982/83 marketing year. Nevertheless, the Committee on Agriculture considers that the price review must not depend on this margin for manoeuvre, but be based solely on trends in farm incomes and the production costs of medium-sized farms.

64. This purely mechanical estimate does not take account of certain decisive factors such as the movement of world prices or Community production trends. As regards expenditure on refunds (6,253.5 m ECU), it is essential that the Commission should adopt a judicious management policy and sell Community products on the external markets at fair prices.

65. Finally, the Committee on Agriculture wishes to submit to the Committee on Budgets the following conclusions:

The Committee on Agriculture,

- (a) considering it necessary for the fundamental principles of the CAP (uniform prices, Community preference and financial solidarity) to be more strictly observed;
- (b) recalling that the budget cannot possibly be used as an instrument to change the common agricultural policy; that any attempt to do so would inevitably be seen by the Community's farmers as a challenge to the principles of the common agricultural policy; that furthermore the budget is simply the implementation of Community regulations concerning agriculture and that changes could only be made on the basis of substantive decisions on the common agricultural policy;

EAGGF Guarantee Section

- (c) considers that savings could still be made if the Commission were to examine actual market conditions very thoroughly before it fixed export refunds since any excess only benefits the middlemen and never the producers;
- (d) requests the immediate and permanent abolition of monetary compensatory amounts;
- (e) considers that incentives should be given to types of production in deficit, especially maize and protein plants;
- (f) considers that, particularly as regards milk, on which the corresponsibility levy must be abolished, efforts should be made to expand markets,

notably by means of a policy of diversification of milk products and by encouraging the manufacture of products that are in line with prevailing consumer tastes;

- (g) calls for the creation of a Community agricultural exports agency which would support the efforts of exporting firms and secure long-term export contracts for the Community;
- (h) proposes that imports of competing products from non-ACP countries (New Zealand butter, preferential beef, substitute products etc.) should be subject to stricter controls and even reduced, if necessary by the introduction of levies;
- (i) reiterates the need to draw up a global fats policy providing for the imposition of levies on imports of vegetable fats;
- (j) emphasizes the need to improve Community rules on wine and on fruit and vegetables which clearly do not enjoy sufficient protection and support;

EAGGF Guidance Section

- (k) requests the Commission to strengthen the regional approach of the structural policy, since that is the only way of reducing regional disparities within the Community;
- (l) calls for a genuine coordination of the structural measures undertaken by the EAGGF Guidance Section, the Regional Fund and the Social Fund;

Policy on fisheries

- (m) hopes that the Council will be able to take a decision very soon on the establishment of a common fisheries policy;
- (n) requests that the structural measures in the fisheries sector should be strengthened while at the same time protecting employment;
- (o) recommends in particular the development of aquaculture and marine research;
- (p) calls on the Commission to submit to the Council a proposal on the setting up of a European Fisheries Fund;

Other agricultural problems

- (q) calls for the development of agricultural research and for special attention to be paid to the need for energy savings in agriculture;
- (r) requests the Commission to step up its campaign against fraudulent practices (which place a heavy burden on the Community budget), especially in the wine sector;

Layout of the budget

- (s) urges the Commission to rationalize the layout of the budget still further by separating the fisheries sector from agriculture;
- (t) requests, finally, that expenditure unrelated to the CAP should be recorded in appropriate new titles (commercial policy, political cooperation, etc.).

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- (u) subject to the above reservations, approves the agricultural budget for the financial year 1982.

DRAFT GENERAL BUDGET
OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1982

SECTION VI COMMISSION (Operating appropriations)

Titles 1 and 2: EAGGF Guarantee Section

Chap.	Article	Heading	1982 approps.	1981 approps.	1980 expenditure	1982/ 81(%)
<u>10</u>		<u>Cereals and rice</u>	2,257.0	2,131.0	1,683.74	+ 5.91
	100	Refunds on cereals	1,497.0 ¹	1,407.0	1,148.51	+ 6.39
	101	Storage of cereals	410.0	388.0	212.80	+ 5.67
	102	Other intervention	299.0	293.0	272.77	+ 2.04
	103	Rice	51.0 ¹	43.0	49.64	+18.60
<u>11</u>		<u>Sugar</u>	1,068.5	697.0	572.07	+53.29
	110	Refunds on sugar & isoglucose	629.5 ¹	332.0	286.22	+89.60
	111	Intervention for sugar	439.0	365.0	285.85	+20.27
<u>12</u>		<u>Olive oil</u>	684.0	583.0	317.89	+17.32
	120	Refunds	5.0	5.0	0.18	0.0
	121	Production and consumption aid	597.0	521.0	286.61	+14.58
	122	Specific measures	19.0	7.0	0.018	+171.42
	123	Storage	44.0	40.0	20.51	+10.0
	124	Other intervention	19.0	10.0	10.56	+90.0
<u>13</u>		<u>Oilseeds and protein plants</u>	621.0	579.0	429.86	+ 7.25
	130	Oilseeds	527.0	505.0	369.39	+ 4.35
	131	Protein plants	94.0	74.0	60.46	+27.02

¹ Excluding food aid refunds

Chap.	Article	Heading	1982 approps.	1981 approps.	1980 expenditure	1982/ 81(%)
<u>14</u>		<u>Textile plants and silkworms</u>	75.0	57.0	17.23	+31.57
	140	Fibre flax and hemp	23.0	22.0	16.89	+ 4.54
	141	Cotton	51.0	34.0	-	+50.00
	142	Silkworms	1.0	1.0	0.33	0.0
	149	Other	token entry	token entry	-	-
<u>15</u>		<u>Fruit and vegetables</u>	849.0	745.0	687.31	+13.95
	150	Fresh fruit and vegetables	285.0	234.0	195.01	+21.79
	151	Processed fruit and vegetables	564.0	511.0	492.29	+10.37
<u>16</u>		<u>Wine</u>	464.0	538.0	299.49	-13.75
	160	Refunds	31.0	30.0	26.37	+ 3.33
	161	Intervention	433.0	508.0	273.11	-14.76
<u>17</u>		<u>Tobacco</u>	618.0	327.0	309.32	+88.99
	170	Refunds	19.0	5.0	4.45	+280.0
	171	Premiums	557.0	280.0	274.87	+98.92
	172	Storage	41.0	41.0	29.48	0.0
	173	Other intervention	1.0	1.0	0.50	0.0
<u>18</u>		<u>Other Sectors</u>	57.0	53.0	41.35	+ 7.54
	180	Seeds	43.0	39.0	32.04	+10.25
	181	Hops	9.0	8.0	6.18	+12.50
	182	Potatoes	token entry	token entry	0.-	-
	183	Alcohol	token entry	token entry	0.-	-
	184	Apiculture	5.0	6.0	3.12	-16.66
	189	Other	token entry	token entry	0.-	-

Chap.	Article	Heading	1982 approps.	1981 approps.	1980 expenditure	1982/ 81 (%)
<u>20</u>		<u>Milk and Milk Products</u>	4,337.0	4,030.0	4,564.76	+ 7.61
	200	Refunds	2,505.0 ¹	2,106.0	2,587.83	+18.94
	201	Storage of Milk Powder	16.0	35.0	20.64	-54.28
	202	Aid for Skimmed Milk	1,392.0	1,328.0	1,281.59	+ 4.81
	203	Storage of Butter and Cream	444.0	471.0	439.49	- 5.73
	204	Other measures (consumption aid for butter)	91.0	237.0	207.56	-61.60
	205	Storage of Cheese	33.0	34.0	23.94	- 2.94
	206	Expansion of market for milk and milk products	279.0 ²	327.0	226.58	-14.67
	207	Co-responsibility levy	-423.0	-508.0	-222.89	-16.73
<u>21</u>		<u>Beef and Veal</u>	1,415.0	1,547.0	1,363.31	- 8.53
	210	Refunds	788.0	744.0	715.54	+ 5.91
	211	Storage	417.0	515.0	504.06	-19.02
	212	Other intervention	210.0	288.0	143.69	-27.08
<u>22</u>		<u>Sheepmeat</u>	213.0	201.0	53.46	+ 5.97
	220	Refunds	token entry	token entry	0.-	-
	221	Intervention	213.0	201.0	53.46	+ 5.97
<u>23</u>		<u>Pigmeat</u>	149.0	152.0	115.63	- 1.97
	230	Refunds	111.0	124.0	91.57	-10.48
	231	Intervention	38.0	28.0	24.06	+35.71
<u>24</u>		<u>Eggs and Poultrymeat</u>	111.0	104.0	85.49	+ 6.73
	240	Refunds on Eggs	21.0	20.0	17.50	+ 5.0
	241	Refunds on Poultry- meat	90.0	84.0	67.98	+ 7.14
<u>25</u>		<u>Goods obtained by Processing agri- cultural products</u>	440.0	360.0	322.33	+22.22
	250	Refunds on 'Whisky'	90.0	60.0	101.08	+50.0
	251	Non-Annex II products	350.0	300.0	221.25	+16.66
<u>27</u>		<u>Accession compensa- tory amounts</u>	10.0	10.0	0,044.	0.0

¹ Not including food aid refunds (294.5 m ECU in 1982; 214 m ECU in 1981)
² including
- financial contribution by the Guarantee Section to non-marketing and
conversion premiums. 102.00 m ECU.
- school milk 106.00 m ECU.

Chap.	Article	Heading	1982 approps.	1981 approps.	1980 expenditure	1982/ 81 (%)
<u>28</u>		<u>Monetary compensatory amounts</u>	- 163.0	21.0	298.52	-676.19
	280	MCAs (intra- Community trade)	- 291.0	-185.0	55.95	+ 57.29
	281	MCAs (trade with non-member countries)	128.0	206.0	242.56	- 37.46
<u>29</u>		<u>Provisional appropriations for the EAGGF Guarantee Section</u>	token entry	token entry	0.-	-
	290	Provisional appropriations	token entry	token entry	0.-	-
	291	Clearance of previous year's accounts	token entry	-40.0	0.-	-
TOTAL EAGGF Guarantee Section			13,205.5	12,095.0	11,161.87	+ 9.18

Title 3 - Appropriations for operations in the fisheries sector
(Payment appropriations in m ECU)

Chap.	Article	Heading	1982 approps.	1981 approps.	1980 expenditure	1982/ 81(%)
<u>30</u>		<u>Common organiza- tion of the market in fishery products</u>	31.75	27.50	22.95	+15.45
	300	Refunds	13.00	12.00	11.39	+ 8.33
	301	Intervention	18.75	15.50	11.56	+20.96
<u>31</u>		<u>Specific measures in the fisheries sector</u>	16.58	0.80	6.53	-
	310	Denmark/Ireland surveillance	16.5	token entry	6.51	-
	311	Research programmes	token entry	token entry	0.-	-
	312	Biological studies	0.08	0.080	0.02	0
	313	Coordination of surveillance operations	token entry	token entry	0.-	-
<u>32</u>		<u>Community's inter- national obliga- tions</u>	5.80	6.50	5.885	-10.76
	320	Fishing in the Adriatic	token entry	token entry ¹	0.-	-
	321	Salmon Fishing in the Baltic	token entry	0.70	0.49	-
	322	Fishing in the waters of certain African countries	5.80	5.80 ²	5.39	0
	323	EEC-Canada Agree- ment	token entry	-	-	-
<u>35</u>		<u>Improvement of structures - ad- justment/redeploy- ment of capacity</u>	token entry	token entry	0.-	-
	350	Adjustment of capacity	token entry	token entry	0.-	-
	351	Redeployment of capacity	token entry	token entry	0.-	-
<u>36</u>		<u>Improvement of structures - common measures</u>	21.656	10.20	8.122	+112.31
	360	Common measures to restructure, moder- nize and develop the fishing indus- try & to develop aquaculture	21.50	10.0	8.048	+115.00
	361	Producer groups	0.156	0.20	0.073	-22.00
TOTAL FISHERIES SECTOR			75.786	44.280	43.498	+71.15

¹ 0.8 m ECU has been entered in Chapter 100

² 3.4 m ECU has been entered in Chapter 100

Title 4 - EAGGF Guidance Section and specific agricultural measures
(Payment appropriations in m ECU)

Chap.	Article	Heading	1982 approps.	1981 approps.	1980 expenditure	1982/ 81 (%)
<u>40</u>		<u>Project for improve ment of agricul- tural structures</u>	176.8	81.0	85.24	+118.27
	400	Individual projects (R. 17/64/EEC)	48.0	20.0	37.09	+140.0
	401	Marketing and Processing of agricultural products	128.8	61.0	48.15	+111.14
<u>41</u>		<u>General socio- structural measures</u>	113.6	93.0	92.58	+21.50
	410	Modernization of farms	108.0	88.0	86.54	+22.72
	411	Cessation of farming	1.2	1.0	0.73	+20.0
	412	Vocational training and guidance	4.4	4.0	5.30	+10.0
<u>42</u>		<u>Measures to assist less favoured areas</u>	316.65	184.87	160.44	+71.28
	420	Mountain and hill farming	147.0	95.0	88.67	+54.73
	421	Mediterranean	63.0	31.0	21.90	+103.22
	422	Italy	37.3	16.57	38.20	+20.32
	423	France	26.75	16.10	7.93	+66.14
	424	Ireland	36.4	26.0	3.72	+40.0
	425	Development of sheep farming in Greenland	0.5	0.2	0.0	+150.0
	426	United Kingdom	2.4	token entry	0.0	-
	427	South-eastern Belgium	0.3	token entry	0.0	-
	428	Less favoured areas of Germany	3.0	-	-	-
<u>43</u>		<u>Structural measures connected with the common organization of markets</u>	151.7	153.5	133.04	- 1.17
	430	Producer organi- zations	2.6	5.2	1.73	- 50.0
	431	Milk and Meat Sectors	93.6	114.0	115.21	- 17.89
	432	Wine Sector	49.5	26.3	10.13	+88.78
	433	Fruit Sector	6.0	8.0	5.95	- 25.0
SUB-TOTAL EAGGF GUIDANCE SECTION			758.75	512.37	471.317	+48.08

Chap.	Article	Heading	1982 approps.	1981 approps.	1980 expenditure	1982/ 81 (%)
<u>48</u>		<u>Expenditure in the agricultural sector</u>	13.399	11.392	8.014	+ 18.71
	480	Campaigns against epidemics	6.0	6.0	4.14	0.0
	481	Application and supervision of Directives on veterinary matters	0.1	0.125	0.120	-20.0
	482	Plant health inspection/certifi- cation of seeds and propagating material	0.190	0.190	0.152	0
	483	Farm accountancy data network	1.894	0.670	0.0	+182.68
	484	Agricultural research	5.05	4.247	3.458	+18.90
	486	CEPFAR	0.165	0.160	0.135	+ 3.12
	487	Supervision of application of agricultural rules	token entry	token entry	0.0	-
	489	Agricultural surveys in Italy	token entry	token entry	0.0	-
TOTAL TITLE 4			772.149	523,762	479,331	+ 47.42

Title 10 - Other expenditure

Chapter 100 - Provisional appropriations

The appropriations in this chapter are purely provisional and may be used only after their transfer to other chapters of the budget in accordance with the procedure laid down for that purpose in the Financial Regulation.

EAGGF - Guarantee Section

		mECU
Item 1000	Refunds on cereals	90.0
Item 1511	Production aid for tomato-based products	20.0
Article 171	Premiums on tobacco	30.0
Article 182	Potatoes	10.0
Item 2000	Refunds on milk and milk products	110.0
Item 2020	Aid for skimmed-milk powder for use as feed for calves	35.0
Item 2033	Other storage costs	25.0
Item 2040	Consumption aid for butter	113.0
EAGGF Guarantee Section - Total		<u>433.0</u>

FISHERIES

		mECU
Article 311	Joint fisheries research programmes	0.125 (p.m.)
Chapter 32	Assumption by the Community of certain financial obligations arising from agreements on fishing rights in non-Community waters	3.7
Article 350	Adjustment of capacity in the fisheries sector	5.0
Article 351	Redeployment of capacity in the fisheries sector	3.0
Fisheries - Total		<u>11.825</u>

EAGGF - Guidance Section

mECU

Item 4234	Integrated development programme for Lozère	0.250
Item 4262	Processing and marketing in certain agricultural sectors in Northern Ireland	0.100
	EAGGF - Guidance Section - Total	<u>0.350</u>

Measures connected with the common agricultural policy

mECU

Item 4803	Community contribution towards the campaign against foot-and-mouth disease outside the Community	0.500
Article 481	Application and supervision of Council Directives in veterinary matters	0.100
Article 489	Agricultural surveys in Italy	0.500
	Measures connected with the CAP - Total	<u>1.100</u>

ANNEX II

IMPORTS OF SOYA, MANIOC, MAIZE GLUTEN, MOLASSES AND FRUIT PULP

Product	NIMEXE Code	Import EUR-9	COUNTRY OF ORIGIN						
			USA	CUBA	BRAZIL	ARGENTINA	THAILAND	INDONESIA	OTHER
1 9 8 0									
Soya bean oil cake	2304,40	7,175	3,618		3,225	162			170
Soya bean	1201,46	11,754	9,849		497	1,207			201
Manioc	0706,30	4,866					4,116	372	378
Maize gluten	2303,15	2,596	2,476			64			56
Molasses	1703,00	2,706	142	444	603				1,517
Fruit pulp	2306,50	1,571	932		609				30
1 9 7 9									
Soya bean oil cake	2304,40	6,153	2,610		3,155	283			105
Soya bean	1201,46	11,716	9,111		368	1,978			259
Manioc	0706,30	5,375					4,529	694	152
Maize gluten	2303,15	2,021	1,916			58			47
Molasses	1703,00	3,317	142	462	581				2,132
Fruit pulp	2306,50	1,205	674		492				39
1 9 7 4									
Soya bean oil cake	2304,40	3,264	2,498		666				100
Soya bean	1201,46	9,095	6,896		2,028				171
Manioc	0706,30	2,073					1,739	260	74
Maize gluten	2303,15	694	619						75
Molasses	1703,00	1,498		119	482				897
Fruit pulp	2306,50	327	178		123				26

¹ Mainly from MEXICO, EGYPT, MOZAMBIQUE, MAURITIUS, INDIA and PAKISTAN.

