

EUROPEAN PARLIAMENT

Working Documents

1979 - 1980

4 May 1979

DOCUMENT 128/79

Report

drawn up on behalf of the Committee on Agriculture

**on the conclusions to be drawn from the proceedings of the Seminar held
by the Committee on Agriculture in Echternach**

Rapporteur: Mr H. CAILLAVET

The Committee on Agriculture held a seminar at Echternach from 25 to 27 October 1978 to study

- I. new guidelines for the common agricultural policy;
- II. strengthening the role of the European Parliament and of its Committee on Agriculture in the formulation of this policy.

At the end of this seminar, it decided to draw up a draft report on the conclusions to be drawn from the Echternach seminar attaching, in annex to the motion for a resolution, the observations made in committee by the minority and, as explanatory statement, the summary report of the seminar proceedings as well as the working documents drawn up in preparation for the seminar.

It also instructed its chairman to draw up and present this draft report.

By letter of 14 December 1978, the Committee on Agriculture requested from the Bureau authorization to draw up an own-initiative report on the conclusions to be drawn from the work of the Echternach seminar. By letter of 26 January 1979, the Bureau granted it the necessary authorization.

The Committee on Agriculture considered the report and the relevant motion for a resolution at its meeting of 18/19 December 1978, 25/26 January 1979 and 22/23 March 1979.

At this last meeting it adopted the motion for a resolution and the report by 11 votes in favour with 2 abstentions.

Present: Mr Caillavet, chairman and rapporteur; Mr Liogier and Mr Hughes, vice-chairmen; Mr Dewulf, Mr Früh, Mr Joxe, Mr Klinker, Mr L'Estrange, Mr Nielsen Brøndlund, Mr Pucci, Mr Tolman, Mr Vernaschi (deputizing for Mr Pisoni) and Mr Vitale.

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The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the conclusions to be drawn from the proceedings of the Seminar held by the Committee on Agriculture in Echternach

The European Parliament,

- having regard to the report of the Committee on Agriculture (doc.128/79),
- having regard to Article 39 of the Treaty of Rome,
- having regard to the seminar on the common agricultural policy, held by the Committee on Agriculture in October 1978 in Echternach, in the presence of Mr Ertl, President-in-Office of the Council,
- having regard to the serious and persistent imbalance of the market in a number of agricultural sectors,
- having regard to the very difficult situation in respect of the incomes of agricultural producers in a number of regions and sectors,
- having regard to the obligation to ensure reasonable prices to the consumer;

1. NEW GUIDELINES FOR THE COMMON AGRICULTURAL POLICY

Political objectives and instruments

1. Considers that the common agricultural policy has in certain respects played a positive role by eliminating barriers to intra-community trade, as a result encouraging specialization, and that it has in this way often increased the efficiency of production for the benefit of producers and consumers, as stipulated in Article 39 of the Treaty of Rome;
2. Rejects any attempt to modify the fundamental principles of the CAP, namely unity of the market, financial solidarity, common prices and the system of Community preference;
3. Regrets, however, that the CAP has not been able to ensure the balanced and equitable development of agriculture in the Community and that it has so far failed to attain a number of its essential social objectives;

4. Deplores in particular that:
 - (a) regional disparities in incomes are continuing to widen at an increasing rate, contrary to the fundamental objective of the CAP;
 - (b) as at present conceived, the market instruments are primarily favourable to the larger industrial agricultural enterprises and do not ensure equitable incomes for small producers and family farms in certain sectors;
 - (c) the Community has failed to provide reasonable incomes for certain producers in the Southern and less-favoured regions more particularly those whose products do not benefit from guarantees comparable to those offered for certain products of the Northern regions;
5. Invites the Community authorities therefore to give closer attention to Southern products (fruit, vegetables, wine) and to see to it that they benefit from guarantees analogous to those granted for the Community's Northern products; points out that a measure of this kind would help in part to solve the problems confronting the Community's Southern regions;
6. Stresses that, from the angle of regional and social solidarity, the CAP cannot be pursued without a coherent set of structural back-up measures of a general nature or with a specific agricultural or rural character;
7. Does not believe, in particular, that a single instrument, i.e. support for certain producer prices, has been able to ensure equitable incomes for all producers in all regions of the Community;
8. Stresses once again that the production of surplus stocks threatens to undermine the CAP and hence to jeopardize the guarantees intended to ensure adequate incomes for producers;
9. Points out that certain surpluses are a result of the importing of substitute products;
10. Points out also that both the appearance of large surplus stocks and the occurrence of shortages, as happened in 1973 and 1974, reflect the lack of production targets on the one hand and of a commercial strategy on the other, with an accompanying obvious lack of cohesion;
11. Considers therefore that the CAP can only function successfully if it forms part of an overall policy under which short, medium and long term production targets and commercial strategies are laid down on the basis of ongoing evaluations;

12. Emphasizes that price policy cannot be used, as it is at present required, to guarantee reasonable incomes to producers and to regulate the supply of agricultural produce;
13. Observes therefore that to the extent that the price policy is used primarily to maintain the level of incomes, reliance on intervention mechanisms without specific production and commercial targets has:
 - (a) compelled producers to step up their output at all costs in order to maintain their earnings;
 - (b) constantly increased the debt level of the agricultural community;
 - (c) led to an apparent worsening of the problem of surpluses as a result of the structural policies implemented to increase the economic viability of production, instead of these structural policies serving to remedy the imbalance of the market as was the intention;
14. Notes furthermore
 - (a) the fact that the conditions in which producers operate are frequently aggravated by excessive taxation, capital equipment requirements and the burden of transfer from one generation to another;
 - (b) the fact that high capital expenditure is frequently a serious problem in agriculture in view of the latter's inherently low rate of capital turnover;
15. Considers it essential to maintain agricultural incomes at equitable levels, to safeguard the economic viability of the rural regions and to ensure the possibility of economic development of agricultural industry;
16. Points out, at the same time, that agricultural support may be implemented in a number of ways - support of produce prices, direct support of incomes or quota arrangement - and that these might be granted on a selective or differentiated basis.
17. Believes it illusory to imagine that the co-responsibility of farmers for surplus production can be implemented effectively and equitably by means of price freezes and taxes;

And that, therefore, the market organization should be modified in such a way that the farmer is encouraged to adapt his production methods and objectives to the requirements of internal and external markets;

18. Calls upon the Commission and Council to make a close examination of the role of producers and market organizations in terms of regional and social policy to enable the potential of agricultural resources and individual regions to be exploited to the full;
19. Considers consequently that the price/market support policies must be more closely adapted to the characteristics of each sector and that there is a clear economic case, and even more evident social reasons, for introducing, without delay, a system of income support (rather than market price support) for those products for which:
 - demand is elastic and consumption can be increased,
 - self-sufficiency is low,
 - consumption has been drastically reduced by existing price levels, or
 - production should be encouraged in order to obtain a more balanced overall pattern of production.
20. Regrets the lack of an overall Community structural policy and of the instruments required by such a policy; an agricultural and rural structural policy can only be envisaged in the context of an economic, regional and social policy which is at one and the same time integrated, based on solidarity and selective;
21. Stresses that agriculture makes an important contribution to the protection of the rural environment and that this aspect is assuming increasing significance;
22. Invites the Commission accordingly to prepare proposals for the revalorization of certain regions through better protection of the rural environment (perhaps by ending or redirecting the agricultural use of low-yield land);
23. Calls upon the Commission to encourage research into the use of ethyl alcohol of agricultural origin as a fuel;

Structural policy

24. Points out that structural policy must not lead to a worsening of the situation of surplus products in the Community;
25. Maintains that structural policy must not bring special benefits to particular types of holding but must on the contrary give every holding identical chances of development;
26. Believes that the structural policy will be incomplete and lacking in effect until such time as it is underpinned by a Community land policy promoting mobility of the farming community under conditions which are identical for all Community farmers;
27. Believes in fact that a Community land policy would enable young people to remain on the land, thus avoiding the depopulation of rural areas;
28. Considers that the structural policy should encourage, on a purely voluntary basis, producer groupings in order to ensure for the latter advantages equivalent to those enjoyed by persons active in industry or in the services sector, without any resulting distortion of competition;
29. Considers also that a structural policy should promote the establishment of food processing industries in the regions of production so as to avoid depopulation of the rural areas;
30. Believes that structural policy must favour production in regions which have particular natural advantages in order to bring about a genuine division of labour between the regions of the Community;
31. Notes that the Community's structural policy as defined in Directives 72/159/EEC, 72/160/EEC, 72/161/EEC and 75/268/EEC and in Regulation (EEC) No. 355/77, has by no means attained the objectives set for it, namely to enable farmers to attain comparable earnings for their work, to modernize agricultural holdings in order to make agriculture a competitive sector of the economy and to reduce the disparity between the rich and poor regions of the Community;
32. Considers that the blame for this rests in part with the Member States which have not always made use of the financial instrument offered to them by the Community;
33. Considers, however, that a structural policy defined in an excessively uniform manner, cannot meet the specific requirements of each of the Community's regions;

34. Encourages all forms of initiative in the area of a regional structural policy in the spirit of Directive 75/268/EEC on farming in mountain areas and certain less-favoured regions;
35. Notes with satisfaction that the Community authorities are coming increasingly to view structural policy as a set of specific measures to be implemented in certain Community regions, including irrigation, drainage and reforestation measures;
36. Urges the Commission, however, to ensure cohesion between the individual actions undertaken so as to ensure that the different regions of the Community enjoy harmonious development;
37. Believes that the financial resources available to the Guidance Section of the EAGGF must be strengthened; that the share of Community financing should be adjusted in line with the wealth of each of the Member States concerned, and that in certain cases the share of Community financing may exceed the generally accepted rule where projects are of high priority to the Community (projects of Community interest);
38. Calls for agricultural structural policy not to be isolated from regional and social policy; considers that it is, at the very least, important to coordinate the action of the EAGGF, Guidance Section, and of the Regional and Social Funds, so as to ensure that the financial resources made available to the regions are employed in the most effective possible manner; wonders whether a European Rural Fund would not be best able to replace the action of the three abovementioned funds in the rural regions;
39. Calls upon the Committee on Agriculture to examine and report on the desirability of creating, outside the framework of the existing funds, a European Rural Fund specifically intended to supplement the aid measures for the rural regions taken under the agricultural, regional and social policies, and to eliminate the adverse effects of uncoordinated rural planning;
40. Is of the opinion that an end must be put to the existence of artificial production structures resulting from economic or monetary factors which are not directly linked to the common agricultural policy; welcomes in this connection the birth of the European Monetary System which should ultimately lead to the disappearance of monetary compensatory amounts, thus eliminating a factor which distorts competition between the Member States.

41. Stresses the need for the Community to make energetic efforts to harmonize policies of agricultural investment at both national and Community levels in order to avoid in future the lack of cohesion apparent at present both internally and externally (for example in the case of sugar);

The common agricultural policy and the Community's external relations

With the industrialized countries

42. Is aware of the fact that the Community which accounts for some 42% of world trade is heavily dependent on the outside world and must therefore pursue a judicious and coherent commercial policy;
43. Stresses that this commercial policy must aim at establishing an overall balance between imports and exports in the best interest of all the economic sectors of the Community and of its harmonious internal development;
44. Regrets the lack of cohesion at world level in agricultural trade relations and the lack of cohesion and continuity in the Community's agricultural trade policies both at the global level and in the context of its policies of association and enlargement;
45. Calls upon the Community to play the role of a mediator and catalyst at world level in order to promote an international agricultural policy based on solidarity and recognition of the value of the rural and agricultural world whose progress must be promoted;
46. Warns against the dangerous concepts of free trade proclaimed by the United States and also against the myth of an international division of labour in which the developing countries, with their comparative cost advantages, would become the privileged suppliers of low cost agricultural products.

47. Criticizes strongly the stubborn protectionism of the United States in the agricultural sector which is prejudicial to the European Community's agricultural exports, and points out that the low exchange rate of the dollar is artificially stimulating imports into Europe of large quantities of low cost vegetable and fodder products, a fact which is still further undermining the balance of trade relations and preventing a decisive solution to the problem of equilibrium of the market for dairy products;
48. Calls therefore for the introduction, in the context of the GATT negotiations and by joint agreement between the parties, of effective protection against excessive imports¹ of vegetable protein products and oils and fats of vegetable origin;
49. Considers moreover that by taking energetic steps to solve its internal problems of market equilibrium and by orienting its external policy towards stabilization of the international markets, the Community can improve its trade relations with the United States and Australia; points out that it would be possible to reduce in this way the disparity between Community and world prices, and hence to cut back export refunds;
50. Considers that distortions of competition, deterioration of prices and dumping practices on export markets must be avoided at all costs; hopes that the Community will negotiate in GATT the fixing of minimum prices guaranteeing an equitable level of incomes for producers and enabling export refunds to be reduced so as to improve its relations with third countries which export agricultural products;
51. Expresses the hope that measures to offset the fall in value of the dollar and the creation of a zone of monetary stability in Europe will improve the balance of trade between the Community and the United States and contribute to the more equitable development of agricultural production and to the restoration of the unity of the common agricultural market.

With the developing countries

52. Stresses that the existing and potential capacity for food production in the Community must be exploited to the full in order to remedy as far as possible the serious food problems facing the world;

¹OJ C 28/79, page 18
imports of agricultural products from the USA in 1977: 5.901 thousand million EUA
exports of agricultural products to the USA in 1977: 1.563 thousand million EUA

53. Considers that the Community must show an increasing awareness of the need to promote the export of agricultural products from the developing countries since improved utilization of the potential for agricultural production in these countries, necessarily accompanied by an increase in agricultural exports to the industrialized countries, can alone enable the developing countries to attain a certain level of purchasing power and initiate the process of economic development in them.
54. Is of the opinion that in organizations such as GATT and UNCTAD the Community must negotiate to bring about a new international division of labour so as to achieve a permanent and stable growth of world trade in agricultural products, with access of industrial exports from the developing countries to the industrialized nations no longer distorted by artificial barriers such as import duties, quotas or other barriers to trade and with a reduction in the export subsidies applied under the common agricultural policy and adversely affecting the competitiveness of agricultural exports from the developing countries;
55. Draws attention to the need for the common agricultural policy to be accordingly adjusted so as to improve production specialization and reorganize those markets which show a structural surplus; this must be achieved by a market and structural policy which does not violate the principle of the liberty of the individual farmer to determine his own production and makes due allowance for the social and economic significance of agriculture;
56. Notes that in the area of export revenue stabilization and trade relations between the developing countries and countries outside the Community, the convention of Lomé should serve as a model and that international product agreements must be concluded to stabilize the markets in primary commodities such as cereals, beef and veal and dairy products, and vegetable oils and fats, since this will promote agricultural development and moderate the effects of fluctuations in food prices;
57. Considers that the Community, as the principal importer of agricultural products, can play an important role in this context and that given the great technological advances which have been made in Community agriculture, it can help to upgrade agricultural production and develop an effective agricultural policy for the developing countries;

58. Points out that, given the need to secure regular supplies of the raw materials and energy which will be vital for the Community in the next few decades, the Community also has an interest in reaching agreement with the developing countries in the appropriate bodies on the conditions required to achieve the best possible trade in agricultural products;
59. Notes the dramatic deterioration of the world food situation, especially in Africa, and, since food aid will be temporarily indispensable, at least over the next few years, urges the Council and Commission to grant food aid also in the form of cereals
- (a) flexibly in the most serious emergencies,
 - (b) adapted to the needs of the population,
 - (c) to encourage - a varied range of food aid based on periodic reviews of the world food situation,
 - (d) to continue pursuing a food aid policy based on continuity and not subject to the vagaries of the Community's agricultural policy;
60. Considers it essential for the supply of skimmed milk powder and butteroil as food aid to be linked with aid for specific projects designed to encourage the setting up of dairy and foodstuffs industries in the recipient countries themselves;
61. Is of the opinion that, given the unpredictable fluctuations in food production, international buffer stocks of cereals and protein-rich products should be set up under international control so as to achieve price stability and a better guarantee of food supplies in the event of shortages;

II. REINFORCEMENT OF THE ROLE OF THE EUROPEAN PARLIAMENT AND THE COMMITTEE ON AGRICULTURE IN THE FORMULATION OF THE CAP

Within the Institution

62. Considers that the necessary strengthening of the role of the Committee on Agriculture, and therefore of Parliament as a whole, in the formulation of the CAP must be preceded by an improvement in the working procedures and functioning of that committee;

63. Is of the opinion that such improvement calls for the following:
- (a) the setting up of expert working parties both to formulate long-term political strategies and to draw up constructive proposals for statutory texts for submission to the other Community institutions,
 - (b) closer contact with public opinion through public meetings, press conferences and the media,
 - (c) more frequent use of specialist agencies and university research and study centres,
 - (d) easier access to direct sources of information, in particular through the organization of 'hearings' and contacts with local opinion in the areas affected by Community measures,
 - (e) the possibility of administering a small annual budget to finance the above activities,
 - (f) the attribution of greater political weight to minority opinion through the introduction of procedures enabling minorities to make their opinions better known in committee and in plenary session (minority reports, decisions taken by a qualified majority),
 - (g) greater efforts by the committee to improve the quality of its documents, particularly by refusing to deliver opinions when the deadlines forced on it by other institutions are too short,
 - (h) more frequent exercise of the right to refuse totally to deliver an opinion, whenever this seems necessary, so as to block completely the passage of a proposal,
 - (i) stricter control over the legal acts of the other institutions and, possibly, recourse to the Court of Justice if the consultation procedure is in any way infringed,
 - (j) a procedure whereby the Commission is given strict deadlines for acting on own-initiative proposals from the Committee on Agriculture;

Relations with the other institutions

64. Calls for the deletion of the clause stipulating that the conciliation procedure with the Council can only be applied to general Community acts whose adoption is not necessitated by pre-existing acts, since this rules out conciliation, for example, on the annual farm price review;
65. In view of the fact that, when proposals are considered by the Committee on Agriculture, they are concurrently under review and often substantially amended, without any parliamentary control, by the Council's Special Committee on Agriculture in collaboration with groups of national experts and the Commission itself, requests that the rapporteur(s) or other members of the Committee on Agriculture should be permitted to take part, at least as observers, in meetings of the CSA and, possibly, those of the expert groups as well;
66. Considers it essential for Parliament to have a direct say in the appointment of the members of the European Commission;
67. Insists on the need to arrest the present moves in the Community to undermine the institutional balance by reducing the Commission's status to that of a secretariat to the Council and forcing Parliament into a position in which its opinions are a mere formality, serving only to confer legal validity on decisions already taken by the Council;
68. Calls upon the Commission to refrain in future from the kind of tactics which enable it to evade consultations with Parliament on agricultural and fisheries matters, e.g. the practice of invoking Treaty articles under which consultation is not mandatory or linking issues to previous regulations;
69. Considers it imperative that Parliament be associated in the negotiations both with the third countries (trade agreements, enlargement) and in GATT and other international organizations;

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70. Calls upon the Commission and the Council to open a constructive dialogue with the European Parliament and the Committee on Agriculture with a view to establishing, on the basis of this resolution, common guidelines both on the future of the CAP and on the question of strengthening the role of the Committee on Agriculture and Parliament in formulating this policy;
71. Instructs its President to forward this resolution to the Council and the Commission.

ANNEX

TO THE MOTION FOR A RESOLUTION

The European Parliament wishes to bring to the attention of the Council and Commission of the European Communities the observations made by the minority and expressed during the vote on the motion for a resolution in the Committee on Agriculture on 22 and 23 March 1979.

The minority:

1. Refers to the observations made by President Jenkins on rural policy in his address on the Commission's programme of activities for 1979;
2. Regrets that the common agricultural policy had not been able fully to meet the objectives laid down in the Treaty, since the Member States maintain substantial national aid schemes, and calls for the adoption of a plan to bring about the elimination of all such schemes;
3. Regrets that the CAP has not been able to ensure the balanced and equitable development of Community agriculture but stresses that, given the situation prevailing in a number of areas, this task must be carried out primarily with the backing of the Regional and Social Funds;
4. Regrets that, in the case of certain products, Community consumers are obliged to pay artificially high and unacceptable prices while subsidizing exports to third countries;
5. Considers it imperative to:
 - 1st alternative - design other instruments since existing intervention mechanisms are essentially favourable to agricultural holdings in the Northern regions and in no way contribute to the attainment of regional and social objectives;
 - 2nd alternative - adapt the existing instruments, particularly that of the intervention mechanisms which tend to be more favourable to agricultural holdings in the Northern regions without at the same time furthering the attainment of regional and social objectives;
6. Finds that since the prices policy is used primarily to maintain incomes, the almost exclusive reliance on intervention mechanisms has had the effect of increasing production costs through the increasingly extensive use of costly resources - technology, equipment, pesticides and fodder - which encroach on the earnings of farmers;

7. It would be preferable in some sectors, particularly in that of dairy products, for the funds allocated for storage, drying and exports to be used directly to safeguard the earnings of producers and encourage consumption in the Community;
8. The Commission should move towards a policy of flexible quotas in the spirit of the wheat market organization which used to exist in France; this would be a rational component of the common agricultural policy and its more general application would help to avoid structural surpluses in the various sectors of Community agriculture.

EXPLANATORY STATEMENT

MINUTES OF PROCEEDINGS - SUMMARY RECORD

NEW GUIDELINES FOR THE COMMON AGRICULTURAL POLICY25 October 1978

The meeting was opened at 4.50 p.m. with Mr Caillavet in the chair.

The chairman welcomed Mr Kofoed, Minister of Agriculture of the Kingdom of Denmark and former chairman of the European Parliament's Committee on Agriculture, Mr Houdet, former Minister of Agriculture of the French Republic and former chairman of the European Parliament's Committee on Agriculture, and Professor PRIEBE, Director of the Agricultural Structures Research Institute at the University of Frankfurt.

Professor PRIEBE

The common agricultural policy could be credited with having supplied 260 million consumers continuously and regularly from a very small area. There had been a sharp increase in European agricultural productivity in recent years because of both the introduction of new production methods and the application of biological discoveries. The effect of this increase in productivity had however been that the market in many products had already reached saturation point. Demand was stagnant and indeed the question had been raised, in some areas, of overnutrition.

In the early years of the CAP, priority had been given to the prices and market policy and regional policy had been rather neglected. The Treaty of Rome, for instance, made no mention of regional structural policy. It was not until later that this instrument had been developed in the Community and by then the gap between rich and poor regions of the Community had widened. At present, the income of the poorest regions of the Community represented only 20% of the income of the richest regions. The CAP alone had not been able to help the least-developed regions of the Community to catch up with the most-favoured regions, either through its prices policy or improvements in agricultural structures.

The growth of agricultural production as a result of the use of modern production techniques created further problems that the Community would have to overcome one day such as the impact on the environment of the use of fertilizers and pesticides. Furthermore, this modern form of agriculture which used large quantities of energy and imported raw materials made the Community's supplies of foodstuffs largely dependent on the outside world.

It was unrealistic to count on disposing of the Community's surplus products on external markets. Since 1974 in fact world market prices had again dropped to such a low level that Community products could be sold on the world market only with larger and larger subsidies. Nor should we have too high hopes of disposing of surplus Community products on the Community's internal market; sales of butter at reduced prices to certain social groups had had only a limited impact on stocks.

The Community authorities were right to operate a long-term pricing policy and prices undoubtedly had an impact on production. However, the system of Community prices, coupled with marketing guarantees, had led to the Community's current surpluses. Would it not be wise to review this system and perhaps to supplement it with other measures? A model for a combined system of prices and income subsidies based on aid per hectare (Flächenbeihilfen) had been developed at the Agricultural Structures Research Institute.

Professor PRIEBE proposed to submit this model to members the next day.

The chairman thanked Professor PRIEBE for his introductory remarks.

Subject: 'The emergence of new trends'
(Mr LIGIOS)

For several years the situation on the agricultural markets had been deteriorating. Single markets had still not been achieved. Differences between the different regions of the Community were growing steadily bigger. Unless we wanted to start on the common agricultural policy from scratch again, action had to be taken immediately. But not all the Community's present difficulties ought to be put down to the common agricultural policy which had suffered from monetary disorder and a lack of other common policies, making it difficult to attain the objectives of Article 39 of the Treaty establishing the EEC. The common agricultural policy supported agricultural incomes through the intervention mechanism. It was the duty of the Community authorities to guarantee farmers an adequate income.

However, for the past four years the price increases approved by the Council had been lower than those called for by the Committee on Agriculture and the trade organizations. This lower increase in prices had to be regarded as an irreversible fact. But if agricultural price increases remained below the increase in the cost of living for too long, sooner or later widespread social strains would have to be expected in the Community.

One of the suggestions tending to emerge from the new guidelines for the CAP is to involve producers in the campaign against surpluses, as in the case of the coresponsibility levy on milk and the intervention contribution provided for in the Commission's proposal on the common organization of the market in ethyl alcohol of agricultural origin. Financial contributions by producers in an effort to control surpluses still remained a highly controversial point. It was also possible to abolish or suspend intervention for certain products, especially milk powder, or to sell agricultural products at reduced prices to certain social categories. Such action was currently being taken as regards butter. The Community authorities had also made an effort to regionalize the CAP; the 'Mediterranean package' was the most striking example.

Subject: 'Intervention or direct payments: the most suitable choice for each product' (Mr HUGHES)

The basic problem confronting the common agricultural policy was how to transfer revenue within the Community as economically as possible without creating intolerable social problems. In its present form, the CAP practically forced producers to increase production without regard for the market. Farmers ran into mounting debt to maintain production and keep up their incomes. Apart from being a financial burden on producers, fertilizers and pesticides had a negative effect on the environment. The CAP in its present form, i.e. based on a system of prices and interventions created a vicious circle. The most-favoured regions of the Community became steadily richer; the least-favoured became relatively poorer. Some people regarded the deficiency payments system as the miracle cure for CAP ills. In fact, deficiency payments also ran into problems.

Merely indulging in theoretical quarrels was not enough. We ought to consider how a monolithic CAP based on a system of guarantee and guidance prices could be reformed by proposing the most appropriate ways of transferring revenue within the Community.

Subject: 'Small family farms or the modern reference farms' (Mr LIOGIER)

The small family farm was generally contrasted with the modern farm, the former providing those working on it with a bare living and the latter providing those living on it with an income comparable to that of persons working in non-agricultural sectors and allowing them to make the investments needed to modernize the farm regularly and thus share in general economic development.

This idea formed the basis of the Mansholt plan, which was to abolish family farms that in his view were unprofitable and replace them with production units or modern agricultural holdings.

The Mansholt plan finally took shape in the three 1972 socio-structural directives. If it had been fully implemented it would have led to the disappearance of 80% of farms; it was therefore unacceptable. The French law on agriculture was opposed to this Malthusian vision of the future of European agriculture; the family farm ought to be allowed to offset the natural and economic disadvantages it had compared with other sectors of the economy. The agricultural policy ought to be based on the right of all farmers to own their land and on the joint organization of the market (rather than the planned economy of the Mansholt plan) and should give priority to man at all levels rather than deny the individualism of the farmer. Thus, instead of setting the small family farm up against modern holdings, it would be better to stress the fundamental role of the farmer in the socio-economic and ecological balance of the countryside.

The small family farm and the modern agricultural holding were not two contradictory concepts; rather, they were complementary. It was possible to imagine them sharing the market between them, the small family farm mainly supplying the needs of regional or national markets that it knew well, and the modern agricultural holding tackling the export market. The CAP ought therefore to protect the family farm and help it to modernize; it would be an error to do away with the small family farm on the pretext that it was not adapted to the requirements of modern agriculture.