Source: NIMEXE

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Draftsman: Mr D. SCHINZEL

On 19 May 1981 the Committee on Economic and Monetary Affairs appointed Mr Schinzel draftsman.

The committee considered the draft opinion at its meetings of 22/23 September and 1/2 October 1981 and adopted it on 1 October 1981 by 11 votes with one abstention.

Present: Mr Moreau, chairman, Mr de Ferranti, vice-chairman, Mr Schinzel, draftsman, Mr Beazley, Mr Bonaccini, Mrs Desouches, Mr Fernandez, Mr Herman, Mr Nyborg, Mr Petronio, Mr Purvis and Mr Walter

1. The unacceptable situation for the United Kingdom as regards its contribution to the financing of the Community has prompted the Committee on Economic and Monetary Affairs and Parliament to discuss the problem of the structural imbalance of the Community budget on a number of occasions in the recent past. The committee has expressed its views on this problem in its report on the communication from the Commission to the Council concerning convergence and budgetary questions (Doc. 1-136/80/rev.), its opinion for the Committee on Budgets on the proposals relating specifically to the unacceptable situation for the United Kingdom (see Doc. 1-373/80) and its report on the restructuring of economic and monetary policies in connection with the conclusions drawn by the Council on 30 May 1980 (Doc. 1-256/81), which was debated by Parliament last July. A further report on the subject is now being drawn up, but it will specifically concern the report the Commission has produced under the mandate it received on 30 May 1980. The committee does not intend to repeat in this opinion all the comments these documents contain on the structural imbalance of the budget.

2. It is regrettable that the preliminary draft budget for 1982 submitted by the Commission should make no mention of the mandate the Commission received from the Council on 30 May 1980. Under this mandate the Commission was to put forward proposals for the development of Community policy by the end of June 1981, with a view to structural changes being made to prevent a recurrence of an 'unacceptable situation' of the kind the United Kingdom faced in 1980. In fact, such unacceptable situations can be avoided only if the present structural imbalance of the budget is eliminated. A satisfactory solution will not be found to this problem until a better balance is struck between the Community's various policy sectors and thus in the budgetary expenditure concerned. Structural and general investment policy in the Community must be intensified, this being in the interests of all the less affluent Member States and in accordance with the Community's general aim of convergence. Community policy must be strengthened in the following areas: energy, transport, technology, industrial development, structural change in agriculture, and increasing the economic potential of the less prosperous countries. Even though these are roughly the areas referred to in the report drawn up by the Commission under the mandate of 30 May, the 1982 budget still does nothing to strengthen policy in these areas, since the ceiling on own resources has been reached.

3. Of the abovementioned policies in need of development, industrial policy falls within the terms of reference of the Committee on Economic and Monetary Affairs. The committee's report on industrial cooperation between the Member States (Doc. 1-157/81), which was debated by Parliament last May, stresses the urgent need for a strong policy on industrial cooperation at European level. The restructuring of crisis-hit sectors and the development of the advanced technological sectors can be accomplished far more effectively with Community projects which ensure cohesion, prevent duplication and permit economies of scale. Despite the fine declarations by the Council and government leaders of their intention to create 'an industrial base of this kind', we are still far from having a European industrial and technological policy.

Under the mandate of 30 May 1980 and following a request from the European Council in December 1980, the Commission is now working on a communication to the Council concerning a Community industrial innovation policy. The importance of this policy in the present economic situation hardly needs to be stressed. However, it already seems to be a foregone conclusion that the communication will principally concern the use of existing Community resources to bring about industrial innovation. The present financial instruments, such as the Regional and Social Funds, are in fact very well suited to the goal of industrial innovation. But does this, together with the coordination of policy at European level, constitute an effective response to the serious economic difficulties, which are structural in nature, now confronting Europe? An increased allocation of loans guaranteed by the Community and at subsidized interest rates to facilitate the financing of investments in industrial innovation would perhaps be a suitable financial instrument at European level. In this context, serious consideration ought also to be given to the suggestion made in the report on industrial cooperation (Doc. 1-157/80) that an industrial innovation and development fund should be set up.

In order to become a reality, Community industrial innovation also involves the elimination of technical and administrative barriers to trade or else there can be no genuine internal market. In this respect it is to be hoped that the Council will make rapid progress with the approval of harmonization directives, on the information procedure on technical standards and on the problems of the Customs Union¹. In the same way, any industrial development policy necessitates corresponding measures to assist the training of qualified staff.

¹ Doc. 1-241/81 by Mr von WOGAU

As in the past, however, there is little sign in the 1982 budget of a European industrial policy. Although appropriations have been entered for a number of sectors, the amounts concerned are a drop in the ocean compared with what is really needed if a genuine European policy is to be pursued. A financial instrument of which the EEC and Euratom have taken advantage only in recent years and of which greater use should be made in the future is the Community loan.

Loans

4. In the last few years, the role played by Community's loan mechanisms has increased, a development that the Committee on Economic and Monetary Affairs has repeatedly advocated. Loans and policy interest subsidies could be very effective in encouraging investments and industrial innovation and would perhaps enable the limited budgetary resources to be put to optimum use. Various Council decisions empower the Commission to contract loans to assist Member States in balance-of-payments difficulties due to the increase in the prices of oil products. The Commission also has the power to contract Euratom loans to help finance nuclear power stations, and under the New Community Instrument it may contract loans to promote investments in the Community. Loans relating to the energy policy are included in Chapter 79 of the budget, while loans intended for balance-of-payments support and those governed by the New Community Instrument are covered by Chapters 83 and 84, respectively.

5. In the budget itself the financial risks the Community runs as guarantor of the repayment of the loans granted are simply indicated by a token entry. In the preliminary draft budget, however, the Commission gives an analysis of loans raised and granted. It is not for the Committee on Economic and Monetary Affairs to tackle the problem of budgetization of all borrowing and lending operations. Nor does the committee wish to comment at any length on the amounts of the loans entered in Title 8 of the preliminary draft budget, since it has expressed its views on this subject in the various opinions and reports it has drawn up on proposals in this area (Doc. 1-28/81, Doc. 45/79, Doc. 36/78/Ann., Doc. 1-707/80, etc.). The amounts shown as being involved in borrowing and lending operations do, however, prompt one remark on New Community Instrument loans. Having gained some experience with this instrument, the Commission put forward a proposal for its reform at the beginning of this year. This proposal calls, for example, for the abolition of the original limit of 1,000 m EUA. Despite the urgent need in the present economic situation to encourage and develop investments in the Community, the Council has maintained the original limit of 1,000 m EUA. Nor does the Commission take any account of its proposal in the estimates of loans raised in

Title 8 of the preliminary draft budget (it is not even mentioned in the explanatory memorandum), and the amounts shown are confined to the two tranches of loans that have been granted in the past. The Committee on Economic and Monetary Affairs should be informed of progress made in reforming the NCI and of the Commission's intentions for 1982. As has been said, loans and more specifically the NCI are a suitable instrument for a policy of industrial innovation, on which the Commission is now preparing a communication to the Council.

6. The Commission uses its creditworthiness to raise the loans referred to above and passes them on to the beneficiaries, but the latter do not receive interest rate subsidies. The only exceptions to this rule are the interest rate subsidies granted on Community loans to the less prosperous Member States which have joined the European Monetary System (see Chapter 52 of the budget). Such interest rate subsidies are granted on NCI loans and loans made by the European Investment Bank. Chapter 82 of the budget provides for financial compensation to the two countries which are not participating in the EMS, the United Kingdom and Greece.

More extensive use of interest rate subsidies to encourage investments needed for industrial innovation would seem appropriate, however. Paragraph 8 of the resolution adopted by Parliament on 10 April 1981 on the proposal for the reform of the NCI reads:

'Considers that the EEC budget should provide interest rebates to support loans for the purpose of promoting investment within the Community.'

Interest rate subsidies would indeed be a suitable instrument for the industrial innovation policy on which the Commission is now drawing up proposals pursuant to the mandate of 30 May 1980.

It might be appropriate for the necessary appropriations for the extension of these interest rate subsidies to appear in Article 772 (former item 3750), which is aimed at Community aid for certain crisis-hit industrial sectors and against which a token entry has at present been made. It is clear, however, that the extension of the policy of granting interest rate subsidies also presupposes a deceleration in world interest rates, particularly in the United States. In this respect, the European Parliament will support any steps taken by the Community to reach a joint position on the regulation of interest rates.

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Conclusions

In conclusion, the Committee on Economic and Monetary Affairs:

1. Deplores the fact that the 1982 preliminary draft budget once again reflects the absence of a proposal from the Commission for a genuine industrial policy, despite the initial mandate it received from the Council on 30 May;
2. Therefore looks to the Commission to put forward in the very near future, within the context of the mandate of 30 May and in answer to the request of the European Council, a genuine industrial policy programme which lives up to the expectations of the 9 million unemployed in the Community and finds concrete expression in a supplementary budget for 1982 and in the 1983 budget;
3. Observes in this connection that:
 - the substantial appropriations entered by the Commission for the first time in the 1982 budget against the only large-scale industrial programme, i.e. Item 7710 (Community operations for developing micro-electronics technology), have been deleted by the Council;
 - otherwise, the few industrial projects listed in the 1982 budget are fragmentary and without impact on the industrial development of the Community;
4. Regrets that, contrary to the proposal for the reform of the NCI put forward by the Commission and approved by the European Parliament, the Council has maintained the original limit of 1,000 m EUA; this is likely to impede the establishment of the long-term investment policy that is needed in the Community;
5. Calls on the EIB and the Commission to cooperate in the creation of financing facilities within the New Community Instrument (NCI), possibly in the form of interest rate subsidies, as a means of promoting industrial development;
6. Subject to the foregoing reservations and in view of the possible uses to which the Commission may put the appropriations, the committee confines itself at present to making a few amendments restoring in the main the appropriations included in the preliminary draft budget in areas falling within its terms of reference.

OPINION OF THE COMMITTEE ON ENERGY AND RESEARCH

Draftsman: Mr G. ADAM

On 26 June 1981, the Committee on Energy & Research appointed Mr ADAM draftsman.

The committee considered the draft opinion at its meetings on 14 September 1981 and 23 September 1981, and adopted it unanimously with one abstention on 23 September 1981.

Present: Mrs Walz, chairman; Mr Gallagher, vice-chairman; Mr Ippolito, vice-chairman; Mr Adam, draftsman; Mr Calvez (deputizing for Mr Pintat), Mr Eisma (deputizing for Mr Capanna), Mr Galland, Mr Georgiadis (deputizing for Mrs Charzat), Mr Ghergo, Lord Harmer-Nicholls (deputizing for Mr Normanton), Mr Hoffmann (deputizing for Mr Van Rompuy), Mr Linkohr, Mr Méo, Mr Moreland, Mr Müller-Hermann, Mr Paisley, Mr Peters (deputizing for Mr Schmid), Mr Petersen, Mr Price, Mr Purvis, Mr Rinsche, Mr Sassano, Mr Seligman, Mr Vandemeulebroucke (deputizing for Mrs Bonino), Sir Peter Vanneck (deputizing for Mr Beazley), Mr Veronesi.

INTRODUCTION

1. For twenty years up to 1973, economic progress in the countries of the European Community was firmly based on cheap and plentiful oil. Since 1973 and the first oil price shock, the economies of the Community have been crippled by energy supply and price problems. Economic recession brought on by those energy problems has produced a temporary easing of oil supply, but this is no solution to the energy problem.

2. The declaration made at the Western economic summit meeting in Venice (June 1980) recognised this in the following terms:

"In this, our first meeting of the 1980s, the economic issues that have dominated our thoughts are the price and supply of energy and the implications for inflation and the level of economic activity in our own countries and for the world as a whole. Unless we can deal with the problems of energy we cannot cope with other problems."

Again, the Ottawa summit in July 1981 declared that:

"The fight to bring down inflation and reduce unemployment must be our highest priority"

and

"..... that our countries are still vulnerable and energy supply remains a potential constraint to a revival of economic growth, (and) we will accelerate the development and use of all our energy sources, both conventional and new, and continue to promote energy savings and the replacement of oil by other fuels."

3. The extent to which the European Community has not vigorously pursued energy efficient policies, new and renewable forms of energy or reduced its dependence on imported fuel is reflected in the current unemployment levels. It is significant that the USA currently applies 3.4% of GNP to energy investment compared with 1.6% in the Community in 1980. The Commission estimates that the latter figure will be around 2.0% in 1990 compared with the 4.5% expected for the USA and Japan. The Community is thus programmed to fall further behind in the coming decade.

4. It is the firm conviction of the Committee on Energy & Research that there can be no real solution to the unemployment problem unless the agreed objectives are vigorously pursued by active policies at local and central government levels in all Member States and, where appropriate, at Community level. Solving the energy problem is central to economic recovery: industry needs secure supplies which are fairly priced, and investment in energy projects promises inflation-free economic stimulus with all that means for employment, especially if oriented towards labour-intensive conservation projects and the hardest-hit regions of Europe.

5. The Committee on Energy & Research firmly supports the view that "unless we can deal with the problems of energy, we cannot cope with the other problems." Also it refutes any suggestion that there can be a return to the pre-1973 situation. The extent to which the Budget of the Community reflects and implements the agreed policies has dominated the committee's consideration of the Draft 1982 Budget.

6. The Draft Budget fails to reflect the priorities for energy policy facing the Community. It does not provide the stimulus in the three priority areas (of energy saving, new and renewable sources, and reduced dependence on imports) and will therefore make no impact on the overriding social problem facing the Community - that of unemployment.

SECTION I: GENERAL ANALYSIS

7. The budget presented for 1982 fails to match the scale of the problem, especially in the energy sector, where the commitments proposed by Council are only 25.3 mECU (down by 78% compared with 1981).
8. What is more disturbing is the way in which high-sounding declarations of principle and intent are not matched by action, even within the constraints which govern the Community budget. The large proportion of the budget devoted to agricultural spending, and the distortions this causes, have long been criticised. But there should be a coherent attitude to priorities within the remainder, i.e. the non-agricultural part, of the budget.

Table 1 : Energy policy as proportion of non-agricultural budget

1974	1.5 %	25 meua
1975	1.3	25
1976	1.3	30
1977	1.7	34
1978	1.1	41
1979	1.4	51
1980	1.6	77
1981	0.5	33
<u>Average 1974-81</u>	<u>1.3</u>	

1982		
(preliminary)	0.7	57

1982		
(Council draft)	0.5	40

Table 2 : Research policy as proportion of non-agricultural budget

1974	5.1 %	84 meua
1975	5.4	101
1976	5.9	135
1977	9.2	183
1978	5.4	195
1979	5.4	196
1980	5.9	277
1981	3.5	249
<u>Average 1974-81</u>	<u>5.7</u>	

1982		
(preliminary)	4.1	355

1982		
(Council draft)	4.5	335

9. Table 1 shows that throughout the 1970s, the proportion of the non-agricultural budget devoted to energy was fairly constant at around 1.3%. Although this proportion did not match the oft-stated significance of energy problems, it did at least show that spending on energy - relative to that on other objectives - was maintained. But that proportion plummeted in the 1981 budget to 0.5% and is kept at that level in the 1982 draft.
10. A similar progression can be seen in the research sector (which is heavily oriented towards energy research). Apart from the 1977 figure, the proportion remained remarkably constant throughout the 1970s, at around 5.7. This fell very sharply to 3.5 in the 1981 budget and the 1982 draft proposes 4.5%.
11. Of course, there is a danger in sticking to percentages for dividing funds between different sectors since priorities change. But it cannot be claimed that the priority given to energy should drop drastically at a time when the leaders of the Western world declare that energy was a central concern and its supply and price constraints on any economic recovery.
12. When setting the Budget figures against the scale of the problem, certain provisos have to be conceded:
 - that these monies represent only the tip of an iceberg, and that Member States spend heavily on their own account (the Review of Energy Policy objectives for 1990 and Member States' Investment Programmes implies expenditure of 40 billion eua per annum by Member States on improving energy supply alone);
 - that policy can be made by regulations and other measures which have little or no impact on the Community budget.
13. Even allowing for these factors, the amounts set aside are trivial. It will be recalled that, during discussion of the 1981 budget, some members considered that an effective Community energy policy alone would require funds in the order of 1000 meua, and there is no doubt that such sums could be usefully spent.

14. In the longer run, a more even balance is desirable between the three phases of policy:

- research (Chapters 72/73),
- demonstration and encouragement of new technologies (Chapters 70/71),
- large-scale application (lending operations).

It is the middle phase which is most weakly represented in the Community's energy activities.

15. A return to previous percentages of non-agricultural spending - namely 1.3% for energy and 5.7% for research - would imply payment appropriations of 100 mecu and 425 mecu respectively, even on the basis of Council's low figure for non-obligatory expenditure. These figures provide some guide in judging the draft budget proposed by Council.

SECTION II - COMPETENCE

16. The 1982 draft budget has been presented in a new format which entails a complete re-numbering and some limited reallocation of activities between budget lines.
17. Chapters 70 and 71 relate to energy (previously Chapters 32 and 34 respectively).

The Committee on Energy & Research is competent for all the items in these two chapters.

18. Chapters 72 and 73 relate to research. Chapter 72 brings together various preparatory research projects and studies (previously in Chapters 26 and 39). Chapter 73 covers the bulk of the research programmes; these were previously in Chapter 33. The committee is competent for all the items in Chapter 72.
19. The Committee on the Environment, Public Health and Consumer Protection claims competence for some items in Chapter 73. Of these items, it seems clear that:

- . 7370 (biomolecular engineering) is in the competence of the Energy & Research Committee
- . Management and storage of radioactive waste (7344) and decommissioning of nuclear power stations (7345) are clearly within the competence of the Energy & Research Committee
- . 7366/7367 (medical research) is in the competence of the Environment Committee, such research being specifically mentioned in the Committee's draft terms of reference
- . 7368 (biology and health protection - radiation) is in the competence of the Environment Committee, the item dealing with safety at work.

Eight items deal with the environment (7302, 7360-5, 7369). In the draft terms of reference, the Environment Committee is responsible for environmental policy and protection measures, and for giving opinions on energy and research programmes affecting the environment. Similarly recycling and food technology fall within the Environment Committee's competence generally, but items 7350, 7353 and 7371/2 deal with research. All these items thus lie in the competence of the Energy & Research Committee.