Subject: 'Central or regional development of the common agricultural policy' (Mr HOFFMAN)

The CAP was centred too much around the concept of price. Agricultural prices were expected to assure producers of an adequate income, stabilize the market and guarantee consumers a reasonable price. But the policy of common prices, as currently implemented, was incapable of attaining these three objectives simultaneously. Consideration should therefore be given to the advisability of separating these different roles. If we abolished the role of incomes maintenance, we would have to see with the aid of a model whether the system would remain applicable to the southern regions of the Community. Prices ought to have clearly defined roles but in no case should they be expected to be the instrument of a regional development aid policy as well.

GENERAL DISCUSSION

Mr DEWULF

Mr Dewulf asked Professor Priebe which aspects of the CAP had contributed most to the integration of agriculture into the Community economy and made it possible to improve production structures. He also asked what in his view had been the impact of the accession of the new Member States on Community agriculture and what progress had been made in reducing income disparities between farmers and regions.

Should agriculture be regarded entirely as an economic activity or merely as an activity whose sole aim was to supply the Community's requirements?

Mr Dewulf pointed out that the agricultural policy too often ignored the land policy and he wondered whether it would be possible to use the structural policy to reduce the cost of land which was a considerable financial burden for young people who wanted to set up as farmers.

Lastly, he wondered whether, in principle, incomes support should be regarded as an economic measure or a socio-structural measure.

Professor PRIEBE

Agriculture ought to be regarded as an economic activity like any other. It was however certain that farm incomes had not always developed satisfactorily in comparison with other sectors. There were in fact limits to the transfer of revenue via prices and there was no place for an agricultural policy aiming to reduce the agricultural population in order to raise the incomes of the farmers who remained. If the Mansholt plan for instance had been applied, it would have had negative effects; it would have tended to reduce the agricultural populations of the poor regions and concentrate modern agricultural holdings in the rich regions. Agriculture should rather be combined with other activities to maintain the population and to enable the countryside to develop harmoniously. A 'Marshall plan' should therefore be implemented for the poorest regions of the Community to safeguard their continued economic development not only through agriculture but also through the implantation of industrial activities or services to make the development of these regions a diversified one.

Mr JOXE

Agricultural policy ought to be approached from the micro-economic and macro-economic angle. From the micro-economic angle there was not necessarily any correlation between larger farms and higher incomes. This could be seen from beef production. From the macro-economic angle the agricultural policy had to be seen in the context of employment. Was it not paradoxical to encourage people to hold down two jobs when unemployment was rife, in order to increase agricultural incomes? If the common agricultural policy went too far in some respects there were other ways of limiting production than through the co-responsibility levy or the suspension of intervention. Transferring revenue to farmers implied that they would not produce any wealth, which was unacceptable from a socialist point of view. The French Socialists felt that a diversified agriculture was a valuable asset. If there was any criticism it would have to be of the general functioning of the EEC. The Community preference was not respected. Agricultural production was highly dependent

on imports from the United States. The objectives of Article 39 of the Treaty establishing the EEC remained valid but the markets had to be restored to normal operation.

The price structure would have to be thought through and the functioning of certain markets such as those of fruit and vegetables or wine readjusted. Compensatory amounts, which distorted production factors, ought to be abolished. A price maintenance policy ought to be pursued but prices had to be differentiated according to the farm if the wage and market regulation objectives were to be attained (the Popular Front had in its time pursued such a policy). And lastly a structural policy had to be pursued that did not end with driving farmers from the land. The future agricultural policy had therefore to be designed now since in twenty years time, given the foreseeable trend of the world population, there would no longer be enough surpluses.

Mr JOXE announced that he would submit his contribution in writing.

Mr TOLMAN

The previous speakers had not challenged the basic assumptions of the CAP. It had become a habit to complain about surpluses but surpluses ought to be regarded as beneficial; the advantages outnumbered the disadvantages. One had merely to think of collectivist countries; they suffered major shortages in agricultural products. Mr TOLMAN questioned Professor PRIEBE about the stocks needed to guarantee supplies to the Community. Had anyone ever calculated what a shortage situation could cost the Community?

The Netherlands brought raw materials from third countries in order to increase its agricultural production. Was it possible to limit these imports? Could surplus stocks not also be financed with import levies?

Mr SCOTT-HOPKINS

The system of aid per hectare advocated by Professor PRIEBE was too sketchy to be effective. It was applied in only one way regardless of the type of farm or the nature of the land. Moreover, how many Member States had the necessary administrative apparatus to put such a system into force? A new policy would have to be pursued for the rural areas: in any case there was no question of favouring one type of farm in particular because there were too many disparities between farms in the Community. Lastly, the CAP had undoubtedly led to serious imbalance in the milk and wine markets that could only be redressed in the long term.

Mr CUNNINGHAM

The basic problem facing the Community was the degree of self-sufficiency it wanted to attain. And therefore the first question that came to mind was whether we wanted to support marginal productions that third countries could supply more cheaply. The problem was whether those sources of supply were reliable. The second alternative was deficiency payments. But they were no magic solution and implied high public expenditure commensurate with the degree of self-sufficiency we wanted to attain. Those were the two points on which experts should concentrate since making allowance for natural production conditions in the various regions of the Community would certainly mean a reduction in its degree of self-sufficiency.

Mr FRUH

Did the deficiency payments system make any sense in the European Community? If it were applied it would be much more expensive than the CAP in its present form.

As regards relations between the Community and developing countries, was buying their agricultural products the best form of development aid?

Although the price mechanism should admittedly help farmers to earn incomes comparable to those in other sectors of the economy it could not in itself be expected to guarantee the development of rural areas. That had to be done by creating infrastructures and industrial jobs. It was noticeable however that the tendency of industry to concentrate in certain regions could cancel out the effect of industrial investments made in rural areas and would do nothing to halt the rural exodus.

Mr HOWELL

The problems of the common agricultural policy would not be resolved by government action alone; it was not the creation of regional or rural funds that would solve farmers' problems. Without going as far as to place agriculture on a state basis, production quotas would have to be fixed, particularly in the milk sector where production far exceeded requirements. In order to control the market, it was preferable to lower the price of milk rather than cancel out the aid granted to producers through the coresponsibility levy. The CAP as currently applied in the dairy sector prompted farmers to produce although there was no market. This absurd situation had to be brought to an end.

Mr BERSANI

During its existence, the CAP had had to cope with two major problems, the rural exodus and monetary disorder. The price and structural policy had now become too rigid; the CAP mainly produced surpluses, especially in the dairy sector. An element of flexibility had therefore to be introduced. Local structures had to be developed so that basic products could be processed immediately for various markets. The structural policy had at present too few resources to attain this objective and was too rigid to be adapted to the various situations. A study would therefore have to be made of the possibility of creating a CAP that was based on prices, with a coresponsibility levy adapted to each of the regions, and backed up by a structural policy.

Lastly, surpluses were criticized but it should not be forgotten that in ten years the main problem in the world would be famine.

Professor PRIEBE

In reply to these speeches, Professor Priebe said that surpluses could not be regarded as a blessing. What mattered was to ensure a high degree of self-sufficiency in order to avoid the situation of the countries of the Eastern bloc. However, it was not possible to determine what stocks of foodstuffs it was desirable for a country to have in theory; that was a political decision. What was certain nevertheless was that there had to be stocks of basic products that were not perishable, such as cereals.

When one considered the money spent on the milk sector, mainly to cover storage costs and export subsidies, it was quite reasonable to ask whether it could not be used in a way that directly benefitted producers.

The reduction in the number of paid agricultural workers over the past twenty years meant that the family farm was still a going concern. However, its strength gave cause for concern in that increased production could result in surpluses. A quota system, on the other hand, would mean the end of free agriculture. It should not therefore be accepted.

The deficiency payments system could not be transferred to the Community. It was in fact applicable only to a country that imported most of its foodstuffs. Nor should it be forgotten that the system was tied up with production quotas.

Community surpluses were partly imported since farmers used imported animal feed and energy in order to increase production.

The development aid policy should not be used to export surpluses. Countries should rather be taught to become self-sufficient in order to avoid future disaster because of the population explosion in developing countries. Lastly, a minimum number of farmers had to be kept on the land otherwise who would fill the granaries said Professor PRIEBE, in an allusion to a work he had published 25 years earlier.

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The chairman thanked Professor PRIEBE and the other speakers.
The meeting was adjourned at 7.55 p.m.

Minutes of the seminar of Thursday, 26 October 1978

Speaker : Professor PRIEBE

Subject : The role of agriculture in the Community

The chairman, Mr CAILLAVET, opened the meeting at 9 a.m. and called on Professor PRIEBE.

Professor PRIEBE approved the principles and fundamental objectives of the common agricultural policy but criticized the operation of the market organizations where the price policy was geared excessively to income support. Prices had a considerable effect on production trends, and surpluses resulted from the system of guaranteed sales. The dual function of agricultural prices, i.e. support for farmers' incomes and product guidance, created conflict. To resolve this conflict, the Community should consider redirecting the agricultural policy, towards finding new incomes policy measures which would bring prices more into line with the balance of the market.

At the same time he rejected deficiency payments since they were always linked to quotas and this represented an unwarranted interference with the farmer's freedom to decide what he produced.

After analysing the major drawbacks of the current system of price fixing and guaranteed sales, Professor PRIEBE came to the conclusion that the Community should opt for a system which freed prices from the dual function he had mentioned earlier, and that this could be achieved without making fundamental changes to the common market organizations. In practice, if the price rises required for the incomes policy were not acceptable because of the situation on the market, this would mean granting additional subsidies irrespective of production. In this context, Prof. PRIEBE advocated a direct income subsidy per farm area. This would be the best basis for allocating subsidies; if subsidies were granted without reference to production there would be less incentive to produce more. One advantage of this system was that it would contribute to an improvement in income distribution within the agricultural sector by making it possible to differentiate the area subsidy according to criteria such as farm size, type of production or natural production conditions. This system would also encourage extensive types of agriculture which could lead to a cutback in expenditure.

On the other hand, further savings could result from a smaller increase in producer prices and more stable markets if consumer prices for foodstuffs rose less.

He was in favour of a more widespread implementation of the provisions of the directive on mountain and hill farming and farming in less-favoured areas on the basis of which direct income subsidies were already granted.

In the ensuing discussion Mr KLINKER and Mr TOLMAN drew particular attention to the practical difficulties which would arise if a system of direct area subsidies was introduced in all the Community countries. Mr SOURY referred to the fact that the farming organizations in the various Member States were said to be very sceptical about such a system and that it would tend to increase the disparities between the Community's developed regions and its poorer areas. Mr JOXE thought that the proposed system took insufficient account of the vast differences in agriculture in the various Member States. Mr HUGHES and Mr HOFFMAN said that it would not be very attractive on the whole for the larger farms which profited most from the current system, while there was no proof that it would substantially improve the position of the smaller farms. Changes on the agricultural policy to include direct area subsidies were, therefore, scarcely acceptable in political terms.

Mr LIGIOS and Mr BERSANI said that the system gave rise to questions concerning the possible effects of fixing production ceilings for the agricultural and related sectors and how this might affect employment. Mrs DUNWOODY felt that although efforts must be made to achieve greater equality in agricultural incomes, the general feeling was that it was doubtful whether the proposed system could achieve the objective. There was no guarantee that it would increase the productivity and profitability of the smaller farms, and it was feared that if the producers were no longer guaranteed profitable prices, then agriculture would no longer be an integral part of the economy in general, and the imbalance between agricultural prices and prices in the other economic sectors would worsen.

Mr Früh said that it was not true to claim that the present agricultural policy was based solely on a price policy, since a start had been made a few years ago on a common structural policy and a social and regional policy; furthermore, a better solution to the basic problems could be found in a continued and consistent development of these policies, together with an effective structural policy designed to ensure the most efficient allocation of agricultural production factors, than in an area subsidies system.

Prof. PRIEBE answered the points raised, saying that he was fully aware that in the political reality of the present progress towards European integration, the farmers involved and the politicians representing farming interests were unwilling to accept the practical application of a system simply developed in theoretical terms. However, he felt that his proposal would mitigate the adverse effects of the present common agricultural policy. There was no need to introduce a totally new system, but the area subsidies represented a reasonable compromise and would help to solve the problem of surpluses in a way which did not entail government direction. The farmers would be guaranteed a specific basic income. The fundamental objectives of the common agricultural policy would remain inviolate, but at the same time it would be possible to make considerable financial savings.

Subject: Effects of the common agricultural policy on external relations (Mr DEWULF)

Subject: Specialization of agricultural production at international level (Mr TOLMAN)

Mr TOLMAN introduced Mr DEWULF's working document on the effects of the common agricultural policy on external relations and his own on the specialization of agricultural production at international level. He referred in particular to the enormous technological progress and modernization which had taken place in modern agriculture and the unprecedented opportunities this offered. The process had already led to intensive specialization. Mr TOLMAN drew particular attention to the social significance and economic value which agriculture represented in the Community and in the developing countries.

Subject: Implications of the common agricultural policy for the poorer developing countries (Mr CIFARELLI)

Mr NIELSEN introduced Mr CIFARELLI's working document on the implications of the common agricultural policy for the poorer developing countries. He noted that the export refunds granted under the agricultural policy, together with the disposal of surpluses on the world market, had undermined the developing countries competitive position and export potential. On the other hand, there were acute nutritional problems and something had to be done to relieve them. In these circumstances there was an obligation to grant food aid from out surpluses but this should be done as part of a long-term plan worked out in close cooperation with the recipient countries. The Community ought also to encourage the agriculture of the developing countries by making available some of its immense resources of 'know-how'.

The chairman, Mrs DUNWOODY and Mr KLINKER spoke in the ensuing discussion of the points raised in the working document.

Among the subjects discussed was the substitution of imported products: because of the price ratio obtaining, products from the developing countries were in fierce competition with Community products (e.g. butter and oleaginous products).

Changes in the internal agricultural policy were also urged which would enable the developing countries to increase their agricultural exports. This was very important for the supply of raw materials to the Community. The export refunds granted under the agricultural policy were condemned.

In conclusion, the United States' attitude in GATT was criticised as was the low dollar exchange rate. It was suggested that the Community should seek compensation from the United States to offset the disparity between the European unit of account and the dollar rate. This would enable American exports to be brought more into line with the interests of the Community's farmers. Less American soya would be imported into the Community, while the revenue from this levy could be used partly to finance development aid.

Discussion of these matters was held over until the afternoon session, and the meeting adjourned at 12.45 p.m.

The meeting reopened at 14:00 hours with Mr CAILLAVET in the chair.

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Subject: Development of the role of the European Parliament in the formation of the CAP Mr CORRIE

Subject: The difficulties encountered by the European Parliament in its efforts to influence the development of the Common Agricultural Policy Mr H.-J. KLINKER

Subject: The improvement of the European Parliament's internal and external procedures Mr M. BREGEGERE

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Mr CORRIE argued that the institutional system needed to be improved and an outlet for the expertise of the Committee created. He felt that all were agreed that the Parliament should have a greater role. At present the requirement to consult Parliament was being set aside, and little attention was paid by the Council to the Parliament's carefully deliberated opinions.

The Parliament should begin now to improve procedures. The present Members had the necessary experience to do so. The new Committee would probably take a long time to find its feet. There was a danger that the Parliament would, in fact, lose ground following Direct Elections. The present Parliament should lay the necessary strong foundations for the future.

The CAP had to adapt to the changed circumstances of enlargement. The world of the Twelve would be different from that of the Nine. Yet the Committee do not have the influence necessary to bring about the required flexibility. He believed that the directly-elected Members would not tolerate the existing system. Conflict with the Council would be generated.

At the same time the constraints of the Rome Treaty had to be recognized. But it would be possible, by small steps, for the Parliament to increase its role and its influence on development of the CAP.

One such way would be through the creation of more specialized product committees. Such small groups as in the past could act as the basis for cross-party agreements and provide the substance of major reports. Specialist working groups would also make it possible for the Committee to participate earlier in the legislative process, rather than as at present to run after events and to give opinions on proposals which had been given their definitive version.

The Committee would have to look outwards to a much greater extent. Public hearings would enable the Committee to have a constant and direct contact with all those involved in agriculture, and so obtain a better flow of information. The lines of contact between interested circles and M.P.'s should be established at a European level and not be limited to national Parliaments.

At the same time, the Committee would have to be realistic and recognize that the Community was one of nine nations. There was a danger of a North/South split. Diversity of interests must be recognized.

The Committee should be prepared to acquit its role as a disseminator of information. The CAP had been blamed for all the ills of the Community. The Parliament should provide the basis for a more balanced image: much of agricultural spending was to alleviate the problems of under-developed regions and small farms.

In order to influence, however, the Parliament itself required influence over the development of agricultural policy. The instruments at hand, however, were ill-adapted.

The right of the Parliament to sack the Commission was not sufficiently selective. It would be better if individual Commissioners could be censured when they failed to implement what Parliament considered essential in policy. The Parliament should also have a say in the nomination of Commissioners.

It was not possible to propose major changes in inter-institutional relations, but change must take place. A number of steps could be taken which would eventually change the rules of the political game at Community level. The Parliament should use every instrument in its hands. This task was an essential one. After the Direct Elections the Commission would require the assistance of Parliament to an even greater extent if it was to carry out the functions laid upon it by the Treaty.

For Mr KLINKER it was the clear duty of Parliament and the Committee to examine the Parliament's role in influencing future agricultural policy.

The Parliament had been kept at a distance to an increasing extent. It was now rare for Commissioners to attend Committee debates. There was no genuine dialogue as in the past. Proposals were defined by civil servants with no political responsibility. Commissioner Mansholt, when in office, had discussed, in depth, his proposals with the Committee, and had even withdrawn certain; for example, the Commission had adopted the Committee on Agriculture's proposals for the sugar market organisation and had withdrawn their own. The

farm price review was each year a classic case of the Parliament's voice being ignored - even Commission officials were not aware of Parliament's opinion. The responsible Commissioner and the President-in-Office of the Council should be present at Committee debates on price proposals.

At present, the Parliament was often bypassed as proposals were modified substantially in Council. The Parliament could not examine adequately revised proposals since documents and information could not be supplied in time so as to allow for thorough debate.

Rules of Procedure would have to be established for the Committee on Agriculture of a directly-elected Parliament, so as to oblige the Commissioner and the President of Council to reply to the voice of the Members of Parliament.

Mr BREGEGERE pointed out that the institutional system laid down in the Treaties no longer existed. The Commission presented only those proposals which were likely to be accepted by the Council. This watered down the European element of policy and weakened the role of Parliament.

While it was true that the budgetary powers of the Parliament had been enlarged, the consultation procedures were not respected. The other bodies sought to maintain the privileged position of the Council and Commission.

He believed that the Parliament should seek to enlarge its right of initiative by the procedure of annexing proposals for regulations in opinions submitted to the Council. It would also be necessary to widen the field of application on the conciliation procedure.

The Parliament must be more imaginative if it were to increase its powers and to give substantial form to the moral authority of a directly-elected Parliament.

The Chairman welcomed the presence of Mr KOFOED, the former chairman of the Committee on Agriculture and now Danish Minister of Agriculture and Member of the Agricultural Council of Ministers.

Mr KOFOED expressed his gratitude at being present. He believed that the results of the seminar had gone beyond expectations. He welcomed the presence of Professor PRIEBE as supplying a fresh approach to problems.

Mr KOFOED opened by remarking on the difference between the Council of Ministers on which he had sat in earlier years, and the present Council. Previously Council deliberations had been concerned more with general problems - now Council discussed the details. This change had serious implications for future agricultural policy.

He confirmed the fact that the reports of Parliament rarely ascended to ministerial level. However the way to increase the influence of Parliament was by such initiatives as the seminar. When the quality of the work was high, the Parliament would be listened to.

Parliament also needed to make serious efforts in its public relations. The work of the Committee should be presented to the press and television. Through greater contact with the media, the Committee and Parliament would have an impact on Ministers.

He felt the Commission had lost a sense of initiative and that the Council had contributed to this.

The Parliament itself however, was also at fault. It considered proposals under time pressures imposed by the Council. Parliament should not give in to the pressure of the Council and Commission. Parliament should make itself respected.

Referring to the remarks of Mr KLINKER he believed that the times were now more complicated than in the days of Mansholt. But Parliament should not seek to discuss all details. Politicians were drowning in details and turning them into major political issues.

He was confident that it would be possible to develop informal procedures. The Council would not refuse invitations to discuss major questions with the Committee.

Mr W. MULLER, commenting on the reports of Mr BREGEGERE and Mr KLINKER, believed that the Parliament should aim to make its working procedures more transparent and realistic.

He pointed out that the right of initiative already existed by means of the own-initiative report procedure. He agreed with the proposal to establish deadlines for the Commission to create lines of policy proposed by the Parliament.

On the Parliament's internal working procedures, the Parliament should seek to make their work more transparent by means of increased contact with outside groups. Hearings would allow Parliament to involve itself and establish common ground of interests.

Turning to procedural questions, he believed there should be a much closer cooperation between Committees in drawing up reports so that opinions would be taken more fully into account.

Mr TOLMAN expressed his disappointment that important reports of the Parliament were not taken into consideration by the Council. He believed that in future Committee meetings should be held in public. He also argued that Ministers should be present at seminars while recognising there were problems for Ministers to make time available.

He pointed out that Ministers escaped control of national Parliaments on the argument that their hands could not be tied during Brussels negotiations. This meant that they were free from Parliamentary control. It was essential, therefore, that they should be directly responsible at the European level.

Mr LIGIOS agreed with the analysis of Mr CORRIE and Mr KLINKER. Parliament submitted reports when requested, but those were not always requested by Council. The Parliament needed to be more courageous and take for itself a greater political role.

Referring to the previous discussion on problems facing the CAP, he did not believe the price policy would allow for progress. Innovations were required. Subsidies based on area provided an attractive solution.

Mr KLINKER emphasized the importance of agricultural policy for European integration. He asked Minister ERTL whether the fixing of agricultural prices below the level of general price increases provide an adequate solution to the problem of achieving market balance and reducing stocks.

Referring to the problems facing particular sectors, Mr KLINKER argued that the holding of hearings would enable the Parliament to explain to the public-at-large the problems and issues facing a European Agriculture Policy. The Council, experts and the public should be invited to such hearings.

Mr HUGHES argued that there was no evidence that regulations adopted by the Council in any way reflected opinions submitted by the Parliament. At the same time the influence of the Parliament did not lie in legal arrangements, but on the quality of its deliberations. The educational process was one of the most important elements. European Members provided a source of information and expertise in their national parliaments. The main problem was to ensure that expertise had an influence upon the decisions of the Council of Ministers.

Mr HUGHES referred to two cases in which the budgetary control of the Parliament had been effectively set aside by the Council, and in which the Commission and Council had refused to consider the application of the conciliation procedure.

He addressed therefore two questions to the Council: how far the Council monitored the expenditure carried out under its own decisions, and to what extent the Council would allow conciliation procedure to be applied in the agricultural sector.

He concluded by stating that one of the weaknesses of the agricultural Committee was that it was not representative of all sectors of the population.

Mr CUNNINGHAM began by posing an apparent paradox; in his national parliament he defended the sovereignty of the legislature; but on the European level he supported the power of the Executive.

He argued that in Europe a Parliament had been set up which ideally suited an unitary state; but the Community was most ununified.

The United States possessed a bicameral legislature. There was no Community equivalent of the Senate. This favoured the power of the majority against the interests of minorities. The lack of a suitable legislative framework was the main reason why the European Parliament would not increase its power. He believed that an equivalent to the Luxembourg compromise should be built in to the Parliament's procedures. Until that occurred, power would remain with the national parliaments.

For Mrs DUNWOODY the discussions in Committee provided a potential source of interest and information for the public which was entirely lacking in the Plenary Sessions. The political debate took place in Committee; while the sessions were concerned with seeking concensus. It was essential that the political discussions were held openly. When the Parliament was prepared to hold its Committee meetings in public it would begin to fulfill its role. Parliaments were strong when openly discussing political differences. Until the Parliament changed its procedure, the Council of Ministers would remain the principal forum.

The Chairman welcomed the presence of Mr ERTL, President-in-Office of the Agricultural Council of Ministers.

Mr ERTL expressed his understanding of the frustrations of the European Parliament. He felt, however, that the main problem was the impact of the reports of Parliament on the decisions of the Council. The situation was unlikely to change until direct elections. The main problem was the quality of work. This was the real force of a Parliament.

The central question was that raised by Mr CUNNINGHAM concerning the form of the Constitution of the Parliament. Clearly the Council of Ministers was divided on the question of whether the Parliament should acquire greater

powers. Though it was true that an advance in European integration could not be achieved without granting the European Parliament greater responsibilities, electorates still judged Ministers on their defence of national interests.

Either the European Parliament would progress to a system of two chambers, one of which would be the Council of Ministers, or else the Community would continue the present schizophrenic situation, with the main questions being judged in national terms and with the Executive escaping from parliamentary control. Parliamentary control was necessary, but majority voting in the Council would be possible only when Council Ministers no longer represented purely national interests.

Turning to problems of agricultural policy, Mr ERTL felt that too much had been asked of the CAP. An historical error had been made in that the founders of the Community had believed that in creating an agricultural policy, they were laying the basis for other policies. It has been thought possible in the beginning to control monetary fluctuations. The result was that today agricultural policy was the sum total of all national interests. There were no effective common production objectives.

Welcoming the presence of Professor PRIEBE, Mr ERTL felt there were no miraculous solutions. Politicians must remain in contact with the human dimension. In Europe there still existed areas of agricultural poverty. Given the diversity of conditions, a simple system of deficiency payments could not be applied, though such a system might work for certain products. He did not believe that a subsidy by area was feasible. It was not possible to question history. A decision had been taken to establish a particular system, and it was that system which the majority preferred.

The unresolved problem in many areas was the social situation of small producers. This required effective social and regional policies. Local industry situated in agricultural areas was essential to prevent the exodus from the countryside. Balanced structures were required.

In concluding Mr ERTL stated that the bigger Community market had made it possible to increase incomes for all agricultural producers. At the same time the Community needed to maintain an open approach to the world. This required worldwide cooperation to allow for the emergence of an international division of production within a framework of export discipline. At the same time one should not exaggerate the problems of surplus production in the Community. Reasonable stocks were required; for example, stocks of butter represent one kilo per person. It was true, however, that a more rational system was required for skimmed milk powder.

The Chairman thanked the President-in-Office of the Agricultural Council.

Mr DEWULF argued that democracy in the European Parliament could not consist of a mere confrontation of national interests. The problem facing the Community was the labyrinth of national experts undermining the functioning of the Council. The role of the President-in-Office should be to establish a European element to policy decisions. If one accepted the thesis that the Council should respond purely to the wishes of national electors, there could exist no role for a European Parliament.

Concerning the negotiations in GATT, Mr DEWULF asked how the President-in-Office could bring about more open discussions with other countries.

Mr LIGIOS referred to the proposals set out by Professor PRIEBE and the statement of the President-in-Office that subsidies could not provide a panacea. He agreed that no simple solution existed; but when Mr ERTL said that the CAP had been set up in a particular period of time and could not be changed, did this mean that the Community should not try to seek solutions to the problems of surplus production.

Mr ERTL described the role of the President-in-Office as being a middle-man who worked in close cooperation with the Commission to find compromises between the various national positions. Bilateral talks were undertaken where necessary. This procedure imposed itself where unanimity in voting took place. He defended the civil servants whether in Brussels or the national administrations for being generally more European than Ministers. This reflected the fact that national parliaments looked at political issues from a national rather than a European viewpoint.