20. Chapter 75 (previously 36) relates to the information market and innovation. The committee is competent for all items in this Chapter.

21. One item is of interest to the Energy & Research Committee in Chapter 77 (industry and internal market, previously chapter 37):
- . item 7777 concerning footwear R & D (previously 3721).

SECTION III - ENERGY

Priority areas

22. Although one cannot use the budget exercise to undertake a complete reassessment of the Community's energy policy (or lack of one), it is necessary to set out some logic for Community action in this sector and some priorities. In general, there are three main reasons for Community intervention:

(a) Promoting the demonstration phase of new activities.

This encompasses 7000 and 7001 (hydrocarbons), and demonstration projects under 7030/1/2 (new sources) and Article 704 (energy saving).

(b) Encouraging certain activities where the long-term objectives are clear and agreed, and the technology well-developed, but where there are short-term market problems in pursuing those objectives. This could involve support for coal under Article 702, and support for infra-structure and energy-saving investment under Article 705 and the borrowing and lending operations.

(c) Operation of certain safety policies where a common approach is desirable. This applies to nuclear safety under Chapter 71.

23. Having set out a framework for Community involvement in energy policy, it is necessary to outline priorities within that framework. If short-term activities are largely covered by regulations, etc., and long-term ones by the chapters dealing with research, the measures in chapters 70 and 71 should be mainly concerned with improving energy supply and price in the medium-term. Action in the medium term has to be concentrated on energy conservation and replacing imported oil with more secure sources of energy.
24. The second report prepared for the Commission by Mr SAINT-GEOURS underlines yet again the central need to implement energy saving measures. This is the major priority and cannot be left wholly to the price mechanism. The SAINT-GEOURS report considers demonstration projects to have a vital role and that they should be undertaken by the Community. Article 704 is therefore of crucial importance and indeed Article 705 on promotion of energy investments.
25. As to the replacement of imported oil, action in support of nuclear energy is well established - the latter especially in the research chapters where it accounts for approximately three-quarters of the budget. The priorities, therefore, are to reinforce the activities concerning new sources of energy (Article 703) and to make progress with coal (Articles 702 and 705). The difference of interests between those Member States which produce coal and those with no indigenous supplies to meet domestic demand must be speedily resolved. There are signs of a "package" emerging which will involve action under both Article 702 and Article 705: these contain token entries only in the draft budget. The devotion of resources to hydrocarbons (items 7000 and 7001) is less important).

Awaiting Council action

26. Various measures await decision by Council:
- support for hydrocarbon exploration - included as Item 7001 (token entry); this is now being withdrawn by the Commission;
 - promotion of coal for electricity generation - not included and now withdrawn by the Commission;
 - financing cyclical stocks of coal, etc. - included under Article 702 (token entry);
 - intra-EC trade in power station coal - included under Article 702 (token entry).

In addition, Parliament has:

27. - withheld its opinion on amending Regulations 725/79 and 726/79 on financial aid to projects to exploit alternative energy sources (Article 703); the form of the Regulations undermines Parliament's budgetary powers, and discussions on the subject are awaited,
- called for financial aid in the exploitation of peat (GALLAGHER report: Doc.1-572/80); this is now included under Article 705,
- called for research into the effect of electricity tariff structures (ADAM report: Doc.1-895/80); this is now included under Article 709.

Other reports prepared since direct elections and having budgetary implications are all represented in the preliminary draft budget.

Court of Auditors

28. The report of the Court concerning the 1979 financial year is the most recent available. Its criticisms should be borne in mind when scrutinising the draft budget. Two main criticisms were made in the energy sector:
 - the rate of utilisation of appropriations was unacceptably low,
 - the scrutiny of projects granted support needed strengthening to ensure repayment in the event of commercial success.

Summary

29. Adoption of all the committee's proposals gives:

	<u>Commitments</u>	<u>Payments</u>
1981	109	35
Commission	91	57
Council	25.3	41.55
Committee	190.37	105.86

Within the current constraints on the budget, implementing these proposals would restore spending to approximately the percentage which prevailed in the past (see paragraph 15), in a manner which conforms to the committee's priorities.

Item-by-item

30. Details on the proposals on the individual items are given below:

CommitmentsPaymentsItem 7000: Community technological development projects

Commission	28 mecu	22 mecu
Council	23	20
Committee	23	20

It is Council that decides which projects are financed; the Commission gives an opinion and Parliament is not consulted. In the past, Council has often failed to decide on projects quickly enough and many have had to be cancelled.

The Court of Auditors has criticised the forecasting of the appropriations needed and asked for scrutiny of projects to be tightened (to ensure repayment where there has been commercial success).

The low rate of repayment raises questions about the quality of the projects selected. On the other hand, a high rate of repayment would imply that this is more in the nature of a lending operation rather than a charge against the limited energy budget. Although this type of activity is suitable for Community action, the need for financial support in this sector seems limited; this item has a lower priority than, say, projects for new sources.

Utilisation of funds, up to the end of August, has been 5% of commitments and 46% of payments.

Item 7001: Joint hydrocarbon exploration projects

Commission	pm	pm
Council	pm	pm
Committee	-	-

The Commission has now withdrawn this item.

Item 7010 Prospecting for uranium in the Community

Commission	12	4
Council	pm	1.25
Committee	8	4

(Utilisation at 31.8.81: nil on commitments, 27% on payments)

Item 7015: Transport of radioactive materials

Commission	0.5	0.5
Council	pm	pm
Committee	0.5	0.5

	<u>Commitments</u>	<u>Payments</u>
<u>Article 702: Community projects concerning coal</u>		
Commission	pm	pm
Council	pm	pm
Committee	40	20

This Article was previously split into three items, concerning respectively:

- promotion of coal for electricity generation (now withdrawn)
- financing cyclical stocks
- intra EC trade in power-station coal

Agreement has not been reached in Council on these proposals.

All agree that coal has a central role to play in meeting future energy needs. Imported coal will be needed to meet some European demand. But security-of-supply (and perhaps, soon, price) considerations mean that the domestic industry has to be built up. Proposals are expected which will involve action under this Article to promote coal and under Article 705 (promotion of energy investments) directed at infrastructure improvements. Import substitution is a more important objective than financing of cyclical stocks. The amounts suggested here reflect the practical limits of initiating action; the need is much greater.

Article 703: Projects concerning new sources of energy

Council proposed amalgamating the three items under this Article with Article 704. The committee rejects this approach. In summary, therefore:

Commission	26	8
Council (<u>703 plus 704</u>)	pm	18
Committee	26	12

Council decided, in April 1979, on the first series of specific projects and set a ceiling for appropriations over the next five years. Parliament unsuccessfully opposed this procedure, which curtails its budgetary powers. Parliament has withheld its opinion on the revision of the relevant financial regulation and has asked Council for discussions on the matter.

The disturbing feature of this programme is the low rate of utilisation - up to 31.8.81, utilisation of commitments was around 4% and of payments around 7%. This affects the solar projects and the energy-saving projects (Article 704) particularly. Three factors would improve utilisation of funds for these important projects:

- the new system of scrutinising projects submitted
- extra staff, the allocation of which the Budget Committee is urged to endorse
- the possible introduction of a minimum size of project

It is unsatisfactory that action on new sources does not include programmes on wind, wave and tidal power, as envisaged by the original regulation. These should be pursued vigorously.

	<u>Commitments</u>	<u>Payments</u>
<u>Item 7030:</u>	<u>Projects for the liquefaction and gasification of solid fuels</u>	
1981	29	15
Commission	16	4
Council	pm	(not shown)
Committee	16	5

<u>Item 7031:</u>	<u>Projects concerning geothermal energy</u>	
1981	12	10
Commission	5	2
Council	pm	(not shown)
Committee	5	2

<u>Item 7032:</u>	<u>Projects concerning solar energy</u>	
1981	18	1.5
Commission	5	2
Council	pm	(not shown)
Committee	5	5

<u>Article 704:</u>	<u>Community energy saving programme</u>	
1981	24	3
Commission	20	18
Council (<u>703 plus 704</u>)	pm	18
Committee	20	20

The observations made under Article 703 apply here also. The second SAINT-GEOURS report puts special emphasis on energy-saving and demonstration projects. It is very logical for the Community to support the demonstration phase of new technologies. Utilisation up to 31.8.81 was 18% of commitments and 20% of payments.

<u>Article 705:</u>	<u>Promotion of energy investments</u>	
Commission	pm	pm
Council	pm	pm
Committee	25 (+ 25 in Ch.100)	12.5 (+ 12.5 in Ch.100)

The importance of measures both to support energy saving and coal (including infrastructure) has already been stressed).

The committee considers that funds should be allocated now, rather than later, on two topics:

- interest rate subsidies for energy-saving investment for which 10 mecu for payments appropriations are proposed.
- interest rate subsidies on projects aimed at promoting the use of coal and peat; 15 mecu as payment appropriations are proposed.

For a fuller discussion of this Article, see Section VII.

Article 706: Energy programming

Commission	1.3	1.3
Council	pm	pm
Committee	15	1.5

A new title of "Energy aid to developing countries" is proposed. Third World energy problems are even more serious than those of the industrialised world. The funds are to cover both studies (as envisaged by the Commission) and direct aid.

Article 709: Studies in the energy sector

Commission	1.0	1.0
Council	0.5	0.5
Committee	1.0	1.0

Studies are an important foundation for other work. The Parliament has called for studies on electricity tariff structures, and the committee proposes amending the "remarks" accordingly.

Article 710: On-the-spot inspections, etc., (nuclear safeguards)

Commission	0.750
Council	0.735
Committee	0.750

Article 711: Cost of training courses, etc.

Commission	0.035
Council	0.035
Committee	0.035

Article 712: Sampling and analyses
Commission 0.480
Council 0.440
Committee 0.480

Item 7130: Equipment procurement, etc.
Commission 0.56
Council 0.58
Committee 0.58

Item 7131: Transport of equipment
Commission 0.01
Council 0.01
Committee 0.01

Article 714: Expenditure on formal and other meetings
Commission 0.005
Council 0.005
Committee 0.005

SECTION IV - RESEARCH

Priorities

31. Just as it is necessary to review the logic of Community involvement in energy policy, so must the same be done in the research field. This area offers the prospect of efficient use of effort if common resources are used to tackle problems of relevance to all Member States, but a proper integration of research activities with the operation of Community policies in the industrial, energy and other sectors is vital. Similarly, the ways in which these activities are performed and the division of effort between research at Community level and Member State or local level need to be carefully thought out. Such a review is beyond the scope of this opinion.
32. Various methods of Community involvement in research can be defined:
- as "manager", undertaking all aspects of the research programme itself, i.e. direct action,
 - as "initiator", providing some funding and central direction for activities dispersed throughout the Member States, i.e. indirect action,
 - as "referee", acting as a coordination centre and exchange of information, so that unnecessary duplication of effort is avoided, i.e. concerted action.
33. It is not necessarily a question of being anti-nuclear to express concern at the large proportion of the research budget which is devoted to nuclear matters. Historically this relates to the Community's Euratom responsibilities, and large projects or safety questions are well-suited to common action. On the other hand, it is difficult to justify the extent to which nuclear programmes dominate the research budget (nearly 80%). Within the energy field, the priorities previously endorsed by the committee have been energy-saving, development of new sources, and coal, and these inevitably apply in the research budget.
34. The research programmes can be analysed under four headings: nuclear, nuclear safety, fusion and non-nuclear. Such a breakdown shows that purely nuclear research accounts for about 7% of commitments and 8% of payments; approximately half the work done is done for a particular Member State or States, and reimbursed. Only small savings can therefore be made in this area.

Amounts for non-nuclear programmes have been increased where appropriate in an attempt to redress the balance of expenditure, and the committee has followed Parliament's opinions as far as possible. The overall balance cannot be changed drastically in one year.

Awaiting Council action

35. Since direct elections, the EP has passed reports on the following topics, which have budgetary implications but which do not appear as such in the draft budget:

Plutonium cycle and safety (1-183/79): this proposal is being withdrawn by the Commission.

Clay minerals and technical ceramics (1-132/80): action is now proposed under the new raw materials programme (item 7359).

Support for microelectronics appears under 7710.

36. The Court of Auditors, in its report for 1979, commented at length on the Community's research activities. With regard to the JRC, it noted the lack of proper inventories and irregularities in the construction and use of buildings. It considered that work done for outside bodies threatened the multi-annual programme: this has subsequently fallen sharply and is only 0.723 mECU for 1982 (item 7331).

With regard to indirect research, the Court noted the need to strengthen both scientific and financial supervision, and criticised the failure to produce annual reports, as required.

37. The scattering of funds on a multiplicity of indirect projects risks inefficiency. The following are those items with expenditure of less than 1 mECU for 1982:

7343	Plutonium recycling	0.400
7345	Decommissioning	0.800
7347	Codes for FBR	0.897
7353	Paper, etc., recycling	0.283
7371	Food technology I	0.024
7372	" " II	0.083

The approaching end of these programmes provides an opportunity for rationalisation. In particular the Commission is invited to bring forward a general programme of indirect action on nuclear safety.

38. In summary, the proposals give:

	<u>Commitments</u>			
	<u>Nuclear</u>	<u>Nuclear Safety</u>	<u>Fusion</u>	<u>Non-nuclear</u>
Commission	29 (7%)	96 (22%)	205 (48%)	99 (23%)
Council	29 (7%)	90 (23%)	182 (47%)	88 (23%)
Committee	29 (7%)	92 (21%)	205 (46%)	116 (26%)
	<u>Payments</u>			
Commission	28 (8%)	90 (26%)	146 (42%)	83 (24%)
Council	25 (8%)	84 (26%)	143 (44%)	76 (23%)
Committee	25 (7%)	87 (25%)	145 (41%)	93 (26%)

In total:

	<u>Commitments</u>	<u>Payments</u>
Commission	429	346
Council	389	327
Committee	442	351

Figures are rounded to the nearest 1 mECU.

Item-by-item

39. Details of the sums proposed for the individual items are given below:

	<u>Commitments</u>	<u>Payments</u>
<u>720</u> <u>Research projects in the field</u> <u>of technology and industry</u>		
Commission	pm	pm
Council	delete	delete
Committee	pm	pm
<u>721</u> <u>Preparation of new research programmes</u>		
Commission	1.300	1.300
Council	1.150	1.150
Committee	1.300	1.300

7220 Studies in the context of assistance for nuclear power
plant operators

Commission	0.020	0.020
Council	0.020	0.020
Committee	0.020	0.020

7221 Studies of safety techniques

Commission	0.450	0.450
Council	0.420	0.420
Committee	0.420	0.420

7222 Studies on advanced reactor design

Commission	0.150	0.150
Council	0.150	0.150
Committee	0.150	0.150

7223 Studies on the nuclear fuel cycle

Commission	0.180	0.180
Council	0.160	0.160
Committee	0.180	0.180

7300 Nuclear safety - direct action

Commission	81.311	72.339
Council	77.779	70.044
Committee	77.779	70.044

7301 New sources of energy

Commission	23.374	23.079
Council	22.787	22.583
Committee	25.000	25.000

	<u>Commitments</u>	<u>Payments</u>
<u>7302 Study and protection of the environment</u>		
Commission	15.275	14.197
Council	14.982	13.739
Committee	16.000	15.000
<u>7303 Nuclear measurements</u>		
Commission	12.999	11.936
Council	12.777	11.535
Committee	12.000	11.000
<u>7304 Specific support for Commission's sectoral activities</u>		
Commission	9.981	9.311
Council	9.855	9.181
Committee	11.000	10.000
<u>7310 Operation of the HFR reactor</u>		
Commission	13.820	11.915
Council	13.820	11.915
Committee	13.820	11.915
<u>7330 Super-Sara (Euratom/Italy)</u>		
Commission	2.000	3.000
Council	2.000	3.000
Committee	2.000	3.000
<u>7331 Services performed by JRC at request of outside bodies</u>		
Commission	0.723	0.723
Council	0.723	0.723
Committee	0.723	0.723
<u>7333 Physical protection at JRC</u>		
Commission	-	-
Council	-	-
Committee	-	-
<u>7334 Phase II of Super-Sara (staff expenditure)</u>		
Commission	-	-
Council	-	-
Committee	-	-

7340 New energy sources

Commission	17.000	18.500
Council	16.500	17.500
Committee	25.000	22.000

7341 Fusion (non-JET)

Commission	114.015	54.515
Council	63.665 (+ 27.5 in Ch. 100)	49.665 (+ 2.5 in Ch. 100)
Committee	114.015	54.515

7342 Fusion (JET)

Commission	83.200	83.200
Council	66.700 (+ 16 in Ch.100)	66.700 (+ 16 in Ch. 100)
Committee	83.250	83.250

7341 and 7342 together form the largest programme falling within the committee's competence. The EP has just been consulted on the new programme.

7343 Plutonium recycling in light water reactors

Commission	pm	0.400
Council	pm	0.400
Committee	pm	0.400

7344 Management and storage of radioactive waste

Commission	8.864	9.864
Council	7.364	6.864
Committee	8.864	9.864

7345 Decommissioning of nuclear power stations

Commission	0.850	1.000
Council	0.850	0.800
Committee	0.850	0.800

7346 Safety of water-cooled thermal reactors

Commission	0.850	1.700
Council	0.850	1.100
Committee	0.850	1.100

<u>7347</u>	<u>Codes and standards for fast breeder reactors</u>		
	Commission	1.566	1.176
	Council	0.937	0.897
	Committee	1.570	1.200
<u>7350</u>	<u>Recycling of industrial and municipal waste</u>		
	Commission	2.038	1.838
	Council	2.038	1.450
	Committee	2.038	1.838
<u>7351</u>	<u>Primary raw materials</u>		
	Commission	-	4.500
	Council	-	2.500
	Committee	-	4.500
<u>7352</u>	<u>Uranium ore: prospecting and processing</u>		
	Commission	1.541	1.062
	Council	1.300	0.850
	Committee	1.541	1.062
<u>7353</u>	<u>Paper and board recycling</u>		
	Commission	-	0.283
	Council	-	0.283
	Committee	-	0.283
<u>7359</u>	<u>R & D in the raw materials sector</u>		
	Commission	11.656	3.773
	Council (global amount in Ch.100)	pm	pm
	Committee	11.656 (Ch. 100)	3.773 (Ch.100)
<u>7360</u>	<u>Environment (indirect action)</u>		
	Commission	-	1.174
	Council	-	1.174
	Committee	-	1.174

Items 7361, 7362, 7364 and 7365 : no funds are entered and work is now covered by 7369.