Referring to the question of Mr DEWULF he stated that it was not possible to have a continuous inventory of the merits and basis of the CAP. One problem was that the public relations of the Commission were totally inadequate.

On the question of surplus production, people should be aware of the critical role of the United States. Surpluses were created partly by the substitution of imported products. Negotiations in GATT could not advance until the developed countries could reach an agreement on an international division of labour. At the same time, one should not base policy on estimates of future production. Cyclical effects should be taken into account and short-term reactions avoided.

He was against area subsidies. These would freeze improvements in quality and quantity. Agriculture must be able to develop. Subsidies would lead to food being more expensive, while such a system could not be abolished once it had been established. Subsidies, however, might be a feasible system for certain products and disfavoured regions.

Mr FRUH felt that the task of the President-in-Office in finding compromises between national positions had been made more difficult by the fact that so many governments had slender majorities. He felt that the unfavourable image of the Community and the CAP was unjustified since there would have been an increase in protectionism if they had not existed. The Community was blamed for all ills, and successes were credited to national governments. Mr FRUH asked whether it would not be possible for the President of Council to bring more influence to bear on the question of the United States agricultural trade balance and skim milk powder.

He pointed out that agricultural policy was, in fact, a social policy. Was this fact fully realized? Structural policy should be based on social objectives rather than merely on production criteria.

Mr TOLMAN argued that stocks were of more use to the consumer than to the producer. He wanted to know what were the limits of stocks. Reports of proposals for agricultural price freezes raised the question of whether it would be possible to achieve a comparable income for farmers. He argued that the co-responsibility levy should be made into a permanent system to finance, to a major extent, stocking and measures to increase consumption of surplus production.

Mr ERTL welcomed the fact that the Community was one of stability. The image of the Community was much better outside than inside its borders. This was shown by the request for entry by Greece, Spain and Portugal.

Turning to relations with the United States he stated that the Community was the largest open market in the world since the American market showed some protectionist traits. President Carter's administration was a flexible one, yet there were problems to be faced from Congress. He had, for example agreed to consider trade in butter. It would not be wise to start a trade war with the United States; but the Community needed to demonstrate its firmness.

Turning to the milk sector, Mr ERTL said that greater industrial production should not be encouraged where alternative forms of production existed. The Community should concentrate on the small and medium sized farms. He was against any radical modification of structural policy. The Community should be flexible. All types of farms were required. He did think, however, that when a certain level of income was achieved that it would be appropriate for the State to cease giving further investment aid. He was against a future which consisted of large farms and cities. The environment would be best maintained by conserving stable rural areas and encouraging a wide range of viable agricultural activities and not by bureaucratic over-regimentation by the State.

The Chairman thanked the President-in-Office.

The meeting was adjourned at 18.30.

Friday, 27 October 1978

The meeting reopened at 9.30 a.m. with Mr Caillavet, chairman of the Committee, in the chair.

The chairman, in drawing the conclusions of the work of the Seminar, proposed that a double resolution, covering the two principal themes should be drawn up by the chairman and the secretariat. The resolutions would form the basis for debate in Committee and Parliament. The papers presented during the Seminar would be annexed. He proposed that the Council of Ministers be invited to consider the conclusions contained in the report before adoption of the price proposals. This would allow the European Parliament to fulfill its proper role of participating in the development of the CAP.

Mrs DUNWOODY supported this proposal to draw concrete conclusions from the work of the seminar. She believed that a report should examine, in greater detail, the external impact of the CAP.

Mr DEWULF also welcomed the proposal of the chairman and considered that the different opinions expressed in the course of the Seminar should be clearly contained within the resolution.

Mr KLINKER emphasized the need to present the results of the Seminar to public opinion and to ensure that they were given proper publicity.

Mr HALVGAARD considered that particular emphasis should be given to the subjects relating to the improvement of the Common Agricultural Policy.

Mr DEWULF asked when the minutes would be available?

Mr SCHMIDT stated that the report should be made available before discussion of the agricultural prices, that is for the December session.

Mr KLINKER emphasized the need to present the results of the Seminar before public opinion, with a minimum of delay. He suggested a press communiqué.

The chairman agreed that a detailed communiqué should be rapidly published so as to demonstrate that the Committee devoted considerable time to considering the fundamental questions facing Europe. Two resolutions would be drawn up for a debate with the Council and before Parliament. The resolutions should reflect the various opinions expressed in the course of the Seminar.

Mrs DUNWOODY emphasized the necessity to continue the debate opened in the course of the Seminar.

The chairman agreed that the Seminar represented the beginning of a debate which would be continued in the future. The first task of the Committee would be to draw up a political resolution which would stimulate public opinion and prepare discussion within the directly elected Parliament.

Mr HOUDET thanked the Members of the Committee for the invitation to participate in the Seminar. Referring to the Stresa Conference of July 1958, and the important role played by Mansholt, he emphasized the very great problems which had been encountered in developing a common policy out of very opposed national policies. The Conference had succeeded in defining the three main principles of the CAP: unity of the markets, common prices and Community preference. The progress which had been achieved should be considered before undertaking criticisms of the CAP. He congratulated the Committee on having discussed so freely these fundamental questions and emphasized that if Europe turned inwards without considering the necessity to export, the problem of surpluses would never be solved. He concluded by emphasizing his attachment to the work of the Committee and to the progress in constructing the European Community.

Mrs DUNWOODY expressed the pleasure which all Members felt of having the occasion to see Mr Houdet in the Committee once again.

The Seminar concluded at 10.00 a.m.

DISCUSSION BETWEEN MR ERTL, PRESIDENT-IN-OFFICE OF THE COUNCIL,
AND THE COMMITTEE ON AGRICULTURE (ECHTERNACH, 26 OCTOBER 1978)

Outline of the speech by the President-in-Office of the Council on relations between the Council and the European Parliament with regard to the Common Agricultural Policy.

A. Problems concerning the consultations as understood by the European Parliament:

(a) Delay in holding consultations

Reply: The Council undertakes consultations with the European Parliament as soon as it receives proposals from the Commission.

(b) Excessive use of the emergency consultation procedure

Reply: In accordance with its undertakings, the Council makes as little use as possible of the emergency consultation procedure. But compelling reasons sometimes oblige the Council to use this procedure - for example, where a legal vacuum has to be avoided.

(c) Questionable legal basis of many Regulations and lack of consultation of the European Parliament

In a Resolution of 15 June 1978 the European Parliament censured the Council for using as a basis, when adopting Regulations such as those on fisheries, citations that were too vague ("having regard to the Treaty") or on Article 103, neither of which, in the eyes of the Members of the European Parliament, provided an adequate legal basis¹.

Reply:

1. The measures criticized by the European Parliament should not be seen as an integral part of the Common Fisheries Policy but as measures to deal with a short-term situation in which certain fish stocks are threatened with extinction. These

¹ Mr Jakobsen, then President-in-Office of the Council, made a statement on this point to the European Parliament.

short-term measures have been taken pending the introduction of a coherent and overall Common Fisheries Policy and the adoption of basic Regulations, regarding which the customary distinction will be made between measures on which consultation of the European Parliament is mandatory and those of a purely administrative nature for which no consultation is required.

2. The purpose of Article 103 (conjunctural policy) is much broader than the European Parliament believes it to be in its Resolution, which makes reference only to short-term measures for dealing with situations of extreme urgency.
3. The Council has invoked Article 103 only when the (often critical) circumstances have required very prompt action; in most cases such measures have been of limited duration. Where their retention has appeared justified, they have been the subject of further proposals based on Article 43. This also accords with the case law of the Court of Justice (cf. the BALKAN case), which declared the application of Article 103 to be admissible in the case of the immediate and urgent introduction of the system of monetary compensatory amounts, subject to their eventual incorporation in the Common Agricultural Policy.

B. Taking account of the Opinion of the European Parliament

- (a) Complaint to the Council that it does not take sufficient account of the Opinion of the European Parliament, particularly with regard to price fixing

Reply:

The Council always takes account of the Opinion of the European Parliament, particularly in the case of the fixing of agricultural prices. If the European Parliament has made its Opinion known sufficiently early, it can be taken into account even in the preparatory work. The President-in-Office of the Council is generally present at the European Parliament's debates on prices.

This complaint is certainly unwarranted in the case of the prices fixed for 1978, for which considerable account was taken of the Opinion of the European Parliament. The Council acted as follows:

- it followed a cautious prices policy as proposed by the Commission and approved by the European Parliament;

- in the structural sphere the Council also followed the Commission proposals as supported by the European Parliament, although it took the step of limiting the financial consequences of these proposals.

The outcome of the Council's discussions on agricultural prices, like the outcome of the European Parliament's debates on this question, is based on a political compromise. The European Parliament knows that it is very difficult to achieve such compromises: the European Parliament itself has sometimes been unable to obtain a sufficient majority for an unequivocal solution.

(b) Request by the European Parliament for the conciliation procedure to be applied in respect of agricultural prices

Reply:

As the conciliation procedure concerns only acts whose adoption is not required under previously existing acts, which is not the case for the fixing of agricultural prices, the conciliation procedure is not applicable in this instance. In this connection, reference may be made to the Joint Declaration by the European Parliament, the Council and the Commission which was published in Official Journal No. C 89 of 22 April 1975.

TOWARDS A SOLUTION OF THE CONFLICT BETWEEN INCOMES AND MARKET POLICIES

by Professor Hermann Priebe

If there is disagreement about the Common Agricultural Policy, it is not so much about where the policy has gone wrong as about the reasons why, and how further expensive mistakes can be prevented in future.

While it may be contended that the creation of a common agricultural market for 260 million people is a positive achievement and that the consumer is offered a wide range of high-quality foods at relatively stable prices, it is impossible to overlook the Common Agricultural Policy's failures:

- Market imbalances and structural surpluses are on the increase;
- The burden on public exchequers continues to grow;
- Rising farm prices affect consumers and obstruct anti-inflation policies;
- The surpluses are linked with misallocation of production factors (capital and manpower); and
- External economic factors strain vital economic relations, limiting export opportunities for many third world countries and causing disturbances on international markets as a result of dumping.

The causes of these imbalances are to be found not so much in the system itself as in the way market regulations are applied, the tendency to gear prices to farmers' incomes, and in unlimited sales guarantees.

It may justifiably be said that the EEC market organization system was originally an improvement on the wide range of partly conflicting national agricultural regulations which it replaced. And by doing away with all subsidies, quota regulations, special bilateral agreements and other barriers to trade, it also seemed to fit in better with a market economy system.

Since then, however, we have come some way from the liberal principles of the early days and are now caught up in a nightmare of agricultural perfectionism. Thousands of agricultural regulations - over 95% of all EEC regulations - have gone into the minutest detail, down to several decimal places, but no-one has managed to keep a firm grasp on the key economic and political facts on the left-hand side of the decimal point.

The decision-makers have become the prisoners of a system in which proposals put up by technical experts at the Commission in Brussels start off a highly involved procedure and the Council of Ministers ends up taking decisions which are nonsensical from the economic and agricultural point of view, simply for fear of jeopardising the process of integration by rejecting them. Today action is already being taken to reintroduce such once discredited dirigiste measures as quota levels and compulsory purchases of surplus products by the Community, further distorting the market economy.

From the very beginning, the dual function of farm prices, and the fact that they were laid down by political bodies, was a weak point in the system. A pricing policy designed to safeguard producers' earnings and at the same time to regulate supply and demand is bound to lead to increasing conflict wherever prices are determined by political decision and not by market forces.

It is asking too much of political bodies to strike the right economic balance between the influences of prices on earnings, which is clearly perceivable, and their impact on market equilibrium, which is more difficult to assess. The question that arises from ten years' experience with the Common Agricultural Policy, is how this conflict can be defused, by eliminating the dual price function.

A further factor is the forced expansion of production capacity through the structural policy. High capital expenditure is subsidized with the aim of creating profitable farms and simultaneously reducing the agricultural labour force, but such investment is a mistake in practice, as increased farm production exacerbates market pressures or directly adds to the surpluses.

The present agricultural policy has far-reaching and disturbing implications in various areas:

- (1) Disparities in earnings within agriculture are growing wider and cannot be expected to narrow while the present prices and support policy continues.
- (2) Regionally differentiated structural development leads to an excessive concentration of agriculture, combined with the over-utilization of land and environmental problems in certain areas, and at the same time to the withdrawal of agriculture from areas which have a recreational value or are even assisted regions in which public funds are being invested in order to develop the economy as a whole. In this way present agricultural policy has the effect of:

- counteracting regional policy, and
- reducing the social support function of agriculture.

(3) A further consequence is the misallocation of agricultural production, insofar as natural sources of energy and feedingstuffs in grassland areas are neglected in favour of imports. This trend runs counter to the CAP objective of safeguarding supplies and conflicts with the current requirement to make the fullest possible use of domestic sources of energy.

The conclusion from the foregoing analysis of the situation and current trends is that a reorientation of the Common Agricultural Policy will very soon become essential. For various reasons it will no longer be possible to meet the entire cost of raising farmers' incomes through the prices policy. The sooner decisions are taken on new alternatives, the greater will be the advantages to agriculture and the savings to the economy as a whole.

The limitations of the current prices policy may be clearly seen from the following facts:

(1) Annual growth rates of agricultural production in the Community lie between 2% and 3%, with demand between 1% and 2%. This imbalance is likely to be exacerbated as the trend continues, for demand will stagnate as the population declines, and the level of surplus production continues unpredictable. If the present policy is continued, surpluses of chaotic dimensions may be expected in the early 1980's.

(2) Nor is there any prospect of substantial relief from the international market. After a temporary reversal of the trend around 1973-1974, international market prices for farm products have settled at a lower level. There is no commercial demand at the Community's high farm price levels to justify the expansion of European farm production.

(3) The growing financial expenditure on market policy places a heavy burden on the economy. In 1974 about two-thirds of the DM 11,200 million of market organization expenditure was spent on intervention products with guaranteed prices (wheat, sugar, milk, beef). By 1976 the figure for market organization expenditure was DM 18,900 million. Structural surpluses entail further expenditure on storage and industrial reprocessing, which uses public money but is of no benefit to agriculture.

(4) The Community's room for manoeuvre in its external economic relations is restricted by increased self-sufficiency. Europe will come under increasing pressure from the outside world to open up its agricultural markets and will be forced to make concessions for overriding political reasons.

(5) In every country of Europe, concern for economic stability requires that agricultural prices should be held as steady as possible as food accounts for a high proportion (between 20% and 30%) of consumer spending. However, insufficient allowance is made for the cumulative effect of price increases on the rising cost of farm production in general. Almost 35% of expenditure on materials - 50% in the processing trade - goes on feedingstuffs and previous processing of an agricultural nature, the cost of which rises with every farm price increase and prompts further demands for price rises.

The general effect of this, for various reasons, might be to produce a situation in which price rises which were justified for incomes policy reasons could not be carried through. The suggested inference is that an essential part of any reorientation of the agricultural policy must be to seek new incomes policy guidelines. To this end the following twelve propositions are suggested:

1. Reorientation should start from the basis of preserving the state of integration so far achieved and the agricultural market systems as they are now established, and should therefore aim to complement the system rather than change it, and to use the instruments of the Common Agricultural Policy, taking account of its basic principles of free trade, Community preference and financial solidarity, in a more purposeful way.

For the same reason the proposed solution of planning and quota systems for agricultural production should be rejected. This would only hamper agricultural development and widen the distance between the agricultural policy and the market economy. Furthermore, the introduction of quotas would not make decisions any easier for the relevant political bodies to take, but would give rise to further political difficulties.

2. A new conception of incomes policy should relieve prices of their dual function, thus perhaps also easing the political strains associated with price fixing. This could be done through direct income support, without any fundamental change in the system of Common Market organizations and in such a way that:

- prices were more closely geared to market balance, and
- minimum earnings were also guaranteed without reference to production.

In this way a combined incomes policy system could in practice be created out of balanced prices and direct incomes subsidies.

3. To give practical substance to the farm policy debate, specific basic criteria should be agreed for the agricultural market policy:

- (a) Maintenance of a predominantly home-based food production system to meet basic food needs without the risk of import-dependence, at uniform consumer prices. This also implies making the fullest possible use of home-produced feedingstuffs and energy sources;
- (b) The market should remain open, leaving a certain import margin, so as to make the market regulations easier to handle, promote foreign trade and ensure that European agriculture is not completely shielded from world competition;
- (c) For this reason it would be sensible to lay down specific supply targets for individual products and consumer goods.

4. With these principles in mind, there should be an annual adjustment of guidance and intervention prices to the market situation. Producers could conceivably share the cost of any surpluses by being charged a levy when stocks exceed predetermined levels. This would amount in practice to a voluntary price reduction, but one which could only take effect in the event of certain market and production trends. Unlike the production quota system, this arrangement would fully preserve farmers' planning freedom.

5. In the debate on agricultural policy, the impact of prices on production trends has been disputed in some quarters, and increased production is said to be more of an independent phenomenon, influenced by progress in farming techniques. While it is true that the price elasticity of supply, dependent as it is on a number of factors, cannot be accurately forecast, the strong impact of prices on production levels can be seen simply by taking a look at the way the EEC has developed. The 1964 decision to introduce a common cereals price led to an average price increase of 118%, but one of 130% in France, the country with the largest reserve of production capacity. The corresponding rise in production quickly followed, with France taking the lead. In spite of this, both reserved productive capacity and farmers' powers of economic reasoning were persistently underestimated at every subsequent price increase. Yet technical progress is not an independent factor; it is on the basis of prices that farmers decide if and how technical improvements should be applied, what investments to make and hence whether to increase production.

6. In order to reduce the price stimulus to increased production, income support must be granted independently of production. The extent of support could be determined initially on the basis of price rises which were defensible on incomes policy grounds but impossible for market policy reasons. From the farmers' point of view, however, the longer-term fixing of minimum earnings levels would be preferable.

7. As the criterion for allocating income subsidies, preference should be given to the surface area farmed. Earnings-related subsidies would conflict with the principle of productivity; in any case, the requisite documentation does not exist. Grants made on the basis of herd size, the practice followed in the hill-farming programme, are not completely unrelated to production, as they encourage farmers at least to maintain the herd size which is eligible for subsidies and so obstruct the aim of more extensive farming.

Longer term surface area subsidies are also a way of encouraging extensive production methods, which is likely to result in a slackening of the rate of production increase. Thus, to take an example, incomes subsidies of DM 100 per hectare would, taking the average test farm in the agricultural report with a yield per hectare of DM 3,671, increase farm earnings by just under 8%. On intensive farms in rich farmland areas with yields of about DM 6,500 per hectare, earnings are so high that a subsidy of this size would represent only a 2.5% increase. On the other hand, the same subsidy would boost earnings on extensive fodder cultivation farms with a yield of only DM 2,000 per hectare by 12%-13%.

8. Minimum earnings based on area subsidies also have the advantage of being completely independent of production, and do not limit farmers' planning freedom in any way. Administration and control is also fairly straightforward, as experience with the allocation of revaluation compensation has shown in the Federal Republic.

Some differentiation in surface area subsidies would also be conceivable to improve income distribution in agriculture. Possible criteria here would be farm size, type of production or natural production conditions. This suggests that provision might be made for a declining scale of subsidies as farm size increases, while areas with predominantly fodder-based production, poor soil and climate should receive preferential treatment in the allocation of subsidies. A system on these lines has been devised by a committee of experts set up by the Eidgenössischer Volkswirtschaftsdepartement (Swiss Economic Department) and is to be introduced first in the mountain regions of Switzerland¹.

Surface area subsidies could also be linked with remuneration for services rendered by agriculture in the public interest, such as environmental conservation and preservation of the countryside. This would require the allocation of subsidies to be linked to some minimum level of cultivation of the area concerned.

¹ See also the papers by Binswanger and Müller and Popp and Anderegg below on the same subject.

9. It should be noted that a price-subsidy policy will have further effects in a number of areas:

- (a) Where producer prices rise slowly and income subsidies are paid, a shift in the burden of expenditure occurs: the consumer's food bill is reduced while the burden on public funds is correspondingly increased by the payment of subsidies;
- (b) The rate of production increase can be expected to slow down, producing corresponding savings in market organization expenditure, though the full effect of these will be felt only in the longer term;
- (c) Total savings to the economy occur as a result of a reduction in the misallocation of production factors, in unproductive spending on export subsidies and in industrial reprocessing of surplus produce. Greater budget security is another advantage: subsidies are firm expenditure commitments, whereas market organization expenditure cannot be accurately estimated. Finally, with spending on food accounting for about 25% of consumer outlay, a lower rate of increase in farm prices would go quite some way to promoting stability;
- (d) Direct income benefits may be expected in the agricultural sector. In the past farmers have not sufficiently realized that a high proportion of the funds set aside for market organization does not reach them but is spent on storage costs, subsidizing exports and industrial reprocessing of surpluses. Subsidies, on the other hand, are an assured income component.

10. The financial room for manoeuvre afforded by a modified incomes policy must be seen in the context of the promotion of agriculture as a whole - with the exception of social policy expenditure:

- (a) Expenditure on market organization is the most important item. The extent to which costs can be reduced here depends on how successful a firmly pursued price income support policy is in restoring market equilibrium. So far, the dairy sector has accounted for the largest share of the cost of development mistakes. The cost savings which may be expected to follow from lower intervention prices should be used to concentrate, for income distribution purposes, on fodder production areas.
- (b) Other financial aid in the agricultural sector should be subjected to critical scrutiny, particularly where it provides a direct incentive to increased production, as would happen, for instance, if energy costs were reduced.

(c) The hill-farming programme is a step in the right direction. Its underlying aim is to cushion certain regions against the adverse effects of past prices and structural policies, enabling farming and population sizes to be maintained for social reasons. This is why expenditure on the hill-farming programme should be regarded as part of the funds needed for income subsidies.

11. A thorough-going review of the agricultural structural policy would be a further precondition for the success of a new prices and incomes policy. At present, structural policy is conducted by granting substantial subsidies for investment to enlarge production capacity, and is one of the main causes of increased production. The public funds invested for this purpose should reach agriculture in a different way, as direct income subsidies.

A common agricultural structural policy is questionable in any case. It is nonsensical to have uniform standards for agriculture from Denmark to Sicily; they were one reason why Norway did not join the Community and they will cause problems with the accession of Greece and other Mediterranean countries.

An agricultural structural policy is in essence the process of making individual adjustments of production and living standards to the differing natural conditions and the historical and social parameters of the various European cultural regions. Uniform agricultural structures are not just uneconomic, but also contradict the principle of a federal Community. For this reason, the rejection of a centralized normative structural policy does not imply a relapse into nationalism, but a basic decision in favour of a democratic Community which derives its strength from the vigorous multiplicity of Europe.

12. Finally, a possible change in intra-European financial flows must be considered when planning the reorientation of the prices and incomes policy. Slower production increases are likely to reduce the volume of production in agricultural areas and thus also the cash flow from exports and from the Agricultural Fund. Compensation will therefore have to be sought, perhaps in a stronger regional policy. Compared with the wastage of public money on agricultural surpluses, growth-orientated expenditure, in the context of a European Regional Policy, would benefit the Common Market economy as a whole, provided that the purchasing power of the population of the present non-industrial, rural regions is thereby strengthened.

WORKING DOCUMENTS

'THE EMERGENCE OF NEW TRENDS

Rapporteur: Mr G. LIGIOS

1. Everyone talks about the most obvious defects of the CAP: structural surpluses of some products, excessive costs, widening gap in incomes and standard of living between the producers of the different regions, high prices for consumers, excessive protectionism, deficiencies in the structural and social sectors and breakdown of the single market. Some of these defects are undoubtedly the results of forces outside the CAP, notably monetary disorder and instability, and the failure to achieve integration in other Community policies. However, the root cause of some of its worst flaws is a basic approach which has gradually proved inadequate, at least in some sectors of production, for achieving the objectives laid down in Article 39 of the Treaty.

More particularly, the idea of fixing common agricultural prices as a means of ensuring incomes to producers, with an unlimited guarantee of intervention for the main products, rather than ensuring correct management of the market for supplies to consumers and responding to Community and world needs, is increasingly coming under fire.

While artificial fixing of high prices leads to surpluses, market disturbances and friction with third countries which accuse the Community of protectionism and dumping, on the other hand freezing these prices or allowing an increase lower than the cost of living would have serious social repercussions for Community producers.

The task of the Community institutions must therefore be to resolve this dilemma by finding new ways both to guarantee adequate incomes to producers and maintain market equilibrium and a balanced development of the regions.

2. The aim of this working document is to examine in outline whether there is any significant reversal in trends or innovation in the CAP at present which might help to eliminate the main defects mentioned above. The most important decisions and proposals in this connection will be explained briefly, with particular reference to the series of measures in the price package for the agricultural year 1978/79.

3. It should be emphasized from the outset that the average increase in price for this agricultural year was limited to about 2.10% which already constitutes a change from past agricultural years: +3.9 % in 1977, +7.7 % in 1976, +9.6 % in 1975. Moreover, in the case of certain surplus products, the increase was even more limited: intervention price for skimmed milk powder +1.8 %, butter +2.06 %, soft wheat suitable for making bread +1.25 % and the price of sugar was actually reduced by 3.2 %.

The Council of Ministers now seems entrenched in its tendency to agree on lower increases than those called for by the professional organizations and the Committee on Agriculture of the European Parliament, even though the facts of the problem are completely distorted through manipulation of the green currencies, at least in countries with devalued currencies.

It is difficult to say what effects if any this attitude will have on the future of the CAP, especially if the price-increase factor is extrapolated from all the others. Will there be an effort to improve productivity and rationalize structures or merely an increase in production in an effort to compensate for the low increase in unit price and relieve serious social pressures? Or will the social categories concerned press for other types of compensation (income supplements, more effective structural aids, aid of a social nature)?

4. Other measures of an innovative nature concern efforts to reduce surpluses of milk and dairy products. This does not refer to the normal measures for disposal of these surpluses, as for example export refunds for which one thousand million EUA was allocated in the 1978 budget, or to the subsidy scheme for skimmed milk powder for feed for young calves (526 million EUA) nor the various limited measures such as milk distribution in schools, butter for recipients of social security, or non-marketing premiums.

We are concerned here with those actions which directly affect the producers, since they are aimed at persuading them to reduce milk production or at least to assume part of the burden involved. This concerns in particular the following measures:

- co-responsibility levy, fixed at 1.5 % for the 1977/78 agricultural year, subsequently reduced to 0.5 % for the present agricultural year;

- proposal on the suspension of intervention buying of skimmed milk powder from 1 October 1978 to the end of the 1978/79 milk year. This measure (COM(78) 80 final) is shortly to be reconsidered by the Council;
- other proposals which will probably be officially presented with those for the 1979/80 agricultural prices concern the reduction of guarantees and the imposition of a high co-responsibility levy on milk producers without grazing lands, in other words those who rely exclusively on imported proteins (soya beans) for cattle feed. These are genuine industries producing milk from imported soya beans (which is totally exempt from duty), which have little in common with the traditional farms.

5. In this same document, similar proposals have been made for the beef and veal sector. There is provision for suspending intervention in a given Member State or in a particular region when the price of a particular beef quality is equal to or higher than the maximum buying-in price for the same quality. This proposal was approved by the Council in Regulation 995/78¹, and could lead to a reduction in meat purchases of the order of 70,000 tonnes, and a saving of 40 million EUA.

The Commission has also recently presented a detailed programme for restoring balance in the wine sector.