Items 7366, 7367 and 7368 are not the responsibility of the Energy and Research Committee.

<u>7369</u>	<u>Sectoral programme: environment</u>		
	Commission	15.857	4.757
	Council	13.800	3.780
	Committee	15.857	4.757

	<u>Commitments</u>	<u>Payments</u>
<u>7370 Biomolecular engineering</u>		
Commission	4.000	1.000
Council (global amount in Ch.100)	pm	pm
Committee	4.000 (Ch.100)	1.000 (Ch.100)
Include in new item 7377		
<u>7371 Food technology I</u>		
Commission	-	0.024
Council	-	0.024
Committee	-	0.024
<u>7372 Food technology II</u>		
Commission	0.083	0.083
Council	0.083	0.083
Committee	0.083	0.083
<u>7373 Reference materials and methods</u>		
Commission	1.103	4.000
Council	1.103	3.500
Committee	1.103	4.000
<u>7374 Science and technology for development</u>		
Commission	pm	pm
Council	pm	pm
Committee	pm	pm
<u>7375 R & D for textiles and clothing</u>		
Commission	-	-
Council	pm	pm
Committee	4.200 (Ch.100)	1.750 (Ch.100)
Include in new item 7377		

7377 Industrial research

Some subjects are better suited to Community involvement than others, and there is a case for larger articles in the budget to match the individual sectors and offering some flexibility in the allocation of funds. The Council proposes a global reserve for four unrelated items (raw materials 7359, biomolecular engineering 7370, science and technology for development 7374, and textiles 7375). It is more logical to propose a new item to deal with the general area of industrial research, and to include initially:

biomolecular engineering (ex - 7370)
textiles (ex - 7375)

These are both pending and funds (in total 8.200 for commitments and 2.750 for payments) should be entered in Chapter 100.

Ch.100 The Council's global reserve for 7359, 7370, 7374, 7375 should be deleted in the light of the amendments proposed above.

7380: Long-term forecasting and assessment

Commission	0.684	1.428
Council	0.684	1.428
Committee	0.684	1.428

7381: Scientific and technical training

Commission	2.946	1.200
Council	2.946	1.200
Committee	2.946	1.200

7390: Research staff placed at disposal of outside bodies

Commission	0.651	0.651
Council	0.651	0.651
Committee	0.651	0.651

7391: Research staff awaiting assignment

Commission	0.317	0.317
Council	0.870	0.870
Committee	0.870	0.870

7392: Services performed for outside bodies

Commission	0.115	0.115
Council	0.115	0.115
Committee	0.115	0.115

SECTION V - INFORMATION MARKET AND INNOVATION, ETC.

(Chapter 75 and items in Chapter 77)

40. The activities in Chapter 75 fall into three main groups:
- Euronet/Diane (7500, 7501, 7502, 751)
 - Automatic translation - Eurotra (754)
 - Innovation and documentation (752, 753, 755, 758, 759)

The Parliament has recently passed reports on the first two groups (BEAZLEY and ADAM reports), and the committee has recently decided to prepare a report on encouraging inventors (motion by KLEPSCH and others). There are thus no outstanding issues, nor comments of the Court of Auditors to deal with.

41. With regard to 7502, the financial forecast for the 3rd Action Plan (for Euronet/Diane) foresaw 10 mecu as total commitments and 5 mecu as total payments during the first two years, and these were not challenged in Parliament's report (including the Budget Committee's opinion). The Council recently agreed the Plan (OJ L 220/81). Commitment appropriations of 1.9 mecu and payment appropriations of 0.9 mecu have been agreed in the 1981 rectifying budget.

The figures in the preliminary draft should be adjusted to take this into account. For commitments, 10.0 less 1.9 leaves 8.1 for the second year (ie. 1982). For payments, 5.0 less 0.9 leaves 4.1. The figures of 8.1 and 4.1 proposed by the draftsman thus conform to the original opinion of Parliament.

42. With regard to 754, Eurotra, appropriations of 1.6 mecu were originally foreseen (1979 prices); in 1982 prices this is approximately 1.9 mecu. The Budget Committee asked for a cut in staffing on the programme, and Parliament endorsed this. The EP also called for additional feasibility studies to be made and the commitments and payments are increased to allow for this. The funds are entered in Chapter 100 as agreement has not yet been reached on the programme.

43. For the items concerning innovation and documentation, the committee supports at least the restoration of the Commission figures. This includes Articles 751, 752, 753, 758 and 759. Although small in total expenditure, these represent Community commitment to a high-technology future. Cuts in these areas are indefensible given the Community's economic situation.

44. In summary these proposals give:

	<u>Commitments</u>	<u>Payments</u>
1981	6.705	5.992
Commission	14.200	11.466
Council	9.005	8.621
Committee	15.700	11.516

Item-by-item

45. Details of the proposals on the individual items are given below:

		<u>Commitments</u>	<u>Payments</u>
<u>7500</u>	<u>1st plan of action</u>		
	Preliminary draft	pm	pm
	Council	-	-
	Committee	-	-
<u>7501</u>	<u>2nd plan of action</u>		
	Preliminary draft	pm	0.716
	Council	pm	0.716
	Committee	pm	0.716
<u>7502</u>	<u>3rd plan of action</u>		
	Preliminary draft	8.0	4.9
	Council	5.0	3.5
	Committee	8.1	4.1
<u>751</u>	<u>Supplementary activities</u>		
	Preliminary draft	2.2	2.3
	Council	1.0	1.6
	Committee	2.2	2.3
<u>752</u>	<u>Community projects in the field of innovation</u>		
	Preliminary draft	0.8	0.8
	Council	0.25	0.25
	Committee	1.50	1.50
<u>753</u>	<u>Dissemination, etc., of scientific and technical knowledge</u>		
	Preliminary draft	0.8	0.8
	Council	0.75	0.75
	Committee	0.8	0.8
<u>754</u>	<u>Eurotra</u>		
	Preliminary draft	1.35 (Ch.100)	0.9 (Ch.100)
	Council	1.0 (Ch.100)	0.8 (Ch.100)
	Committee	2.0 (" ")	1.0 (" ")

	<u>Commitments</u>	<u>Payments</u>
<u>755</u> <u>Other projects in documentary research</u>		
Preliminary draft	0.6	0.6
Council	0.6	0.6
Committee	0.6	0.6
<u>758</u> <u>Purchase of scientific and technical books and subscriptions</u>		
Preliminary draft	0.25	0.25
Council	0.225	0.225
Committee	0.300	0.300
<u>759</u> <u>Information and procedure concerning patents</u>		
Preliminary draft	0.20	0.20
Council	0.18	0.18
Committee	0.20	0.20

46. In Chapter 77 (Industry and Internal Market), the committee is competent for:
- 7777 (technological research for the footwear industry); this programme has now come to an end,
 - textiles R. & D. programme; this has now been re-proposed to Council in a revised form and has been included in Chapter 73 as line 7375,
 - ceramics R. & D. programme, which it is now proposed to include in the general raw materials programme (see item 7359).

SECTION VI - 30 MAY MANDATE

47. The Commission has recently adopted proposals on the measures to meet structural imbalances in the operation of the Community budget. Which measures will finally be adopted, and whether these will include a raising of the limits on the Community's own resources, is not yet clear.
48. It is however clear that new initiatives arising from the mandate discussions will not have to await the 1983 budget. If the words of the Commission's document in reply to the mandate:
- "a successful energy policy will create the conditions for an economic upturn" mean anything, they should signify the early introduction of initiatives in support of energy and energy research projects. It should also mean that an appropriate share of any additional funds which may become available should be devoted to such projects.
49. At this stage, when nothing is known about the final outcome of discussions on restructuring the budget, it would be pure speculation to increase appropriations for particular items in anticipation of an unknown amount of extra money being available. This is a tactical question.
50. This document therefore tries to keep the 1982 budget exercise and the restructuring of the budget separate. Increased appropriations for particular items are put forward in the context of the 1982 budget alone.
51. Any calculation of extra funds which might become available as a result of restructuring the budget is inevitably speculative. However, on the assumptions that (a) the proportion of the budget devoted to agriculture falls to 40%, (b) the VAT limit remains at 1% and (c) the proportions of non-agricultural spending devoted to energy and research are the historical figures of 1.3% and 5.7%, then one might expect payment appropriations of around 200 mecu for energy and around 750 mecu for research. These imply a rough doubling of the amounts sought in the 1982 budget. Other assumptions may be thought more probable, but whatever the outcome, the Committee on Energy & Research consider it of fundamental importance that expenditure in the energy and research sectors is at least 7% of total non-compulsory spending.
52. Even these amounts are small compared with the scale of the problem, and should be concentrated on the priority areas in energy and research policy, rather than being scattered over many items. It is proposed that a sum of 500 mecu is added to commitment appropriations Ch.100, for allocation to appropriate energy and research activities once the structural problems of the budget are resolved.

SECTION VII - BORROWING AND LENDING OPERATIONS

53. It was earlier suggested that Community involvement in energy policy should inter alia encompass the research, development and application phases (see paragraph 14). The first two fall under Chapters 73 and 70. The application phase clearly involves massive sums of money - the second SAINT-GEOURS report estimates that investment of 120-250 billion ecu is needed between now and 1990, say 15-30 billion ecu per annum, and these figures refer to investment in energy saving only.
54. The vast bulk of this investment will be made on normal commercial considerations, but it is desirable to encourage investment according to the priorities set out earlier. The Community budget is too small, however, to make any direct impact. On the other hand, a small budgetary expense as an interest rate subsidy could achieve great leverage in encouraging certain investments, and in stimulating employment and economic recovery, as well as meeting energy objectives.
55. The relevant borrowing and lending operations are:

- normal operations of the EIB,
- operations under the New Community Instrument (NCI), in which the Commission raises the funds but the EIB administers the loans

Energy investment forms a substantial proportion of overall lending under these operations; it accounts for approximately 40% - an exact figure is difficult to give as some projects qualify for support according to more than one criterion.

In 1980, lending by the EIB on energy projects amounted to 1,211 meua; this includes 108 meua under the NCI. Total lending on energy projects between 1973 and 1980 was 4,290 meua; the NCI (in operation since 1978 only accounted for 233 of this). Lending operations constitute the real energy policy of the Community.

Orientation of lending

56. The pattern of lending for energy projects was as follows in 1980:

- nuclear	433 meua	28%
- import diversification (gas pipelines, electricity imports, coal conversion)	346	22
- natural gas	179	11
- electricity, coal, etc.	167	11
- hydroelectric/geothermal	164	11
- energy saving	152	10
- oil and natural gas deposits	64	4
- new sources	54	3

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The EIB's own lending and operations under the NCI showed similar patterns (which implies that the different formal status of the latter has not caused any change in lending policy). Although the EIB is pursuing the 1990 energy objectives which were endorsed by the Parliament, the priorities implied by the table above do not correspond with those of this committee (being energy saving, new sources and coal, then nuclear).

57. While the EIB's lending is limited by its statutes (which refer inter alia to Article 130 of the Treaty). The above pattern of lending is not predetermined by these limits. The three main categories of lending are:

- regional
- modernising and converting undertakings
- projects of common interest

the latter two categories requiring that the projects be of such a size that they cannot be entirely financed domestically; this is an undefinable requirement in practice.

58. It perhaps has to be accepted that some new sources of energy are at the demonstration project stage, rather than that of full scale deployment. But energy savings projects could well qualify under any of the three categories and projects to promote coal use under the regional or common interest categories.

59. The Bank has suggested that it aims to lend for relatively long-term projects and that most energy-saving projects have shorter pay-back periods; and that it is geared to lend to a small number of large projects rather than a multiplicity of small projects. On the other hand, some energy-savings projects - such as combined heat and power schemes - can be both large and long-term. In addition, the Bank already lends to intermediate financial institutions already as part of its regional activities; these institutions then make the smaller loans.

There is thus no formal or operational barrier to greater lending by the Bank for energy-saving and coal-promotion projects.

Subsidies

60. Parliament's ability to influence the pattern of EIB lending is virtually non-existent at present. The introduction of some element of democratic review is the subject of a report by Mr COUSTÉ (PE Doc.1-175/81).

One possibility for introducing some influence on the pattern of lending is to allocate money in the budgetary procedure for interest rate subsidies for certain types of project. A legal framework for interest rate subsidies already exists. Although it applies only to certain projects and certain countries, the chance should be taken to broaden its scope. It provides only a first step, however, in reorienting the EIB's lending operations.

61. Regulation 1736/79 (OJ L 200/79) provides for interest rate subsidies of 3% on loans from the EIB and under the NCI. The less prosperous countries eligible were specified as Italy and Ireland (see Decision 79/691, OJ L 200/79), although Article 8 of the Regulation seems to open the way for compensation to Greece and the UK, i.e. those countries outside the EMS. Thus four countries should benefit.

To qualify for subsidy under the Regulation, the loans should concentrate on infrastructure and contribute to solving main structural problems, such as regional imbalances and unemployment.

62. The draftsman suggests setting aside 25 mecu in payment appropriations for interest rate subsidies (at 3% the total loan affected would be 800 mecu). This sum would be earmarked as follows:

- 15 mecu for subsidies on loans to promote the use of solid fuels, i.e. coal and peat. Coal-handling infrastructure, for example, clearly falls within the terms of the loans, and 7.5 mecu should be entered under Article 705, as subsidy for promoting coal use, together with 7.5 mecu in Chapter 100, to be released when a new regulation making such loans available to all Member States is brought forward (this could be done by amending 79/761 to refer to all Member States for energy projects).
- 10 mecu for subsidies on loans for energy-saving projects. These offer regional and employment advantages, and energy problems are the main structural difficulty affecting today's economies; such projects therefore qualify for subsidy under Regulation 1736/79. Any doubt about this should be removed. Half the money is to be placed in Ch.100.

These sums are fairly modest but could of course be increased if the initiative were successful.

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Summary

	<u>CA</u>	<u>PA</u>		
Article 705:	15.0	7.5	for coal promotion subsidies	
	10.0	5.0	for energy saving subsidies	
Chapter 100:	15.0	7.5	for coal promotion subsidies) released when
	10.0	5.0	for energy saving subsidies) available to
) all Member
				States

SECTION VIII: BUDGET RESOLUTION PARAGRAPHS

The committee asks the Budget Committee to incorporate the following paragraphs in the budget resolution:

The European Parliament,

1. Considers that it is an urgent priority that the declarations on energy by the European Council, the advice of the Commission, and the resolutions of the European Parliament should be matched in the 1982 budget by an increase in the expenditure in the energy sector relative to other non-compulsory expenditure; calls on the Commission to present with the utmost despatch the long-promised draft regulations to promote expenditure in the energy sector; calls on the Council both to respond positively to such proposals and to ensure their implementation by September 1982, and to ensure that sufficient staff are available in the energy Directorate-General to implement these plans.
2. Urges the Commission and the Council to accept the desperately urgent need to increase overall investment in energy in the Community and particularly to achieve a level significantly higher than the current 1.6% of GNP; calls for specific measures to ensure that energy investment levels in the next ten years will match or exceed in percentage terms those of the USA and Japan.
3. Supports the view of the Energy and Research Committee that expenditure on energy and research, following the revision of the budgetary procedure, should match or exceed its historical level of around 7% of non-compulsory expenditure.
4. Emphasises the need for the Community to give more attention to the priority areas of energy conservation, new energy sources and industrial innovation; calls on the Commission to present a full revision of its research activities in order to achieve this and further calls on the Council and Commission to take such steps, subject to the opinion of the European Parliament, as will allow such reorientation by the middle of 1982.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Mr G.L. LEMMER

On 18 March 1981 the Committee on External Economic Relations appointed Mr Lemmer draftsman of the opinion.

It considered this subject at its meetings of 24 June 1981 and 22 September 1981 and at the latter meeting unanimously adopted the draft opinion.

Present: Sir Frederick Catherwood, chairman; Mrs Wieczorek-Zeul, vice-chairman; Mr Lemmer, draftsman, Mr Almirante, Mr Cottrell (deputizing for Lord O'Hagan), Mr Deschamps, Lord Harmar-Nicholls (deputizing for Sir Frederick Warner), Mr Jonker, Mrs Lenz, Mr Louwes, Mr Martinet, Mr Pelikan, Mrs Pruvot (deputizing for Mr De Clercq), Mr Radoux, Mr Rieger, Sir John Stewart-Clark and Mr Welsh.

At its meetings of 24 June and 22 September the Committee on External Economic Relations, in the presence of a representative of the Commission of the European Communities, discussed the Commission's preliminary draft and the Council's draft budget for 1982. The following items were central to this exchange of views:

- (a) Article 990 - 'Operations under commercial and economic cooperation agreements with non-member countries', for which an appropriation of 5,000,000 ECU had been requested.

These are financial provisions for a wide range of operations and result from cooperation agreements concluded recently with non-member countries (mainly developing countries)¹.

The Commission considers that allocation of these 'modest funds' is necessary in order to facilitate the attainment of the objectives embodied in the agreements, for example fostering economic interests. It proposes using this sum for the following activities²:

1. Organization of conferences and seminars	900,000 ECU
2. Meeting the cost of commercial, industrial and investment missions and missions to explore opportunities for joint ventures	1,500,000 ECU
3. Promotion of visits and contacts between businessmen and exchanges at technical level	600,000 ECU
4. 'Business Week' (Yugoslavia/Brazil/China follow-up)	750,000 ECU
5. Provision of experts and experts' services for carrying out studies	1,100,000 ECU
6. Information campaigns linked to the various operations listed above	150,000 ECU

It emerged from the discussion that the Committee on External Economic Relations understood the usefulness of this expenditure, particularly in view of the success of the EEC-China trade week this year; at the same time it felt that a means had to be found whereby its members could be more closely involved in these activities. It will then be in a better position to judge whether these funds are being spent wisely.