6. Apart from these measures to limit Community intervention, there are others aimed at encouraging consumption of products where for some reason or other such consumption is on the decline: competition from other products, changes in consumer taste, etc. An example of this is the new regulation on olive oil (Reg. 1562/78 of 29 June 1978)², which provides for consumption aid in respect of this product equal to the difference between the production target price (minus the production aid) and the market price.

As regards butter there is a whole series of measures in force to subsidize consumption: sale at reduced prices, like the 'Christmas butter' of last year (50 million u.a. was allocated for this operation); direct aids to consumption granted by some Member States (with reimbursement by the Community at 23 u.a. per 100 kilos); big price reductions for certain social categories, such as recipients of social security, social establishments (hospitals, orphanages etc.), the armed forces, the baking industry and ice-cream producers, etc., These measures are aimed at reducing the enormous existing stock (466 thousand tonnes at the end of August!) and at promoting consumption which is declining for various reasons (competition from margarine, cost, supposed harmful effects on health, etc.).

¹ OJ No. L 130, 18.5.1978

² OJ No. L 185, 7.7.1978

7. As regards the dismantling of monetary compensatory amounts, the same applies as for the reduction of surpluses: in the face of increasing pressure from the groups concerned, the Commission has come up with innovative and courageous proposals which never get past the Council because of the forceful conflicts between the different interests involved.

These proposals concerned the automatic dismantling over 7 years of the mca's, the introduction of a cut-off point for newly-established aid, and the use of EUA's in the CAP.

However, the Council took decisions on only limited sectoral amendments, for example in respect of pigmeat.

8. One important innovation in the CAP is the application of a production levy on isoglucose¹ aimed at partially meeting costs of exporting to third countries corresponding quantities of sugar with which isoglucose is in direct competition. A similar system is in force for B quota sugar.

The proposal also provides for a similar levy on ethyl alcohol of agricultural origin which has not yet been approved by the Council. The so-called 'intervention levy' was to finance possible intervention costs in this sector. In practical terms, a completely self-sufficient market organization would have been set up without any financial assistance from the EAGGF. This is a considerable innovation given the psychological and practical difficulties of getting Member States to accept new and expensive market organizations after the negative experience in other sectors.

9. Of a rather more limited scope at present are the measures for direct aid to producers or integration of prices. Some market organizations have already introduced them (durum wheat, oil seeds, hops, tobacco, seeds, dried fodder) and others have recently followed, notably peas and field beans used in animal feedstuffs. A Commission proposal for a similar system for aids for early potatoes has encountered difficulties in the Council.

Clearly, these are just timid steps in one direction, the English 'deficiency payment' which many see, rightly or wrongly, as the universal panacea for all the present ills of the CAP. In the 1978 budget, appropriations for aid to production in the abovementioned sectors stood at barely 11% of the overall expenditure of the EAGGF Guidance section (roughly 780.4 million out of 6,960 million); by way of comparison, the milk sector alone absorbs 41.6 % of the total (2,895 million). But in the draft budget for 1979 the aforementioned percentage has fallen from 11 to 8 %.

¹ Ref. No. 1111/77, OJ No. L 134, 28.5.1977

10. While the CAP has taken only hesitant steps in the sector of direct aid to producers, considerable progress has been achieved on regionalization. We are not concerned here with price increases above the Community average obtained in some Community countries with devalued currencies, in which regional disequilibria are usually greater, as a result of subsequent substantial devaluation of the respective green currencies. These price increases are more apparent than real if one considers the high rates of inflation in these countries and the increase in the cost of raw materials, particularly those imported. Furthermore, the mechanism of monetary compensatory amounts penalizes their agriculture, encouraging, with frontier subsidies, imports of agricultural products from countries with revalued currencies.

We are concerned here with the whole series of structural and sectoral measures contained in the 'Mediterranean package' recently approved by the Council and which would provide for considerable financial aid by the Community. The following measures are involved :

- aid to the processing of peeled tomatoes, tomato concentrates and tomato juice, peaches and plums;
- special measures already quoted for peas and field beans;
- amendments to Regulation No. 355/77 on the processing and marketing of agricultural products, to improve the conditions for projects implemented in the Mezzogiorno and in the Mediterranean regions of France through a greater contribution by the EAGGF;
- acceleration of the conversion and restructuring of vineyards in the Languedoc/Roussillon region;
- acceleration of the irrigation programme in the Mezzogiorno (260 million u.a. in 5 years);
- improvement of the infrastructure in certain rural areas (electrification, conduction of drinking water, rural road networks), in the Mezzogiorno, in the mountain zones and less-favoured areas of Italy and in Southern France;
- aid to producer associations (24 million u.a. in 5 years) in Italy and for certain specified products in France and Belgium;
- structural measures in Western and Northern Ireland.

Other measures already prepared by the Commission and approved by the European Parliament are on the way to being adopted by the Council. They concern notably forestry and the setting up of an agricultural advisory service in Italy, and measures concerning the Hérault and Corsica. Also being considered are amendments to the 1972 structural directive and aid to the Benelux countries and Ireland.

Conclusion

11. Your rapporteur feels that certain clear trends can be noted from the different, somewhat contradictory, elements outlined above:

- a clear tendency to maintain price increases expressed in u.a. within much stricter limits than in the past;
- the need to combat surpluses especially in milk and dairy products, a need keenly felt by public opinion, is finding expression only in tentative steps at Community level in the face of strong opposition from the producers; however, the present situation cannot continue for much longer;
- this is likewise true for the dismantling of monetary compensatory amounts;
- new departures should also be mentioned, such as the self-financing of market organizations and aids to consumption;
- the instrument of direct aids to producers seems at present unlikely to be used in the CAP with all the weight and importance it could have;
- finally, the effort being made to regionalize the CAP through increased aids for products (for example, processed fruit and vegetables) and for the structures in regions hitherto neglected (Mediterranean package) should be warmly welcomed also in view of the future enlargement of the Community.

INTERVENTION OR DIRECT PAYMENTS? THE MOST SUITABLE CHOICE OF EACH PRODUCT

Rapporteur: Mr M. HUGHES

Preface

- i. A Common Agricultural Policy does not exist. It has never existed. The only person to have had a clear idea of a policy was Sicco Mansholt; and either he was completely misunderstood or he got the whole thing wrong.
- ii. The present assorted collection of measures making up the CAP are founded on the principle of quantity: farmers are rewarded according to the quantities they can sell into intervention.

The result has been that farmers are producing products that are not wanted, in quantities that are not needed, and of a quality that does not encourage additional consumption. We have wheat that cannot be used for bread, milk powder that cannot be given away at any price, and wine that is turned into alcohol of which we already have a surplus.

- iii. If the effects of a system based on quantity were limited to questions of managing surplus stocks, the present system would at least be a starting base for a political discussion.

But the effects go far beyond this question of budgetary irresponsibility. The social and environmental implications are far more serious.

- iv. The search for quantity has led to the development of higher sophisticated techniques, demanding high levels of investment and the use of massive amounts of energy, fertilizers, feed stuffs (often imported) and pesticides.

An agro-industrial complex has developed, similar in many ways to that of the pharmaceutical and medicine industry. It preaches the concept of the 'modern' farm. This has been enshrined in the present agricultural policy. Farmers throughout the Community are encouraged to produce quantities which are not needed, at costs which neither the farmer nor the consumer can afford. Farmers have run up massive debts; and to keep standing still financially - they must invest more heavily.

- v. The result has been to create two classes of farmers:
 - those in the industrialized agricultural heartlands of Europe, which so far have benefitted enormously from the present system of industrialized farming, and
 - those in the more peripheral regions which are being forced into extinction by a system demanding quantity at any price, economic or social.

- vi. The usual justification for the CAP is that it prevents rural depopulation. But the present policies are the surest recipe for ensuring the collapse of agriculture throughout many regions of the Community.
- vii. In economic terms we have an agricultural policy which we can no longer afford. The energy inputs cannot be justified; feedstuffs are imported to produce food which is not required; and pesticides have replaced farm labourers, who have been forced into towns to live on social security or by sweeping streets. All this in the name of creating a modern agriculture. The dinosaur was almost certainly once very 'à la mode'.
- viii. The end of the road is not far away. The techniques developed are becoming increasingly self-destructive. Modern plant strains have been developed which, while producing enormous quantities, are no longer resistant to disease. The genes of beef herds have been so highly selected that bones can no longer carry the mass of flesh, and a natural process of regression is now taking place: many charolais herds are now producing perfectly round animals, but which never reach the size of a Jersey cow.

Farmers have been encouraged to use fertilizers and pesticides which they did not always know how best to employ. Excessive quantities are dumped on the land: the richest agricultural region in the United States, California, is now blowing in the wind as the soil has been reduced to the fine dust of a desert. The rivers have been relegated to drains for pesticides.

If ever, one day, the principle that the polluter should pay were to be applied to agriculture, the farming community will be presented with a very heavy bill.

- ix. For the consumer, the ultimate *raison d'être* of this whole process, finds increasingly that the food presented to him is inedible and seeks out those excessively expensive shops which market so-called 'organic health foods'.
- x. Nobody is satisfied, not even the farmer who knows that he is destroying the inheritance that he wishes to pass on to his sons.
- xi. The present intervention system, based on producing quantities at ever-increasing cost to the farmer and to the consumer, must be re-examined. It is clear that in a few years truly modern farming throughout many regions of the Community will be seeking to produce lesser quantities with much lower costs. It is the cost input side which we must concentrate on now rather than the output quantity side. European agriculture has the natural vocation to produce quality rather than

quantity. Production methods must be developed which suit local conditions, both physical and economic. This can only be achieved if the present intervention system is revised.

- xii. This is unlikely to happen: farming organizations are dominated by the big producers who care little for the fate of the small farmer, even while using the desperate position of the backward regions to justify price increases from which they themselves largely benefit. The co-operative groupings have developed into bureaucratic structures intimately linked with the agro-industrial complexes, and which, together with the intervention system, have deprived the individual farmer of all sense of responsibility.
- xiii. The intervention system will be changed one day. This is not a debate which is likely to hold the attention of the majority of the Committee today.

But, even if we keep completely to logic of the present agricultural policy and work on the basis of present assumptions, it is clear that in a number of sectors the present intervention mechanisms produce neither reasonable incomes to the farmers nor acceptable prices to the consumers.

- xiv. We must make a clear distinction between those sectors in which the intervention system works reasonably well today, and those sectors in which it has demonstrably failed. The purpose of this paper is to provide the concepts by which this vital distinction can be made.

The necessity to support agricultural incomes

1. The problem of maintaining agricultural income at a reasonable level presents inherent difficulties in all regions of the world. The aim of maintaining parity in the development of incomes faces an initial difficulty due to the varying rates of the Gross Value Added in the agricultural and the non-agricultural sectors.

2. Even with output per head increasing at an equal rate in the agricultural and industrial sectors, the value of total agricultural produce is likely to fall relative to the value of total industrial product. As a result of the shift in the "terms of trade" over time, the farmer must offer a greater quantity of agricultural produce to secure an equal amount of industrial products. Consumers in the non-agricultural sector will be able to purchase their food requirements at a relatively lower cost expressed in value of their hourly wage earnings; if the trend continues, farmers will suffer a drop in real income.

No amount of efficiency, nor a sustained growth in productivity, on the part of the agricultural sector will be likely to maintain comparable incomes. Even in the case of a contraction of the agricultural population, action would be required to ensure a smooth transition of the labour force.

3. There are two ways for farmers to come near to achieving and maintaining incomes comparable to those in other sectors:

- (a) by direct income grants or by price support for agricultural produce; and
- (b) by contraction of production, either through restrictions on production or by a reduction in the farming population.

Since it is unlikely that the farming population will contract at a sufficient rate, particularly in a period of recession and high industrial unemployment policies to maintain income or price levels will be necessary.

Agricultural income/price support and the consumer

4. Price/income support measures in favour of agricultural producers are contested at times on the grounds that an inefficient allocation of resources will result, and lead to higher prices for consumers. It can be argued that the opposite is true.

5. The degree of economic uncertainty is higher in agriculture than in any other sector. The farmers face insurmountable difficulties in predicting yield and price. Yield cannot be controlled, nor can they rely in all cases upon higher prices to offset low yields. With all capital invested in the holding and past years of work, and with economic survival dependent upon the avoidance of large losses, the desire for survival will prevail above the desire to maximize profits.

Farmers, consequently, will seek to reduce uncertainty by diversification of production, unless income/price guarantees are offered. The diversification of production will lead, in turn, to lower incomes to farmers and/or higher prices to consumers: diversification prevents the optimum allocation of resources which requires a higher degree of specialization. The result will be higher costs and prices.

6. This argument shows that the debate on price support need not always fall into the line of a conflict between producers and consumers. Benefits may be mutual. At the same time, of course, the argument cannot be used to defend any particular level or instrument of support to prices and/or incomes.

7. It also demonstrates that the question of price support should not be limited solely to protecting farmers' incomes. Support has a number of economic effects. Support should be implemented in such a way, by the choice of the appropriate instruments, so that these economic effects fulfil pre-determined policy objectives.

A better mix of instruments required

8. The dairy sector is the most striking example of the policy implications of a product for which a chronic market **imbalance exists and on which a high** proportion of the farming population depends for its livelihood with little prospect of finding an alternative.

9. This situation exists in a number of the principal agricultural sectors because of:

- the inherent tendency to create surplus independent of short term agricultural price increases; and
- the lack of growth or even decline in consumption of a number of basic agricultural products.

10. At the same time, the Community's agricultural policy must have the courage to face up to the extremely serious and ever more pressing social problems:

- the growing regional and national disparities in agricultural income; and
- the inability of present agricultural policies to provide sufficient income for the smaller family farmers.

11. It clearly follows from the points made above that an overall strategy is required to deal with the four main problems facing the Common Agricultural Policy.