The Council has deleted the whole amount. The Committee on External Economic Relations wishes this item to be reinstated in the budget and has decided to table an amendment to this effect.

¹The 'second-generation' agreements with ASEAN countries, India, Mexico, Brazil, Yugoslavia, Canada, Romania and China

²See preliminary draft general budget of the European Communities for 1982, page 1048

(b) Staff increase for DG I and DG X with a view to opening delegations with a press and information service in Brasilia and New Delhi.

The Committee on External Economic Relations agreed with the principle of these requests, which it had already supported in the reports by Mr Louwes (Brazil) and Mr Seal (India). This position had also been endorsed in plenary sitting when the reports were adopted.

Briefly, the reasons for these requests were as follows:

- Brazil: this country's great economic significance and special cultural position in Latin America and the fact that the present Caracas office can no longer be considered able to cover the whole Latin American continent adequately.
- India: the great distance between this country and Bangkok, where a delegation responsible for the whole of Asia is now based. (Besides India, the new delegation in New Delhi will cover Pakistan, Sri Lanka, Bangladesh, Nepal and Bhutan). India is also the largest country in in Southern Asia and an important member of the group of developing countries.

The Community has recently concluded a cooperation agreement with both countries.

It appears that the Council does not want to allow any increase in staff this year - a consideration which also applies to (c).

There is general agreement that the opening of these delegations is in the interest of both the Community and the other contracting parties. However, the Commission must be provided with the necessary funds to achieve this. The Committee on External Economic Relations attaches great importance to the two amendments it has decided to table on this subject.

(c) Staff increase for DG I in Brussels for the following sectors:
anti-dumping, textiles, GATT and Japan.

It was abundantly clear in the discussion that the Committee on External Economic Relations - as in previous years - saw a particularly urgent need for the Community to make the necessary funds available to enable it to respond to some extent to the consequences of the economic recession which are giving rise to more protectionist measures and dumping practices.

In the Welsh Report on the Community's anti-dumping activities this problem is clearly illustrated by the statement that the United States has 140 executive staff working for the Department of Commerce and a further 500 staff at the International Trade Commission as opposed to 16 at the Commission whilst the number of cases that the US has to handle is in fact rather smaller. For textiles the renewal of the Multifibre Arrangement must be borne in mind. With regard to GATT the Commission must have the necessary staff to utilize fully the potential advantages of agreements concluded under GATT. For Japan (this concerns additional staff in Brussels) the increasingly close links - which are in the interests of the Community's economy - with this country require an expansion of staff.

The Committee on External Economic Relations wishes to stress the point it has already made on previous occasions, i.e. that it is to the Community's advantage to ensure optimum management of these sectors and it therefore urges that the relevant amendment be adopted.

- (d) Item 7775 - 'Specific measures for improving knowledge of the Japanese market', on the one hand by awarding scholarships to young executives in Community undertakings for visits to Japan and on the other hand by supporting back-up efforts by European undertakings to penetrate the Japanese market.

In the past the Council has always earmarked appropriations of 1,500,000 ECU for this. For 1982 the Council has increased this amount to 2,000,000 ECU. As this accords with the tenor of the Seeler opinion on the 1981 draft budget¹ the Committee on External Economic Relations does not consider it necessary to propose any further amendment.

- (e) Lastly, the Committee on External Economic Relations has decided to table an amendment on the strengthening of the delegations in Canberra and Belgrade with staff from DG X (information).

Both delegations operate without a press and information service which is contrary to policy followed up to now and the authorities in both places consider this shortcoming to have had an adverse effect.

¹PE 67.891/fin. para. 11

Conclusion

In tabling draft amendments the Committee on External Economic Relations has been guided by three principles, these being:

- (1) Firstly, the amendments must be of benefit to the Community's economy and must be selected to deal with the most urgent problems;
- (2) As regards staff requests, these should not exceed the Commission's proposals;
- (3) Positions adopted on previous occasions by Parliament should be maintained.

The Committee on External Economic Relations hopes that the Committee on Budgets will bear these points in mind when voting on its amendments.

OPINION OF THE COMMITTEE ON REGIONAL POLICY AND REGIONAL PLANNING

Draftsman: Mrs S. MARTIN

At its meeting of 17 March 1981 the Committee on Regional Policy and Regional Planning appointed Mrs Simone Martin draftsman.

The Committee on Regional Policy and Regional Planning considered the draft opinion at its meeting of 24 September 1981 and adopted it at the same meeting by 16 votes to 1.

Present: Mr De Pasquale, chairman; Mr Constanzo, vice-chairman; Mr Blaney, Mrs Boot, Mr Cecovini, Mr Cronin, Mr Fanti, Mr Giummarra (deputizing for Mr Lima), Mr Griffiths, Mr Harris, Mrs Kellett-Bowman, Mr Maher (deputizing for Mrs Martin), Mr O'Donnell, Mr Price (deputizing for Mr Hutton), Mr K. Schön, Mr Verroken (deputizing for Mr Brok) and Mr von der Vring.

I. The Increase in disparities

1. The Committee on Regional Policy and Regional Planning is obliged to note once again that the disparities between the prosperous and the poor regions of the Community have increased; in some of the regions receiving aid from the ERDF, unemployment has risen to 20% of the labour force and the situation grows steadily worse.

2. The slackening of economic growth in the Member States of the European Community, allied to the prospect of no more than a marginal growth rate in gross national product, will inevitably increase the disparities between the prosperous and the poor regions of the Community even further.

If we wish to prevent this further increase in disparities between the regions of Europe we must transfer resources on a massive scale.

II. The increase in the ERDF endowment (Chapters 50 and 51)

3. Since the ERDF was established (quota and non-quota sections), the appropriations allocated to it have increased as follows:

	1975	1976	1977	1978	1979	1980	1981	Commission's preliminary draft budget for 1982	Council draft budget for 1982
CA	100	500	500	581	945	1165	1540	1940	1600
PA	150	300	400	525	499	402	869	1120	950

The substantial increase in commitment appropriation since 1975 shows that the Council is aware of the increasing significance of a Community regional policy.

Nevertheless, in its analysis the Commission shows that it, too, is aware of the situation when it states:

'However, the fact must be faced that the Fund's financial resources, even though they have been substantially increased since 1975, are still sadly inadequate before the scale of the problems'.

The appropriation proposed for regional policy and regional planning for 1982 will not be enough to enable regional disparities to be eliminated.

5. What is more, the Regional Fund endowment for 1982 is governed by political possibilities existing within current priorities and not by the socio-economic needs of the regions.

6. In this context, it is hard to understand the Council's proposal to cut the appropriation entered by the Commission in the preliminary draft.

In making such proposals, the Council demonstrates its inability to incorporate new priorities in the 1982 budget despite the fact that they were requested by both the European Parliament and the Commission.

7. An analysis of the appropriation entered for the Fund for 1982 broken down into quota and non-quota sections gives the following table:

CHAPTER	1981 budget		Preliminary draft budget for 1982 (Commission)		Draft budget for 1982 (Council)	
	CA	PA	CA	PA	CA	PA
50 ERDF (Community action in support of national regional policies)	1463	849	1843	1060	1520	890
51 ERDF (specific Community measures)	77	20	97	60	80	60
50 and 51 (ERDF total)	1540	869	1940	1120	1600	950

8. In proposing a substantial 26% increase in commitment appropriations, the Commission estimates an inflation rate of 8.6% in 1982 - an astonishingly low figure; it accordingly calculates the real increase at about 16.7%.

In previous years the Committee on Regional Policy and Regional Planning has criticised the Commission's lack of realism when estimating inflation rates. The committee feels obliged to repeat its remarks again this year.

In the three major beneficiary countries of the ERDF (France, Italy and the United Kingdom), which together represent a quota of 83%, the inflation rate in 1981 was roughly 15%.

Assuming an inflation rate - weighted in accordance with the Fund's quotas - of approximately 14% in 1982, the real increase in commitment appropriations amounts to no more than 12%.

9. On the other hand, the cuts made by the Council would give a 3.9% increase in the Fund over last year; this would mean a reduction of approximately 10% in real terms which would be quite unacceptable.

10. As regards the non-quota section of the commitment appropriations, the Committee on Regional Policy and Regional Planning hopes that the current 5% ceiling will shortly be raised when the ERDF Regulation is reviewed.

11. In calculating payment appropriations for 1982, with regard to Chapter 50 the Commission takes the view that the requirements amount to 1,200 million ECU, which it then reduces by 140 million to 1,060 million ECU on the grounds that the forthcoming second review of the Fund is encouraging potential recipients to adopt a wait-and-see attitude before utilizing their appropriations.

12. This argument is unconvincing. With a view to stepping up the rate of utilization of appropriations, the Committee on Regional Policy and Regional Planning calls on the Commission to enter 1,200 million ECU corresponding to the payment appropriations requirements it has itself calculated in respect of chapter 50. The Committee on Regional Policy and Regional Planning cannot accept the Council's proposal to reduce payment appropriations to 950 million ECU.

III. Measures under the EMS to reduce economic disparities in the Community (Chapter 52)

13. These cover interest rate subsidies in respect of infrastructure projects designed to assist the less prosperous countries in the Community (at present Ireland and Italy) to participate fully in the EMS.

The appropriation requested amounts to 200 million ECU.

The Committee on Regional Policy and Regional Planning does not feel competent to deliver an opinion on this matter since it has no knowledge of the nature of the infrastructure projects eligible for interest rate subsidies.

IV. Supplementary measures in favour of the United Kingdom (Chapter 53)

14. For 1982 this heading provides for a commitment appropriation and a payment appropriation of 1,658 million ECU each, representing an increase of roughly 79% over 1981.

The Committee on Regional Policy and Regional Planning notes that in round figures the appropriation for supplementary measures in favour of the United Kingdom will almost equal the ERDF appropriation (Chapter 50).

15. The committee wishes to reiterate the remarks already made in its opinions on the 1981 budget, namely that the supplementary measures cannot under any circumstances be regarded as Community regional policy measures. In addition, it hopes that the appropriations entered under this heading will be utilized in the United Kingdom to supplement national expenditure on infrastructure projects.

V. Other regional policy operations (Chapter 54)

16. These relate to a number of regional studies broken down as follows:

	1981	Preliminary draft budget for 1982 (Commission)	Draft budget for 1982 (Council)
Item 5400 Regional studies undertaken at the request of the Member States	340,000	400,000	350,000
Item 5401 Regional studies undertaken on the Commission's initiative	300,000	350,000	350,000
Item 5410 Preparatory studies for integrated operations	p.m.	2,000	-
Item 5411 Community measures in the framework of integrated operations	p.m.	28,000	-
Total chapter 54	640,000	780,000	700,000

The Committee on Regional Policy and Regional Planning approves the appropriation entered against Items 5400 and 5401 and in this connection emphasizes its keen interest in the Commission's efforts to provide more information on the socio-economic situation in the regions and in an extension of the instruments and policies to assist regional development. The Council's cuts must be rejected since they would lead to a reduction in the number of studies undertaken.

The Committee on Regional Policy and Regional Planning congratulates the Commission on deciding for the first time, in a letter of amendment to the preliminary draft budget for 1982, to make available 30 million ECU for integrated operations and the corresponding preparatory studies (Items 5411 and 5410).

It calls upon the Council to endorse these Commission proposals.

VI. Summary

17. The Committee on Regional Policy and Regional Planning calls on the Committee on Budgets to include the following paragraphs in its motion for a resolution:

- notes that despite a substantial increase, the financial resources made available to the ERDF in the Commission's preliminary draft budget for 1982 are still quite inadequate to cope with the pressing regional problems facing the Community;
- rejects the Council's cuts in the appropriation for the Regional Fund and demands the reinstatement of the 1,940 m ECU in commitment appropriations and 1,120 m ECU in payment appropriations proposed by the Commission. These amounts must be regarded as an absolute minimum;
- rejects the Council's cuts in regional studies (Item 5400) and demands the reinstatement of the appropriation proposed by the Commission of the European Communities;
- supports the Commission's letter of amendment to the 1982 preliminary draft budget which provides for 30 million ECU for items 5410 and 5411 to cover preparatory studies and Community measures in the framework of integrated operations;

This is the first time that provision has been made for the integrated deployment of the various financial instruments.

OPINION OF THE COMMITTEE ON TRANSPORT

Draftsman: Dame Shelagh ROBERTS

On 22 February 1981 the Committee on Transport appointed Dame Shelagh Roberts draftsman of the opinion.

The Committee considered the subject of the draft opinion at its meeting of 25 June and the opinion itself at its meeting of 24 September 1981. At the latter meeting it adopted the draft opinion with ten votes in favour and seven abstentions.

Present: Mr Seefeld, chairman; Dame Shelagh Roberts, Vice-Chairman and draftsman and Mr Carossino, Vice-Chairman; Mr Albers, Mrs von Alemann, Mr Buttafuoco, Mr Gabert, Mr Gendebien, Lord Harmar-Nicholls, Mr Janssen van Raay, Mr Junot, Mr Key, Mr Klinkenborg, Mr Martin, Mr Moorhouse, Mr Moreland and Mr Travaglini.

I INTRODUCTION

1. In drafting this opinion on the transport items of the draft general budget of the European Communities for 1982, your draftsman has naturally kept fully in mind the particular conditions facing the Community's budgetary authority this year, and the very clear views expressed on this problem by Mr SPINELLI, general rapporteur, when he attended the meeting of the Committee on Transport on 25 June 1981. Even if budgetary authorities traditionally claim that resources for the coming financial year are exceptionally limited, the current level of the Community's expenditure as a proportion of its own resources would seem to indicate that this year there is more than usual truth in the traditional claim.

2. The Community is also supposed to be in the process of 'restructuring' its budget. The document which was designed to be the first practical manifestation of this process, the Commission's report on the Mandate of 30 May, was widely criticized in the debate in the European Parliament of 7 July 1981 for failing to suggest specific remedies for the current difficulties. The Commission came in for further criticism on 9 July from the spokesmen of most political groups for failing to make allowance in the preliminary draft budget for its Mandate of 30 May.

3. This general inconsistency is particularly clear in the case of transport. Paragraph 7 of the Commission's report on the Mandate of 30 May reads - somewhat euphemistically - as follows:

'It has to be said that up to now action has not been taken at the same rate in all areas. This is doubtless one of the factors underlying the crisis currently facing the Community and the consequent lack of confidence. Furthermore, the changes in the world economy over the last ten years have shown that existing policies will have to be developed or revised.'

Yet, far from suggesting how transport policy might be developed or revised, the Commission fails to mention it directly at all.

4. The Committee on Transport has no option but to protest in the most vigorous terms that, at the very moment that the Community is embarking upon this crucial course of so-called restructuring and renewal, the Commission, in both its report on the Mandate of 30 May and in the preliminary draft budget for 1982, has apparently felt unable to attach any significance to the potential role of Community transport policy in stimulating the economies of the Member States and furthering the fundamental objective of economic integration.

5. The specific comments and amendments which follow, therefore, are based on the firm conviction that Parliament should continue to give a lead where the other institutions have hitherto failed to do so. It goes without saying that the most important area is that of transport infrastructure policy. Above all, the Committee on Transport cannot accept that the Council should treat as a dead letter the Commission's 1976 proposal for a regulation concerning aid to projects of Community interest in the field of transport infrastructure¹. In its opinion attached to the NYBORG report² on the proposed regulation, the Committee on Budgets stated that it 'is conscious of the importance of the proposal in relation to the budgetary powers of the European Parliament'. Your draftsman therefore considers that the token entry proposed by the Commission under Article 781 ('Financial support for projects') of the preliminary draft budget to be a totally inadequate reflection of the economic and political benefits to be derived from the adoption of the aforesaid regulation.

¹ OJ No. C 207, 2.9.1976

² Doc. 185/77; see also reports by Mr KLINKENBORG (Doc. 1-601/80) and Mr BUTTAFUOCO (Doc. 1-218/80)

II BUDGETARY PROPOSAL

(a) Article 780 - Studies preliminary to financial aid in respect of transport infrastructure projects

1. Last year, in presenting the preliminary draft budget for 1981, the Commission entered 800,000 EUA under this Article. In the draft budget subsequently forwarded to Parliament, the Council failed to enter any appropriations at all for these preliminary studies. Parliament then adopted an amendment proposed by the Committee on Transport and endorsed by the Committee on Budgets reinstating 1m EUA, in the belief that the urgency of the economic situation and the impending accession of Greece justified an increase over the figure originally proposed by the Commission. However, this appropriation was reduced to 500,000 EUA in the budget finally adopted for 1981.

2. The stated aim of these studies is to provide the necessary information, especially as regards traffic and project analyses, to evaluate Community requirements and the Community interest in respect of given projects either following their notification to the Commission pursuant to the Council decision of 20 February 1978, or with a view to justifying Community financial support as envisaged in the 1976 proposed regulation.

Specific areas which the Commission intends to examine in 1982 include a comparative assessment of the urgency of projects and groups of projects of Community interest such as those defined in the Commission's report on bottlenecks¹; perfecting of a traffic data bank; and infrastructure requirements arising out of the accession of new Member States, including Greece.

3. The appropriations requested by the Commission for 1982 are higher than those requested for 1981 (900,000 instead of 800,000) for the simple reason that the Commission must seek to make up in 1982 the shortfall resulting from the reduced appropriations finally allocated for 1981 (only 500,000 EUA).

4. Following the Council's reduction of the appropriations entered by the Commission to 700,000, the Committee on Transport proposes to underline the European Parliament's continued resolve to have the 1976 proposal adopted by reinstating 900,000 EUA under this Article.

¹ COM(80) 323 final

(b) Article 781 - financial support for projects

5. The Commission has again placed a token entry under this Article, which is what it both requested and obtained last year, notwithstanding the Parliament's proposed amendment, on a proposal from the Committee on Transport, entering 15m EUA in commitment appropriations. If we recall that in the first preliminary draft budget for 1980 the Commission proposed commitment appropriations of 50m EUA and payment appropriations of 15m EUA, it is difficult to avoid the impression that the Commission has become somewhat faint-hearted in its approach to this potentially the most important of the budget lines concerning transport. Your draftsman feels most strongly that it will be all the more difficult to criticize the Council for inaction in the field of transport infrastructure policy if no specific evidence is provided in the course of the budgetary procedure of an unequivocal commitment to that policy by the other Community institutions. For this reason she believes that the Committee on Transport should not merely join in preserving the existence of this budget line by means of a token entry but should go an important step further by indicating precisely those projects which, if part-financed by the Community now, would very rapidly bring significant benefits to the economies of all the Member States.

6. Your draftsman therefore requested the Commission to provide a list of possible projects to be incorporated into a five-year programme of Community support for the improvement of transport infrastructure. This list is contained in Annex I to the opinion and, while naturally not being exhaustive, represents a useful starting-point for a clearly-defined transport infrastructure policy based on specific projects and meeting real and existing needs, and as an initial a point of reference in deciding on the provision of budgetary appropriations under this Article. Your draftsman would further point out that all these projects constitute bottlenecks and possible modes of finance¹, on which Mr MOORHOUSE is currently drawing up an own-initiative report on behalf of the Committee on Transport.

7. With regard to the 1982 budget, in order to reflect the views expressed in the initial discussion on the 1982 budget in the Committee on Transport on 25 June 1981 in the presence of Mr SPINELLI, general rapporteur, your draftsman considers that appropriations should be entered under Article 781 for two specific projects and one area of transport for which the committee and the Parliament as a whole have expressed strong support viz: the Channel tunnel², the motorway through Austria linking the Community and Greece³ and the development of combined transport.⁴

¹ COM(80) 323 final

² See report by Mr De KEERSMAEKER (Doc. 1-93/81)

³ See report by Mr HELMS (Doc. 1-186/81)

⁴ See report by Mr GABERT (Doc. 1-395/81)

In conclusion, therefore, to ensure consistency with the numerous resolutions adopted by the European Parliament in favour of Community support for transport infrastructure projects, the Committee on Transport strongly urges the Committee on Budgets to amend Article 781 by replacing the token entry entered by the Commission with a commitment appropriation of 75m EUA to be allocated as follows: 5 million each for preliminary work on the construction of a Channel tunnel, the Innkreis-Pyhrn motorway and the development of combined transport and 60 million for the first year of a comprehensive five-year transport infrastructure programme for the Community.

(c) Article 785 - Observation of freight markets

8. The Commission's market observation system is conceived as a policy instrument rather than a mere statistical exercise. The system provides three new types of information not previously available at Community level, namely: transporter inquiry surveys supplying rapid information on the current situation on the road transport market; one-year forecasts for the three modes highlighting shifts in transport demand; price and cost indices on a quarterly basis.

9. Over the years 1979-81 the appropriations allocated under this item were utilized as follows:

	<u>1979</u>	<u>1980</u>	<u>1981</u>
requested	300,000	650,000	630,000
received	300,000	300,000 (+ 168,000 by internal transfer)	425,000
engaged and spent	291,000	468,000	81,000 by March 1981 425,000 foreseen by end 1981

As a result of the shortfall in funds allocated in 1980 and 1981, work was delayed in the following areas: transporter inquiry surveys for the inland waterway market; medium-term demand forecasts; price indicators for rail and inland watersays.

10. In the preliminary draft budget for 1982 the Commission requested 800,000 ECU against this article. The sum was subsequently reduced by the Council to 600,000. The appropriation requested by the Commission has already been supported by Parliament in its resolution of 19 June 1981¹, paragraph 4 of which reads: 'Takes the view that the annual expenditure of 800,000 ECU is justified as the system represents a genuine contribution to rationalizing the transport sector'.

Parliament is therefore urged to reinstate the appropriation originally proposed by the Commission.

¹ See report by Mr JANSSEN van RAAY (Doc. 1-187/81)

(d) Item 7015 - Transport of radioactive materials

11. In the preliminary draft budget for 1982 the Commission reiterates its original request made for 1981 for 500,000ECU . This sum has subsequently been transformed by the Council into a new token entry. As the Commission's proposal has already been implicitly supported by the Committee on Transport in adopting the report by Mr DOUBLET on the transport of radioactive materials¹, Parliament should endorse its reinstatement.

Your draftsman would point out that this item technically comes under energy policy.

(e) Item 7795 - Safety of car occupants

12. The Commission has proposed a token entry under this item, which comes under industrial policy, for the simple reason that it concerns a three-year programme which is due to be concluded by 31 December 1981. Your draftsman agrees with the Commission's proposal on this item.

¹ Doc. 1-355/81

Example of a possible combination of projects eligible for financial support
under the regulation proposed by the Commission

(5-year period)

Projects	Community support ¹			Member States benefitting ²								
	Approximate cost (UA)	Guarantees Loans	Subsidies Interest rebate	B	DK	F	IRE	I	L	NL	FRG	UK
1. Fixed Channel link (single-track line)	1 600	X		X		XXX	X					XXX
2. Fixed link over the Straits of Messina	1 500	X	X					XXX				
3. Bridges between Lolland, Masnedø (Farø) and Sjaelland	130	X	X		XXX							
4. Improvements to the sea lanes between Belgium and France	200		X	XX		XX				XX		
5. Improvements to the DUBLIN - BELFAST rail link	40		X				XX					XX
6. Improvements to the major road links with Dublin	100		X				XXX					
7. Improvements to the Lübeck - Puttgarden rail link	220	X	X		XX						XX	
8. Construction of the Luxembourg - Trier motorway	200		X						XXX		X	

9. Construction of a tunnel between Italy and Germany	200	X	X					XXX		XX	
10. Improvements to the rail link Randstad and the Belgian border	150		X	X					XXX		
11. Improvements to the Brussels - Luxembourg - Metz rail link	150		X	XX		X		XX			
12. - 14. 3 improvement projects for major rail installations 1 UK 1 NL 1 Den.	60		X		X				X		X
15. Road links to UK ports	200		X								XX
16. Improvements to the rail link between Turin and the French border	80		X			X		XX			
17. Acceleration of construction of a motorway linking the Community and Greece via Austria	1 500	X	3						X	XX	
18. Links to Adriatic ports ⁴											
19. Projects (over 5 years).	6 330			300 m. UA (over 5 years)							

¹ Does not rule out aid from other Community financial instruments

² XXX - very substantial direct benefits XX - significant direct benefits X - minor direct benefits and/or indirect benefits

³ Amount will depend on the results of negotiations with Austria

⁴ Amount to be determined

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND
CONSUMER PROTECTION

Draftsman: Mr H. MUNTINGH

On 19 March 1981 the Committee on the Environment, Public Health and Consumer Protection appointed Mr Muntingh draftsman of an opinion.

The draft opinion was considered by the Committee on the Environment, Public Health and Consumer Protection at its meetings of 25 June, 1 October and 19 October 1981 and adopted at the last of those meetings by 15 votes to 1 with one abstention.

Present: Mr Collins, chairman; Mr Alber, vice-chairman; Mr Muntingh, draftsman; Mrs Clwyd (deputizing for Mr Lyngé), Mr Combe, Mr Del Duca (deputizing for Mr Verroken), Mr Ghergo, Miss Hooper, Mrs Krouwel-Vlam, Mrs Lentz-Cornette, Mr Peterson (deputizing for Mrs Weber), Mr Remilly, Mrs Schleicher, Mrs Seibel-Emmerling, Mr Sherlock, Mrs Spaak and Mrs Squarcialupi.

I. INTRODUCTION

1.1. The rapporteur for the 1982 budget, Mr Spinelli, asked the Committee on the Environment, Public Health and Consumer Protection, to establish a list of priorities when drawing up its draft opinion on those items of the budget which fell within its terms of reference. It can be seen from this opinion on the one hand that the field of activity of the Committee on the Environment, Public Health and Consumer Protection is of crucial importance not merely for the wellbeing of people, plants and animals but indeed for their actual survival, and on the other that the Community has not done enough financially in this field, as shown by the fact that appropriations relating to the environment, public health and consumer protection account for only 0.2% of the budget. It is therefore meaningless to outline priorities in a policy field which, in the committee's view, should enjoy major priority in Europe but which in financial terms hardly exists. In such circumstances priorities are pointless.

Establishing a scheme of priorities within a bracket of 0.2% of the budget is moreover of absolutely no importance to the budget as a whole.

1.2. Another wish of the rapporteur was to draw attention to commitment appropriations. In the Council's breakdown of items into payment and commitment appropriations there are few which relate to areas falling within the terms of reference of the Committee on the Environment, Public Health and Consumer Protection.

The committee nonetheless agrees with the rapporteur for the budget on the pressing need for longer term financial planning in those areas of policy which fall within the committee's terms of reference. In cooperation with the Commission, an effort has therefore been made to quantify the committee's wishes in the field of environmental protection for the years to come as set out in the Alber report (Doc. 1-276/81). The items considered in that report should be seen as the necessary commitment appropriations and the committee requests the rapporteur therefore to incorporate these items in the overall list of commitments.

1.3. The rapporteur's third request was for the committee to scrutinize the percentages of the payment and commitment appropriations which are actually used by the Commission. For those items falling within the terms of reference of the Committee on the Environment, Public Health and Consumer Protection these percentages amount on average to 95% and 90%. Can there be any clearer evidence than these figures of the pressing need for financial resources?

1.4. It is moreover important to recognize that environmental policy is not a sectoral but a trans-sectoral policy, in other words it is not a specific policy but one which is influenced by other policy sectors and one which should also have a beneficial influence on other sectors.

1.5. It is on this premise that the Committee on the Environment, Public Health and Consumer Protection has based its close scrutiny of the entire budget and made a distinction between budgetary items which fall within its terms of reference and budgetary items which, although not falling strictly within the committee's field of work, do have certain implications for environment policy. The committee has tabled a number of amendments relating to these items and considers that it has a duty to monitor these and similar items closely in the future.

1.6. In short the Committee on the Environment, Public Health and Consumer Protection therefore takes the view that the resources allocated to its areas of policy are inadequate, are spread over the entire budget, do not provide enough scope for the future and, moreover, are so insignificant in the context of the budget as a whole that to establish a scheme of priorities would be futile.

1.7. Naturally the committee is aware of the budgetary problems confronting the Community. It is therefore willing to accept the relatively modest amount entered by the Commission in the preliminary draft. However that is as far as it is prepared to go. Under no circumstances will it accept the indiscriminate way in which the Council has wielded its red pen. It is incensed at the way Items 6610 to 6613, which it has now been striving to obtain for three years, have been scored out on the grounds that there is no legal basis for them.

1.8. It is also disappointed at the way in which the Council is making the Commission appear ridiculous by requesting it to participate in the UNEP action plan for the purification of the Mediterranean whilst withholding from it the resources which it so badly needs (Item 6620), with the result that the Commission can only go to the conference table empty handed.

1.9. The same is moreover true as regards the Council's reduction of Item 664 (application of legal acts), from 900,000ECU to 700,000ECU . This makes it almost impossible for the Commission to do its work properly, particularly in the important field of control over chemical substances.

1.10. The Committee on the Environment, Public Health and Consumer Protection notes that the Council is itself divided. Decisions taken by the Council of Ministers of the Environment are torpedoed by the Council of Budget Ministers for no rational reason. That is a bad thing for the Community. The Council of Budget Ministers should perhaps recall the words of Vauvenargues 'Excessive economy makes more victims than wastage'.

1.11. Although, as has already been said, the Committee on the Environment, Public Health and Consumer Protection is, as a whole, satisfied with the Commission's preliminary draft, a serious comment has to be made here with respect to the Commission. It concerns the Commission's attitude to the staff of the Directorate-General for the Environment and Consumer Affairs.

For the third time this year the Committee on the Environment, Public Health and Consumer Protection is calling for an increase in the staff of this Directorate-General. The Commission will also lose credibility if it withholds the necessary additional staff needed by the Directorate-General, which, to judge by the preliminary draft, can expect an increased workload. There has been no increase in the staff of this Directorate-General since 1977 although its workload has risen considerably.

II. GENERAL OBSERVATIONS

2.1. Owing to the revision of the budgetary nomenclature, the appropriations allocated to activities in the subareas of the environment, public health and consumer protection, including both direct (Joint Research Centre) and indirect activities (work carried out under contract or in consultation) in the field of environmental research have been entered mainly under Chapters 64,66 and 73 of the general budget of the European Communities (previously Chapters 33 and 35).

2.2. However, a number of other specific activities or measures in the said subareas are to be found under other not unimportant related headings, namely, administrative bodies (Chapter 25), economic studies (Chapter 26), participation in international conferences (Chapter 29), measures to assist less favoured areas (Chapter 42) and certain areas of expenditure in agriculture (Chapter 48).

2.3. As regards the appropriations which relate directly to the new Directorate-General for the Environment and Consumer Affairs, the appropriations applied for (Chapter 66) show an admittedly large increase compared with 1981, but in absolute figures amount to barely 10.9m ECU. In the Council's draft the overall amount requested is reduced to 5.3m ECU, in other words less than half.

2.4. The appropriations for environmental research are somewhat more generous and have been allocated amongst the following:

- (a) work carried out by the Joint Research Centre (JRC) itself;
- (b) work carried out under contract by research institutions in the Member States and financed jointly by the Commission and these same institutions:
- (c) work carried out in consultation by the research institutions in the Member States and financed by the latter and with regard to which the Commission merely acts as coordinator.

2.5. The payment appropriations for such environmental research, the importance of which cannot be underestimated, have therefore been entered under Chapter 73. They are broken down as follows:

	<u>Preliminary draft 1982</u>	<u>Draft 1982</u>
(a) direct action	14,197,000 ECU	13,739,000 ECU
(b) indirect action	2,121,000 ECU	1,733,000 ECU
(c) coordinated action	5,931,000 ECU	4,954,000 ECU
	<u>22,249,000 ECU</u>	<u>20,426,000 ECU</u>

2.6. With the exception of those relating to the proposals in the field of the protection of the worker in his place of work and coordinated and indirect action, payment appropriations in the field of public health remain very modest (see Annex II).

2.7. This is equally true of the appropriations applied for in the field of consumer protection (Annex III). Following the recent adoption of a second consumer programme, it is once again up to the Commission to submit the relevant proposals on time.

Although this policy cannot be seen in isolation from the two other areas which fall within the terms of reference of the committee, there are as yet hardly any results to be seen.

2.8. The general position of the payment appropriations in the preliminary draft and the draft in respect of the three areas with regard to which the committee has to express an opinion is as follows:

Area of responsibility	Appropriations 1981	Preliminary draft 1982	Change compared with 1981
Environment	22,021,000	32,058,600	+ 68.7%
Public Health	15,086,300	13,555,000	- 9 %
Consumer Protection	1,025,000	1,150,000	+ 12.2%
Total	38,132,300	46,763,600	+ 22.7%

Area of responsibility	Appropriations 1981	Draft 1982	Change compared with 1981
Environment	22,021,000	24,687,600	+ 12.1%
Public Health	15,086,300	12,065,000	- 20.9%
Consumer Protection	1,025,000	1,100,000	+ 7.3%
Total	38,132,300	37,852,600	- 0.7%

2.9. The appropriations for the environment, public health and consumer protection have not even remained at the 1981 level. This is mainly due to the completion of indirect actions in the public health field. The appropriations for the environment already approved show an increase of 12.1% and for consumer protection an increase of 7.3%.

2.10. It is to be noted that in the case of a number of other budgetary items the rate of actual utilization of the appropriations entered for the environment, public health and consumer protection is very high. On average it amounts to 90 to 95%.

2.11. When these appropriations are then compared with the draft budget as a whole, it becomes immediately obvious that the budgetary authorities have not devoted and have no intention of devoting adequate attention to the items falling within the terms of reference of the committee. The resources provided for amount to only 0.2% of the total operational draft budget for 1982.

2.12. As regards those budget headings which fall partly within the terms of reference of the committee (see part B of Annexes I and II), it is particularly striking that the budget submitted for the European Foundation for the improvement of Working and Living Conditions amounts to 3,719,000 ECU. In its draft the Council has already agreed to 3,500,000 ECU.

Compared with the previous financial year, this constitutes an appreciable increase although the committee does have misgivings as to the future distribution of these resources. More precisely, the Foundation's management structure is hardly conducive to its efficient operation. We therefore feel that the resources allocated to the Foundation could be used more profitably elsewhere. (In this connection see the European Parliament's serious comments relating to the discharge for 1976, 1977 and 1978¹.)

III. SUMMARY APPRAISAL OF INTEGRATION²

3.1. In the matter of environmental policy, which has existed in some tangible form at Community level only since 1973, the Council has to date made two statements approving two action programmes, approved 29 basic directives, taken 16 decisions, adopted 9 resolutions and made 4 recommendations to the Member States.

For the purposes of preparing, implementing or adjusting environmental directives, the Commission receives the assistance of no less than 19 consultative and management committees. (See Annex IV).

¹European Parliament resolution OJ No. L180/80, p.15

²For detailed description and references see 'Europe Today' on the position of European integration. European Parliament, headings 4.4, 4.5 and 4.6

3.2. In the field of public health, which is characterized by the absence of any overall action programme and the holding of only 2 exploratory council meetings, 30 basic directives have nonetheless been approved, 6 decisions taken and 2 resolutions adopted, one of which contains a schedule of measures to speed up the harmonization of national legislation in the veterinary and phytosanitary fields and the other an action programme relating to safety and health at places of work.

3.3. In comparison with the two aforementioned areas of responsibility, policy in the field of consumer protection is not yet operating satisfactorily. Admittedly the Council has already approved two consumer action programmes and a close link exists between some directives which could also be seen as falling under the public health heading.

In this respect, it should be noted that 16 food directives and 7 specific consumer directives have been approved and 3 decisions taken by the Council relating to the setting up of 2 consultative committees on food and a consumers' consultative committee.

3.4 Parliament has delivered opinions on all the proposals referred to above and since 1973 has produced more than 2,000 written and oral questions on these same subjects. By the beginning of May 1981 the directly elected Members had asked 760 questions relating to the environment, public health and consumer protection out of a total of 4,740. The number of questions produced in the fields of social affairs and transport policy was 743 and 446 respectively. This goes to show that the European Parliament attached more than a modicum of importance to the fields of activity of our committee.

3.5 Finally it should be pointed out that 25 directives are still receiving the Council's attention, 12 of which relate to the environment, 5 to public health and 8 to consumer protection.

IV. STAGNATION OR BREAK-THROUGH

A. Environment policy

4.1 Although the Treaties contain no direct provision in virtue of which a Community environment policy has to be formulated, it will no longer do to say - as the Council does quite erroneously in its draft budget with regard to budget headings 6610 to 6613 - that a legal basis is lacking.

As a result of the transfrontier pollution caused by the policy implemented by the various Member States, or the absence of such a policy, the politically untenable nature of this situation has already been realized and the Council has already made two specific statements concerning a European Community action programme for the environment, the value of which cannot be denied.

4.2 As clearly pointed out in the Commission's second report on the environment, greater efforts must be made to bring about an overall improvement in the quality of the environment. This implies that an effort will have to be made not only to discover the most economical method of preventing environmental pollution but also to work out a rational method of managing natural resources and land space so as to ensure a long-term improvement in the quality of life¹.

4.3. To illustrate this fact, the Community produces waste of the order of 10,000 million ECU every year. Between 70% and 80% of this waste is disposed of in untreated form, which means that an opportunity to reduce the Community's imports of raw materials by some 5,000 million to 7,000 million ECU is lost. This situation takes on an even more serious aspect when, in addition to the loss of raw materials, one considers the costs of repairing the damage to the environment caused by incorrect or illegal disposal methods.

That such costs are by no means small is demonstrated by the example of Lekkerkerk in the Netherlands. Lekkerkerk was chosen as a dumping ground merely in order to save a few thousand guilders on processing whereas it is now faced with a cleaning-up bill of some 200 million guilders which only covers the physical damage. It is therefore not surprising that the OECD assesses the total damage to the environment at 3% to 5% of GNP, or for the Community, at between 53,000 million and 87,000 million ECU.

4.4 Needless to say, with the increasing scale of human activity together with the rapid growth in population and changes in production methods, it has become almost impossible to retain control over land use and pollution. The structure of society is affected by these strong pressures and conflicting claims are emerging. The growth and spread of the population, increasing mobility, shifts in the pattern of living and working, increasing free time and its impact on leisure activities, and the growing realization of the irreplaceable value of the environment are giving rise to claims on land, air and water which are in some cases difficult to reconcile within the geographical limits.

4.5 Not only are these problems becoming increasingly complex and interconnected but their consequences for time and space are also increasing and leading to irremediable losses and henceforth uncontrollable risks. Environmental scandals have become almost an everyday occurrence. In the last few months alone we have been confronted by the smell nuisance resulting from the production of mercaptans in Tessenderlo (B), the kerosine leak under the Frankfurt airport (G), the excessively high concentration of arsenic and cadmium on sports fields (G), the dying forests in the Ruhr and Rhine regions, the refuse dumps which had to be sealed off because of dangerous chemical waste, the disturbance of the climate caused by CO², the smog cloud in Athens, the pollution of the Elbe and the Bay of Naples, the lead rain in

¹ State of environmental protection (second report 1979, p. 6)

Hoboken (B) and Preussag (G), the illegal disturbances caused by Cheminova (DK) and Uniser^(NL), soil pollution in Lekkerkerk (NL), the dying lakes in Sweden, the dumping of dangerous radioactive waste in the ocean, the dumping of dangerous purification waste in Yorkshire, the poisoning of grain by cadmium in the vicinity of Hamburg, the permanent serious pollution in Augusta (Sicily) which has been referred to as a second Seveso and the drums of poison in Dannemarie (F).

4.6. These examples provide any parliamentary layman with straightforward and manifest proof of the existence of the environment problem in all the Member States. They show that the soil and subsoil water are being polluted to an inordinate degree, which, because of CO² emissions, means that our very survival is in jeopardy, that surface water, be it fresh or saltwater, is being tainted beyond limits, that flora and fauna are dying out at an alarming rate and that the human environment is being totally contaminated.

B. Public Health

4.7 Up to now public health policy in the European Community has covered seven very different fields, namely food control and veterinary regulations, pharmaceutical and cosmetic products, dangerous substances, two medical research programmes and the protection of workers at the place of work. Directives in these fields were produced following work by the Councils of Ministers of Agriculture, Energy and Social or Economic Affairs.

4.8 The main concern to emerge from the exploratory talks of the two informal meetings of public health ministers held to date has been the very disturbing explosion in the cost of health care.

4.9 In 1970 health care accounted for roughly one third of total social costs, while in 1980 it accounted in Belgium, France and Italy for more than 50%. What is needed is an efficient system of health care together with an adequate programme to prevent occupational and civilizational illnesses so as to bring these costs down to normal proportions.

4.10 As regards short-term measures to be taken in the light of the Council's recommendation, an active information and education programme could in the first place be drawn up on the use of alcohol, tobacco, drugs and medicines and exposure to dangerous chemical products. In the longer term, a European registration office for medicinal products, a European health card, a European mark of approval for medical equipment and a special health action programme for women could be introduced.

C. Consumer protection

4.11 Own-initiative reports and consumer programmes do not appear to have had much effect so far. Of the committee's three areas of responsibility, consumer protection is in every respect the weakest link.

Admittedly there are many areas which overlap with the environmental and public health fields, but, even taking this into account, there have been very few tangible results in the field of consumer protection in the Community. In the consumer protection field, policy is even more stagnant than in the case of the committee's other two areas of responsibility. Resources here are clearly inadequate. Unless the situation changes, the second action programme will also amount to no more than a set of useless documents.

V. ATTITUDE OF THE COUNCIL

5.1 As already pointed out in the introduction and in paragraph 4.1, there is certainly no consistency in the fact that the Council has on the one hand given its approval to two ambitious action programmes in the consumer protection field and on the other has twice rejected, in the final reading of the budget, the initiatives relating to budget items 6610 to 6613 taken by the European Parliament in its capacity as joint budgetary authority.

5.2 Even more serious is the fact that, for example, the directives on the reduction of water pollution by paper pulp factories in the Member States (dating from 1975), and the directives on the dumping of waste in the sea (dating from 1976) have still not been adopted. The adoption of the Seveso directive has already been postponed for the fourth time, etc. Community participation in the action plan for the Mediterranean (preliminary draft = 420,000 ECU) has been reduced to a token entry and appropriations for the further implementation of the environment directives already adopted more than halved. As stated by Commissioner Narjes, environmental legislation has thus been blocked.

5.3 The Council is more than in default and obviously does not fully realize the seriousness of the situation. In more than one committee meeting the President of the Council has himself admitted that there is too little progress in the field of environmental protection. There are admittedly many time-consuming procedures but there is also the fact, already ascertained on several occasions during meetings of the Council of Ministers of the Environment, that the Commission does not have enough staff to carry out properly the work that needs to be done in the environmental field. In view of the total commitment of staff, Minister Ginjaar has no option on 26 June 1981 but to conclude that far too few people were working on an integrated environment policy. The Environment and Consumer Protection Service which has now fortunately become a directorate-general, has not been assigned any additional staff since 1977 (see Annex VI), despite the enormous increase in its work load.

VI. BRIEF COMMENTS ON CERTAIN BUDGET HEADINGS IN THE 1982 DRAFT

6.1 Items 6610 to 6613

These items were entered in the budget by the Commission at the express wish of the directly elected Parliament. They are intended as a means of promoting environmental measures which lead to the creation of new jobs and the development of new purification technologies, protect the natural environment in the most vulnerable parts of Europe and ensure the proper implementation of present and future European environmental legislation.

Despite the fact that the Council itself has agreed to a token entry for 1982 and the fact that these items provide a partial answer to the policy initiated by the Council itself, the Council has had the audacity to claim that no legal basis exists for them. The truth is quite different and this denial on the part of the Council can therefore only be seen as a direct snub to the Commission and Parliament.

6.2 New item 6614 'Ecology in developing countries

This item is a logical supplement to items 6610-6613 and a consequence of the desire expressed by Parliament and the Commission (see Parliament's resolution (Doc. 1-112/80) and the Commission's reply) to review the policy of Community aid in the framework of the Lomé Convention and readjust it in line with the World Conservation Strategy and, in the context of this policy to lay stress on the Community's responsibility for the natural environment in the world.

With the aid of this item requests for support to ecological projects in the developing countries which cannot be financed under the European Development Fund can be met.

6.3 New item 6615 'Harmonization of Environmental Statistics'

It was rather disappointing to note that environmental statistics are available in only a few countries of the Community and that those which exist do not lend themselves to comparison. In an era when our natural environmental heritage is visibly shrinking as a result of all manner of pollution and nuisances, a regular appraisal of the situation in the European Communities is more than necessary. The Statistical Office of the European Communities should immediately resume the activity in this field which it discontinued in 1978.

6.4. Item 4240 (see Annex I B)

For this budget heading the explanation must state clearly that 10% of the appropriations granted must be reserved to remedy as far as possible the negative effects of the planned measures.

According to the provisions of the Council Directive of 19 June 1978¹ the drainage work to be financed may be funded from the EAGGF Guidance Section for public arterial drainage work up to a maximum of 30,000 hectares in the catchment areas concerned and for field drainage work up to a maximum of 100,000 hectares drained. The cost-benefit analysis provided for in the directive must take into account not only the impact of this major disruption of the environment but this must also be remedied as far as possible by compensatory measures.

6.5. Staff

As stated in paragraphs 1.11 and 5.3. both the Commission and the Council will lose credibility by not acting on the request made on several occasions by Parliament for an increase in staff in DG XI (formerly the Environment and Consumer Protection Service) so that it is able to cope with the new tasks it is expected to perform. If the increase in staff, as proposed in Amendment 25, is not adopted then the programme on the environment and consumer protection adopted by the Council cannot be implemented.

VII. RECOMMENDATIONS

7.1 In the light of the statement made by the President of the Council of Ministers to the Committee on the Environment, Public Health and Consumer Protection, serious thought should be given to whether the European Parliament can continue to accept a situation characterized by:

- delay in translating environmental directives into national legislation,
- the staggering costs of the increasing number of environmental scandals,
- the building of larger and larger nuclear power stations which can be regarded as nuclear mausolea;
- constantly increasing pollution of the air, soil and water,
- the unlimited dumping of radioactive waste in the ocean,
- the ethically, aesthetically and economically irresponsible extermination of species of fauna and flora,
- an unmanageable explosion in the cost of health care,
- the shelving of consumer directives and the failure to carry out the two action programmes.

7.2 In order to reverse all these negative trends and give priority to developments which safeguard and, where possible, improve the living and working environment, we feel that the following recommendations should be acted upon :

(a) Environment

- continuation and extension of the expiring action programme on the basis of the ALBER report (Doc. 1-276/81), involving more particularly:

¹ OJ L 206. 29.7.1978, p. 5

- close monitoring of the translation of existing environmental directives into national legislation and their peremptory implementation,
- strict control of any disturbance of the ecological balance and discharging and dumping of dangerous waste,
- drawing up of information programmes to ensure stricter implementation of the directive and the conservation of birds,
- harmonization of environmental statistics,

(b) Public Health

- further measures to protect employees against exposure to dangerous products,
- drawing up of an overall action programme,
- incorporation within the new DG XI of those departments concerned with public health,

(c) Consumer Protection

- effective implementation of the second action programme.

VIII. CONCLUSION

Taking the above recommendations into account, the committee has adopted the following amendments to the 1982 draft budget, which

- given the binding nature which must be attached to all the Council's solemn statements on the environment, public health and consumer protection, if they are to be taken seriously;
 - in view of the need to safeguard, manage and, where possible, restore the ecological balance;
 - in view of the fact that every European citizen expects to see an effective policy implemented in the field of the environment, public health and consumer protection;
 - in view of our earnest desire to regard the Council as a responsible institution,
- ought to be adopted on all points.

a) Environment

Amendment	Heading	Payment appropriations	Commitment appropriations for 1983 and subsequent years
No. 1	6601	+ 30,000 ECU	
2	6602	+ 40,000 ECU	
3	6603	+ 60,000 ECU	
4	6610	+ 1,500,000 ECU	+ 4,000,000 ECU
5	6611	+ 1,000,000 ECU	+ 2,500,000 ECU
6	6612	+ 1,000,000 ECU	+ 2,500,000 ECU
7	6613	+ 500,000 ECU	+ 1,500,000 ECU
8	6614 (new)	+ 1,000,000 ECU	+ 3,000,000 ECU
9	6615 (new)	+ token entry	+ 1,500,000 ECU
10	6620	+ 420,000 ECU	
11	6621	+ 100,000 ECU	
12	663	+ 120,000 ECU	
13	664	+ 900,000 ECU	
14	7302	+ 458,000 ECU	+ 293,000 ECU
15	7350	+ 388,000 ECU	
16	4240	Modification of the remarks, see paragraph 6.4	

b) Public Health

17	6481	+ 150,000 ECU	
18	6482	+ 180,000 ECU	
19	7368	+ 2,000,000 ECU	+ 500,000 ECU
27	7367	Modification of heading and remarks	

c) Consumer Protection

21	6670	+ 30,000 ECU	
23	6672	+ 90,000 ECU	
24	6673	+ 20,000 ECU	

d) Staff

Amendment	Heading	Payment appropriations
No. 25		+ 795,800 ECU for upgrading 1 A 4 post to an A 3 post + 7 A5/4 + 7 B + 11 C + 1 D

Article or Item	Description	Appropriations 1981	Preliminary draft 1982	Draft 1982	Change vis-à-vis preliminary draft Council explanation
6620 (new)	Community participation in the Action Plan for the Mediterranean	-	420,000	p.m.	Decision lacking
6621 (3545)	Protection of the marine environment	p.m.	600,000	500,000	- 100,000
663 (3541)	Environmental projects	300,000	330,000	300,000	- 30,000
6640 (3543)	Application of legal acts relating to pollution and nuisances)))) 425,000	375,000 1,225,000)))) 700,000	- 900,000
6641 (3543)	Application of legal acts relating to pollution by toxic and dangerous products)))))))))	
7302 (3302)	Study and protection of the environment - direct action	14,161,000(1) 15,160,000(2)	14,197,000(1) 15,275,000(2)	13,739,000(1) 14,982,000(2)	- 458,000 - 293,000
7350 (3350)	Recycling of urban and industrial waste - indirect action	650,000(1) 2,000,000(2)	1,838,000(1) 2,038,000(2)	1,450,000(1) 2,038,000(1)	- 388,000 -
7353 (3353)	Paper and board recycling - indirect action	525,000(1) - (2)	293,000(1) - (2)	293,000(1) - (2)	-
7360 (3360)	Environment - indirect action	1,612,000(1) p.m.(2)	1,174,000(1) - (2)	1,174,000(1) - (2)	
7369 (3361 to 3365)	Sectoral programme - environment - indirect and concerted action	1,718,000(1) - (2)	4,757,000(1) 15,357,000(2)	3,730,000(1) 13,300,000(2)	- 977,000 - 2,057,000

- (1) Payment appropriations
(2) Commitment appropriations

B. Budget headings which relate in part to the environment or in respect of which a consultative role is played.

Article or item	Description	Appropriations 1981	Preliminary draft 1982	Draft 1982	Change vis-à-vis preliminary draft Council explanation
2550	Conferences, congresses and meetings organized by the Institution		180,000		
2551	Cost of the Institution's participation in conferences, congresses and meetings		28,000		
4210 (821)	Forestry measures in certain dry Mediterranean regions	20,000,000 ¹ 50,000,000 ²	38,000,000 ¹ 50,000,000 ²	38,000,000 ¹ 50,000,000 ²	-
4221 (8221)	Collective irrigation works in the Mezzogiorno	16,000,000 ¹ 55,000,000 ²	32,000,000 ¹ 54,000,000 ²	32,000,000 ¹ 54,000,000 ²	
4232 (8232)	Prevention of flooding in the Hérault valley	100,000	300,000	300,000	
4240 (8240)	Drainage operations in Ireland	5,000,000	9,600,000	9,600,000	
4241 (8241)	Programme to promote drainage in catchment areas on both sides of the border between Ireland and Northern Ireland	1,000,000	300,000	300,000	
7344 (3344)	Management and storage of radio-active waste - indirect action	5,097,000 ¹ 10,000,000 ²	9,864,000 ¹ 8,864,000 ²	6,864,000 ¹ 7,364,000 ²	- 3,000,000 - 1,500,000
7345 (3345)	Decommissioning of nuclear power stations - indirect action	455,000 ¹ 1,200,000 ²	1,000,000 ¹ 850,000 ²	800,000 ¹ 850,000 ²	- 200,000 -

¹ Payment appropriations

² Commitment appropriations

APPROPRIATIONS FOR PUBLIC HEALTH

ANNEX II

A. Main Budget Headings		Appropriations 1981	Preliminary draft 1982	Draft 1982	Change vis-à-vis preliminary draft Council explanation
Article or item	Description				
141 (142)	Medical service	781,000	850,000	850,000	-
142 (144)	Health checks for staff exposed to radiation	45,000	54,000	54,000	-
2530	Mines Safety and Health Commission	250,000	260,000	250,000	- 10,000
2531	Advisory Committee on Safety, Hygiene and Health Protection at work	125,000	150,000	150,000	-
481 (311)	Application and supervision of Council directives in veterinary matters	125,000	200,000	100,000	-100,000 ¹
6480 (3500)	Radiation protection	475,000	550,000	500,000	- 50,000
6481 (353)	Public health studies and measures	200,000	400,000	250,000	-150,000
6482 (3520)	Health protection hygiene and safety at work	1,440,000	1,680,000	1,500,000	-180,000
6483 (3521)	Grants to international organizations for measures relating to health protection, hygiene and safety at work	33,000	36,000	36,000	-
6484 (876)	Grant towards medical assistance and safety at sea	p.m.	p.m.	p.m.	-

¹ An appropriation has been entered under chapter 100

Article or item	Description	Appropriations 1981	Preliminary draft 1982	Draft 1982	Change vis-à-vis preliminary draft Council explanation
7367 (3367)	Medical research II and III - concerted action	547,000 ¹ 950,000 ²	800,000 ¹ 866,000 ²	800,000 ¹ 866,000 ²	- -
7368 (3368)	Biology and health protection (radiation protection) - indirect action	10,959,000 ¹ 18,203,000 ²	8,468,000 ¹ 7,468,000 ²	7,468,000 ¹ 6,968,000 ²	- 1,000,000 - 500,000
7371	Food technology I - concerted action	22,000	24,000	24,000	-
7372	Food technology II - concerted action	84,000	83,000	83,000	-

B. Other budget headings which relate in part to the environment or in respect of which a consultative role is played.					
641 (359)	Subsidy towards the operation of the European Foundation for the Improvement of Living and Working Conditions	2,850,000	3,719,000	3,500,000	- 219,000
7370 (3370)	Biomolecular engineering - indirect action	p.m.	p.m.	p.m. ³	-

¹ Payment appropriations

² Commitment appropriations

³ An appropriation has been entered under chapter 100

APPROPRIATIONS FOR CONSUMER PROTECTION

ANNEX III

Article or item	Description	Appropriations 1981	Preliminary draft 1982	Draft 1982	Change vis-à-vis preliminary draft Council explanation
6670 (3550)	Consumer protection studies	380,000	430,000	400,000	- 30,000
6671 (3551)	Grant to European consumer organizations	345,000	360,000	360,000	-
6672 (3552)	Consumer protection and information measures	210,000	210,000	210,000	-
6673 (3553)	Measures required for the implementation of the consumer directives	90,000	150,000	130,000	- 20,000

IV. COMMITTEES ON THE ENVIRONMENT, PUBLIC HEALTH AND CONSUMER PROTECTION
 THE COST OF WHOSE MEETINGS IS ALSO COVERED BY THE BUDGET

A. ENVIRONMENT

- Group 2 - Scientific Advisory Committee on the Toxicity and Ecotoxicity of Chemical Compounds
- Scientific Committee on the Conservation of Avifauna
 - Committee on the Washington Convention on Trade in Endangered Species of Wild Flora and Fauna
 - Advisory Committee on the Control and Reduction of Pollution caused by Hydrocarbons discharged at Sea
- Group 3 - Standing Committee on Forestry
- Committees for the Adaptation to Technical Progress of Directives on:
 - removal of obstacles to trade in the dangerous substances and preparations sector
 - conservation of avifauna
 - chemical or micro-biological methods of analysis
- Group 4 - Committees for the Adaptation to Technical Progress of Directives on:
- aerosols
 - detergents
 - toxic and dangerous waste¹
 - quality of fresh water suitable for fish
 - quality of bathing water
 - quality of drinking water
 - air quality limit values and guide values for hydrogen sulphide and suspended particulates
 - Waste Management Committee
 - Management Committee Impact
 - Management Committee for the Directive on Dangerous Substances¹

¹ The setting up of this committee is under consideration

B. PUBLIC HEALTH

- Group 1 - Scientific Committee for Food
 - Scientific Committee on Animal Nutrition
 - Scientific Committee on Pesticides
- Group 2 - Advisory Committee on Foodstuffs
 - Advisory Committee on Veterinary Matters
 - Scientific Committee for Cosmetology
- Group 3 - Committee on Medicinal Products
 - Committee for Proprietary Medicinal Products
 - Committee for the Adaptation to Technical Progress of Directives on: Colouring Agents for Medicinal Products
 - Standing Committee on Foodstuffs
 - Committee of Senior Officials on Public Health
 - Standing Veterinary Committee
- Group 4 - Committee for the Adaptation to Technical Progress of the Directives on:
 - Cosmetic Products
 - Accident Risks connected with certain Industrial Activities¹

C. CONSUMER PROTECTION

- Group 2 - Consumers' Consultative Committee
 - Committee for the Adaptation to Technical Progress of the Directives on: Toy Safety¹
 - Advisory Committee on the Experimental Community Information System on Accidents with Products¹

¹ the setting up of this committee is being considered

APPRAISAL OF APPROPRIATIONS FOR DG XI

ANNEX V

(x 1,000 EUA)

Article or item	1973	1974	1975	1976	1977	1978	1979	1980	1981	Preliminary draft 1982	Draft 1982
A. ENVIRONMENT											
2986	-	-	-	-	10.0	21.5	53.0	60.0	60.0	316.0	316.0
299	4.2	4.6	5.6	6.4	6.4	5.0	5.0	5.0	5.0		
6600 (3540)	510.0	800.0	960.0	960.0	1,412.0	2,080.0	1,800.0	1,820.0	2,000.0	2,000.0	2,000.0
663 (3541)	-	-	40.0	100.0	150.0	200.0	220.0	300.0	300.0	330.0	330.0
6601 (3542)	-	-	-	-	104.0	268.0	300.0	320.0	320.0	118.0	90.0
6640 (3543)	-	-	-	-	-	-	100.0	400.0	425.0	375.0	
	514.2	804.6	1,005.6	1,066.4	1,682.0	2,574.5	2,378.0	2,905.0	3,110.0	3,139.0	2,736.0
B. CONSUMER PROTECTION											
6670 (3550)	-	-	90.0	120.0	180.0	270.0	350.0	370.0	380.0	430.0	400.0
6671 (3551)	140.0	200.0	200.0	200.0	240.0	300.0	315.0	345.0	345.0	360.0	360.0
6672 (3552)	-	-	-	-	-	100.0	210.0	210.0	210.0	210.0	210.0
6673 (3553)	-	-	-	-	-	-	-	75.0	90.0	150.0	130.0
	140.0	200.0	290.0	320.0	420.0	670.0	875.0	1,000.0	1,025.0	1,150.0	1,100.0

TREND IN STAFF NUMBERS IN THE ENVIRONMENT SERVICE
(category A)

ANNEX VI

						Total A. Grade Staff	Changes
1973		1 A2	3 A3	13 A5/4	5 A7/6	22	(5 A5/4 1 A7/6)
1974		1 A2	3 A3	18 A5/4	6 A7/6	28	(5 A5/4 1 A7/6)
1975		1 A2	3 A3	18 A5/4	7 A7/6	29	(- 1 A7/6)
1976		1 A2	3 A3	19 A5/4	10 A7/6	33	(1 A5/4 3 A7/6)
1977	1 A1	1 A2	5 A3	26 A5/4	10 A7/6	43	(1 A2 2 A3 7 A5/4 -
1978	1 A1	1 A2	5 A3	26 A5/4	11 A7/6	44	- 1 A7/6)
1979	1 A1	1 A2	6 A3	25 A5/4	13 A7/6	46	(conversion 2 A7/6 A4 - A3
1980	1 A1	2 A2	5 A3	25 A5/4	12 A7/6	45	+ conversion A3 and A2
1981	1 A1	2 A2	5 A3	23 A5/4	14 A7/6	45	A7/6 (Gr.)

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman: Mr V. MICHEL

On 6 April 1981 the Committee on Development and Cooperation appointed Mr Michel draftsman.

The committee considered the opinion at its meeting of 21 September 1981 and adopted it unanimously.

Present: Mr Poniatowski, chairman; Mr Bersani, Mr Denis and Mr Kühn, vice-chairmen; Mr Michel, draftsman; Mrs Caretoni-Romagnoli (deputizing for Mr Pajetta), Mrs Cassanmagnago Cerretti (deputizing for Mr Lecanuet), Mr Cohen, Mr Enright, Mr Ferrero, Mr Fich (deputizing for Mr Glinne), Mr Flanagan (deputizing for Mr Clément), Mrs Focke, Mr Fuchs, Mr C. Jackson, Mr Lezzi, Mr Narducci, Mrs Rabbethge, Mr Sablé, Mr Vergeer, Mr Vergès and Mr Wawrzik.

A comparison between the 1982 draft budget and the 1981 budget - including the amending budget - is given in the table below:

	1981	1982 Preliminary draft budget	1982 Draft budget	% increase between 1 and 3
TOTAL Payments	19,129,972,950	22,372,981,207	21,737,770,937	+ 13.63%
Commitments	20,682,040,655	23,919,135,207	22,800,939,937	+ 10.24%
COMMISSION Payments	18,777,300,391	21,991,698,067	21,364,139,367	+ 13.77%
Commitments	20,329,368,096	23,537,852,067	22,427,308,367	+ 10.32%
TITLE 9 Payments	755,662,000	823,761,000	728,809,000	- 3.55%
Commitments	932,340,705	997,523,000	835,659,000	- 10.37%

In the case of Title 9 it will immediately be seen that, all in all, the draft budget for 1982, far from offering any progress over the previous budget, amounts to a reduction in the appropriations earmarked for cooperation with the developing countries. There is a reduction in absolute terms, which is further exacerbated by the effect of inflation.

This first impression is only very slightly modified by the fall, as compared with the 1981 budget, in the cost of food aid (about 3 m ECU) for quantities which are otherwise absolutely identical.

Once more, then, development aid, which according to the European Parliament (see Spinelli resolution Doc. 1-936/80) should be one of the priorities in the 1982 budget, has been shabbily treated in the Council's draft budget.

With, admittedly, some exceptions to which your draftsman will return, Title 9 of the draft budget for 1982 represents nothing more than a repetition of the 1981 budget. In this connection it must be borne in mind that the 1981 budget was very largely dictated by the Council alone. Virtually all the amendments tabled by our committee and adopted by the European Parliament at the first reading were unsuccessful at the second because of the 'budgetary quarrel' between the two arms of the budgetary authority.

In drawing up his draft amendments your draftsman has therefore taken as a point of reference the consensus which emerged in our committee in regard to the 1981 draft budget and which unfortunately was not embodied in the final 1981 budget.

It should be pointed out, however, that in the meantime there have been considerable changes in the development aid situation, both in Europe and elsewhere. Whilst the Americans have now adopted a restrictive policy,

public opinion has shown increasing awareness of the tragedy of hunger in the world, as is demonstrated, for example, by the appeal recently made by Nobel Prize winners, which found a response in a number of national parliaments. Moreover, at a time when spending on armaments continues to rise, the UN conference on the least-advanced countries has called attention to the scandal of the 800 million people living in a state of abject poverty. Preparations for the forthcoming Cancun summit are taking place in a more optimistic mood, in the wake of a variety of recent conferences, such as those in Ottawa and Nairobi, all of which, in differing degrees and at different levels, opened the way to a dialogue on cooperation between industrialized and developing countries.

Since the Community budget is not limitless, it is impossible to translate into appropriations all the implications of these events or developments. Nevertheless, the European Parliament must, if it is to act in a consistent manner (see Ferrero resolution on hunger in the world and Cohen resolution on the least-advanced developing countries), propose some progress, even if it should only be little by little.

As regards the priority sectors selected by our committee for 1981, that is to say:

- food aid,
- non-associated developing countries,
- NGO's,
- IFAD,
- aid to disaster victims,

the amendments proposed are as follows:

(a) Food aid

Before dealing with the part of the draft budget devoted to Community food aid, it will be useful to consider the latter in relation to the needs of the developing countries:

EEC FOOD AID COMPARED WITH DEVELOPING COUNTRIES' IMPORTS
(in millions of tonnes)

	Imports		Total EEC food aid	%	
	Low-income countries *	All developing countries			
	a	b	c	d=c/a	e=c/b
1979	36	82	1.3 ¹	3.6	1.5
1980	42	98	1.65 ²	3.9	1.6

* Countries with a per capita income of less than US \$ 680

¹ The EEC's share of food aid was 0.72 million tonnes

² The EEC's share of food aid was 0.92 million tonnes

Cereals other than rice

The Council has again entered the quantity which has appeared for several financial years, namely 727,663 tonnes.

The Commission on the other hand, provided for 960,000 tonnes in its preliminary draft, in line with the position adopted by our committee for 1981.

Having regard in particular to the resolution on hunger in the world adopted by the European Parliament, the Committee on Development and Cooperation proposes that the total quantity of food aid in cereals be increased to 1.4 m tonnes, including 1,140,000 tonnes in cereals other than rice.

Rice

Both the Commission and the Council retain the 100,000 tonnes of rice which have been regularly entered in the budget for years.

The committee proposes that we retable our 1981 amendment and increase this quantity to 130,000 tonnes, representing an appropriation of 42,510,000 ECU.

World energy reserve

The committee proposes the creation of a new Item 9204 'Emergency reserve'. This item would enable the Community to contribute to a world emergency reserve and should be allocated an appropriation equivalent to the supply of 100,000 tonnes of cereals.

Milk products and butteroil

The Council maintains the 150,000 tonnes of milk powder and 45,000 tonnes of butteroil.

Sugar

The committee calls for the reinstatement of the 10,000 tonnes requested by the Commission and cut back by the Council, as always, to the 6,086 tonnes earmarked for UNRWA alone.

Vegetable oil

The committee proposes the reinstatement of the appropriation of 10,000,000 ECU requested by the Commission, which should cover supplies of 20,000 tonnes of vegetable oil. This would translate into budgetary terms the call for diversification of food aid, which the Council itself has recognised as necessary.

Food aid in other commodities

In the 1981 budget there is only a token entry against this article. In its preliminary draft budget for 1982, the Commission proposed 5 million ECU, whereas it had opposed 8.9 million ECU for 1981.

The committee proposes that we retable our 1981 amendment i.e. call for an appropriation of 8.9 million ECU.

Refunds linked to food aid

In its preliminary draft, the Commission again entered refunds linked to food aid (316 m ECU) under Title 9. Our committee has always pointed out that this practice made the volume of appropriations earmarked for cooperation with developing countries appear to be larger than it actually was.

The Council has taken a more reasonable attitude here and has entered these appropriations under Title 1 'EAGGF - Guarantee Section'. Our committee must make sure that the European Parliament does not go back on this decision, but, rather, confirms the Plumb resolution of 17 June 1981 (during this vote, an amendment by our committee proposing that refunds linked to food aid should be included under the EAGGF was adopted by Parliament).

(b) Cooperation with non-associated developing countries

Article 930: Financial and technical cooperation

The Commission entered a payment appropriation of 113 million ECU against Article 930. The Council has reduced this amount to 110 million ECU. In view of the very small reduction, your draftsman proposes no amendment.

On the other hand in the case of commitment appropriations, it is proposed that the 200 million ECU shown in the preliminary draft be reinstated in place of the 150 million entered by the Council.

Article 931: Promotion of trade relations with non-associated developing countries.

The committee proposes a commitment appropriation of 8 million instead of the 6.250 million entered by the Council.

The payment appropriation of 4.5 m ECU entered in the draft budget should be increased to 6 m ECU.

Article 933: Cooperation with non-associated developing countries in the energy field.

The Council has deleted this article, against which the Commission has proposed only a token entry. Your draftsman proposes that we retable our 1981 amendment (which appears even more justifiable in the light of the recent Nairobi Conference), i.e.

- 5 million in payment appropriations
- 20 million in commitment appropriations.

As regards cooperation in the energy sector, your draftsman also points out that the working party set up by the ACP-EEC Joint Committee stressed the need for an exhaustive inventory of the energy situation of the developing countries, to be drawn up immediately.

(c) NGOs

Your draftsman proposes the inclusion of a payment appropriation of 20 million (i.e. 3m ECU more than in the preliminary draft budget) and the reinstatement of the commitment appropriation of 20 m ECU.

These increases are justified by the difficult situation of the NGOs, which, because of the uncertainty of their financial situation, are no longer in a position to commit staff or embark on development projects.

(d) Community participation in IFAD (Article 943 of the preliminary draft budget)

This article has been deleted in the Council's draft budget. In its preliminary draft, the Commission proposed only a token entry. It should be noted, however, that the Commission had entered the remarks proposed by our committee for 1981 (reference to the European Parliament's resolution on hunger in the world).

Your draftsman proposes that we retable our 1981 amendment, i.e.

- 13.5 million ECU in payment appropriations
- 40.5 million ECU in commitment appropriations.

(e) Aid to disaster victims (Article 950)

The Commission entered an appropriation of 10 million, which experience suggests is quite inadequate. The Council has further reduced this appropriation, bringing it down to 3 million. Our committee has always condemned the hypocrisy of deliberately entering inadequate resources for a sector in the knowledge that it will be necessary to resort to expedients during the financial year. Your draftsman therefore proposes an appropriation of 20 million ECU. This corresponds more or less to the appropriations used in 1981 and is therefore a minimum. This appropriation should enable the Commission to respond with the necessary effectiveness and speed to disaster situations.

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Having put forward his proposed amendments in the five areas to which our committee decided to give priority for 1981, your draftsman points out that a certain number of other appropriations or budget lines should also be reinstated or adjusted:

- Chapter 90: Entries need to be made under this chapter with a view to future budgetization of the EDF.
- . Item 9251: Food aid transport costs
 - . Increase appropriations in line with the volume of food aid
- . Item 9270: Exceptional measures for implementing food aid
 - . Reinstatement of the 1 million ECU entered in the preliminary draft.
- . Item 9340: Scholarships for nationals of non-associated developing countries
 - . Reinstatement of the commitment appropriations of 2.5 million ECU, stressing in the remarks that these courses should as far as possible take place in the developing countries.
- . Item 9420: Advisory Committee on Development Policies
 - . Reinstatement of the appropriation of 500,000 ECU shown in the preliminary draft.

Article 970: Common Fund

- . Item 9700: Financing of buffer stocks
- . Item 9701: Financing measures for the structural improvement of the world market.
 - . The creation of these items was called for by our committee for 1980 and 1981. The Council has included the headings for the first time.
 - . Your draftsman proposes the reinstatement of the token entry shown in the preliminary draft, together with the remarks proposed by the Commission, which corresponds word for word with the text called for by our committee for 1981.

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The appropriations entered by the Commission under Item 9341 and Articles 935 and 940 have been systematically reduced by the Council. As these are appropriations earmarked for training schemes for nationals of the developing countries, this attitude is particularly incomprehensible as the economies proposed by the Council are minimal (4.6 m ECU over the three headings). Your draftsman would like to have the Commission's views on these reductions.

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Your rapporteur proposes no changes in regard to the cooperation agreements with the Maghreb and the Mashreq. The Council has made some minor alterations in the payment appropriations proposed by the Commission for these items, the overall commitments, spread over the 1982, 1983 and 1984 financial years, remaining exactly the same.