Here the Community is faced with the basic dilemma: the present policy instruments provide the greatest aid to the largest producers who need it least; but if the smaller producers are helped more directly, this may slow the structural improvements considered essential to maintain the income of the agricultural sector as a whole.

The essential aim is to maintain agricultural incomes at a reasonable level. The problem is the choice of the appropriate instruments.

Primary objectives

12. In their broadest sense the most essential aims can be grouped under three headings:
- (a) Providing a reasonable income to the family farm, whilst ensuring that consumption will not be restrained by excessive price increases.¹
 - (b) Reducing the regional and sectoral divergencies in income, either by modification of the product price hierarchy or by direct measures.
 - (c) Optimizing the allocation of resources by encouraging the most appropriate pattern of production, with policy instruments to encourage specialization of production.
13. Present policies must be judged in the light of these three primary objectives.

Limited effectiveness of price policy

14. There are clear limits, political as well as economic, as to what can be achieved by price policy in affecting the level of production.
15. It is also true that price policy is relatively ineffective in directing production from one product to another.²

The smaller farmer, for example, has few alternatives in its production patterns. For the small farmer in the northern countries of the Community there is little alternative to milk.

The production trends by sector confirm the relative lack of land mobility within agriculture. It is extremely difficult for farmers to improve incomes by increasing the production of one product in relation to another, in view of substantial investments required for the larger farmers and the structural restraints of the smaller producer. The options open to the majority of farmers are limited, particularly the most disfavoured by climate, geography or structure.

¹ The emphasis on the family farm may be justified in economic as well as social terms, given the family farm's greater flexibility to rapidly changing market conditions; and diseconomies of increases in scale which may result from problems of establishing the correct number of labour units for the work required, increase in managerial complications, and the additional investment requirements.

² The possibilities for substitution are limited, without direct aids, between animal and vegetable sectors, and even between dairy cows and beef cattle. On the other hand, within crops, particularly wheat feed grains and sugar beet, a much higher level of substitution appears to have taken place.

16. A wider range of policy instruments is required; price policy alone is not sufficient. In order to do this, much greater thought must be given to the criteria used in the selection of policy instruments.

Criteria for selecting policy instruments

17. The present intervention mechanisms appear to work effectively in a number of sectors, cereals for example. In others, such as beef, the present instruments provide neither adequate incomes to producers nor acceptable prices to consumers. Here action is clearly required. But awaiting upon a crisis to determine whether the present price/income support measures are the most effective is not a rational approach. Nor does such an approach give a clear indication as to the appropriate reforms.

18. Clearly there can be no pre-determined answers. The most appropriate solution will depend upon the characteristics of each sector. The more important factors for each product to be taken into account are as follows:

- i. overall importance and trends of production and consumption in the Community
- ii. importance of production to the more disfavoured regions
- iii. price elasticity of demand
- iv. degree of self-sufficiency
- v. stability of world prices.

Advantages and disadvantages of each instrument

19. Given the limits of price policy as an instrument to direct agricultural production, and the need to regulate carefully intervention so as to support agricultural incomes without slowing down structural development, a much closer look must be made at the types of support mechanisms currently employed by the Common Agricultural Policy.

There are five principal mechanisms:

- (a) price support through intervention buying;
- (b) income support through direct payments;
- (c) limits on production;
- (d) measures to increase consumer demand; and
- (e) improvements in marketing arrangements so as to narrow the gap between the farm gate and the prices to consumers.

20. Each instrument has disadvantages as well as advantages.

(a) Intervention buying

In most cases this is the least expensive policy to operate in terms of the Community budget, except, that is, where demand is elastic, as in the case of the more expensive foods, such as beef, cheese and certain fresh fruit and vegetables.

Open-ended intervention, however, is likely to lead to excessive surpluses and, along with protectionism, will inevitably lead to prices above world levels.

Moreover, such policy will do little to help the small farmers.

(b) Direct income payments

This is likely to be more expensive than market intervention, except in the case of products for which demand is relatively elastic, such as beef, cheese and certain fresh fruit and vegetables.

Such a policy is more likely to help the smaller family farmer and to reduce disparities in national and regional agricultural incomes.

On the other hand, such a system may act to slow down the desire to increase the size of farms.

(c) Limits on production

This is one of the most effective instruments for restraining surpluses and maintaining agricultural incomes and is also likely to help the smaller farmers in peripheral regions.

But these aims will be achieved at the expense of an increase in efficiency from specialization and may restrain the trend towards larger holdings.

(d) Increase in consumer demand

This aim is the most difficult to achieve, but the achievements of the Milk Marketing Board in maintaining sales by means of publicity campaigns and marketing techniques provide some evidence as to what can be achieved by marketing methods.

The same aims can be achieved by directly subsidizing consumer prices. The cost, however, is high and can only be justified in exceptional cases where stiff price rises may lead to a fall in consumption which may not be subsequently recovered. The situation of the dairy market in the United Kingdom is a case where consumer subsidies are justified, since demand has dropped sharply following a series of price increases.

(e) Increase in efficiency

Such a policy will do little to improve the income of the farming sector, since the benefit will largely accrue to consumers, agricultural incomes may even be decreased.

Conclusions

21. The Common Agricultural Policy cannot be considered to have tackled the problems of surplus production in a number of major sectors, nor has it provided the smaller family farmers with an adequate income. Moreover, it appears to have contributed to increasing the regional disparities between the more developed and the less developed agricultural regions of the Community. In sum, it can be argued that the process, whereby the rich and favoured have become richer and more favoured and the poor more disadvantaged, has been reinforced.

22. Price/income support policies must be more closely adapted to the characteristics of each sector.

23. The choice of instruments, in addition to social objectives, must reflect the characteristics of each particular sector.

There is a clear economic case, and even more evident social reasons for introducing, without delay, a system of income support (rather than market price support) for those products for which:

- demand is elastic and consumption can be increased,
- self-sufficiency is low,
- consumption has been drastically reduced by existing price levels, or
- production should be encouraged in order to obtain a more balanced overall pattern of production.

Income support measures should, therefore, be adopted in the following sectors:

- beef and veal
- sheepmeat
- dairy products, particularly cheese
- certain fruit and vegetables
- olive oil, and
- vegetable proteins.

SMALL FAMILY FARMS OR 'MODERN' REFERENCE FARMS

Rapporteur: Mr A. LIOGIER

1. The small family farm is often contrasted with the modern agricultural undertaking: it is held that people working in the former barely earn enough to subsist, while people who live on the latter have an income comparable to that of workers in other sectors and are able to make the investments necessary for constant modernization of their farms, and thus share in general economic development.

2. The Mansholt Plan was based on the assumption that small family farms were unprofitable and thus adversely influenced agricultural price formation, since agricultural prices had to be high enough to assure their survival, and their survival gave rise to surpluses. The plan therefore aimed to encourage small farmers, who were often elderly, to leave farming, and by the necessary structural reforms to enlarge holdings already profitable or capable of development so that they could meet the demands of economic competition.

3. With this in mind, Mansholt wanted to set up two kinds of undertaking - production units, formed when several farmers agree to combine and work jointly (partial amalgamation) and modern agricultural holdings, formed when one farm is enlarged or several are merged.

Unlike production units, modern agricultural holdings were to pool all their land, livestock and equipment in order to operate jointly.

Lastly, both production units and modern agricultural holdings were to meet certain criteria (e.g. with regard to type of crop and acreage) to ensure a satisfactory income for their members and make optimum use of the factors of production.

4. The basic ideas of the Mansholt Plan found expression in the three socio-structural directives of 1972. Council directive 72/159/EEC on the modernization of farms¹ defines farms suitable for development as farms where the farmer

- a) practises farming as his main occupation,
- b) possesses adequate occupational skill and competence,
- c) undertakes to keep accounts,
- d) draws up a plan for the development of the farm

¹ OJ No. L 96, 23.4.1972, page 1

and where their level of earned income is below that fixed in Article 4 (1) of that directive as the modernization objective, or where their present structure is such as to jeopardize the maintenance of that income at a comparable level.

Article 4(1) of the directive defines the development plan : it must show that, upon its completion, the farm undergoing modernization will be capable of attaining as a minimum, in principle for either one or two man-work units, a level of earned income comparable to that received for non-agricultural work in the region in question. A comparable earned income as referred to above means the average gross wage for a non-agricultural worker.

It may be noted that the term 'reference farm' used by the FADN (farm accountancy data network) means farms with an income of between 80 and 120 % of comparable earned income.

5. Had the original version of the 'Mansholt' Plan been applied fully, it would have led to the disappearance of 80% of farms. It was thus unacceptable in that form.

Even in an amended form, as set out in the socio-structural directives, the 'Mansholt' Plan would mean the end of the small family farm, which is nevertheless essential for the social, economic and ecological balance of the countryside.

6. The French Agricultural Guidance Law of 1960 rejects this Malthusian vision of the future of European agriculture. This law states that family farms should be helped to overcome the natural economic disadvantages which they suffer in comparison with other sectors of the economy. With this in mind, the agricultural guidance law stipulates

- that the aim of the agricultural policy should be to promote and encourage a type of family farm which will be capable of making optimum use of modern technical production methods and will make full employment of the farm's labour and capital possible,
- that it should be made easier for all farmers to own their own land,
- that priority should be given to contractual interprofessional organization of the markets (the 'Mansholt' Plan advocated central planning in this field),
- that priority should be given to a generous social policy allowing all farmers, particularly those in least favourable circumstances, to face the future with confidence,

- that people should be given priority over plans, which tend to override human interests by neglecting the individual nature of farmers.

Consequently, there should be no cut-and-dried distinction between small family farms and 'modern' farms. A coherent agricultural policy, which must take account of the general economic context, cannot lead to the disappearance of the small family farms. In a period of crisis, it is necessary to keep farmers on the land to prevent them swelling the ranks of the unemployed, who now number some 6 million in the European Community.

7. Hence, unless the aims of a coherent agricultural policy are kept in sight, the distinction between small family farms and 'modern' farms might well become purely academic. A coherent agricultural policy cannot ignore the general economic context. So, in a period of crisis, it is necessary to keep farmers on the land to prevent them swelling the ranks of unemployed, who now number some six million in the European Community.

For regional development reasons, it is necessary to keep a balanced agricultural population in rural areas to prevent them from falling into decline. Hence, Council directive 75/268/EEC on mountain and hill farming and farming in certain less-favoured areas¹ recognizes that 'it is necessary that steps be taken to ensure the continued conservation of the countryside in mountain areas and in certain other less-favoured areas' and that 'farming performs a fundamental function in this respect'.

Furthermore, by maintaining a large agricultural population in the countryside, certain infrastructures, such as roads, can be made more economic. This will encourage the creation of infrastructures which will attract manufacturing and service industries to these areas. Lastly, for social reasons, a coherent agricultural policy must assure farmers a fair income. This implies that farmers must have access to a market insulated against erratic price fluctuations. This means that producer groups must be encouraged and the principles of the common agricultural policy maintained.

8. This being the case, it can be argued that small family farms and reference farms could be assigned complementary roles. Small family farms, for example, have a good understanding of regional and national consumers, and can best meet the needs of this market. Reference farms, on the other hand, which are run more on the lines of industrial undertakings, should tackle larger markets and pursue a vigorous agri-foodstuffs export policy.

¹OJ No L 128 of 19.5.1975, page 1

9. Agriculture must be modernized, but the cost in human terms of doing so must not be too great. The mentality of the agricultural population must be progressively changed, and modern production techniques must be made more accessible to them. Moreover, if it does turn out to be necessary to adjust production structures so as to create larger farms, then the rural population leaving farming must have the opportunity to work and live in the country. The development of medium-sized towns should therefore be encouraged so that rural areas do not suffer population loss: this will involve decentralizing industry, setting up small factories in rural areas which can offer sufficient employment, and developing infrastructures which will keep country life pleasant and attractive.

10. Those are the issues on which discussion should centre. Emphasis is, however, again placed on the fact that the small family farm and the 'reference farm', are by no means mutually exclusive but complement each other and each have their role to play in the Community's harmonious economic development.

CENTRAL OR REGIONAL DEVELOPMENT OF THE COMMON AGRICULTURAL POLICY

Rapporteur: Mr HOFFMAN)

1. The starting-point of the CAP was basically centralistic.

European agriculture is, however, characterized by diverse farm and production structures, traditional working methods, established consumer habits and an evaluation of agricultural activity that differs from country to country.

Regionally divergent general economic developments also lead to marked monetary shifts that can only be offset through compensatory payments at national frontiers, which results in a mere semblance of a genuine common market.

A common agricultural price as the basis for rewarding the farmer for his produce, supplemented by uniform, undifferentiated structural measures, is hardly capable, therefore, of meeting the complexity of this situation.

These different problems must therefore be met with specific and adequate solutions.

2. Assured supplies of foodstuffs, a fair standard of living for the agricultural community and reasonable consumer prices are objectives to be attained, according to the provisions of the EEC Treaty, largely by increasing agricultural productivity.

In this connection, however, account must be taken of 'the particular nature of agricultural activity, which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions' (Art. 39(2) (a)).

There are legitimate doubts as to whether these structural and natural disparities between the various regions have been taken sufficiently into account.

More than this, however, the aims of the agricultural policy itself need to be enlarged. The priorities already set must be rethought.

Solutions should be sought in the following directions:

- assured supplies of foodstuffs at reasonable prices;
- fair remuneration for the farmer for
 - a. the production of foodstuffs (with special reference to health considerations) and certain other raw materials
 - b. the provision of recreational elements for the community (conservation of the countryside);

3. One important reason for low agricultural incomes is the lack of mobility of agricultural production factors. Within the dictates of the general economic framework, therefore, continued efforts should be made

towards the following goals:

- Agricultural activity should continue to be encouraged. This presupposes alternative regional employment opportunities and improved training conditions for the population in rural areas.
- operational and infrastructural improvements must increase the profitability of the remaining farms.

The efforts made to date have not produced satisfactory results.

They should, therefore, be supplemented by

- direct income transfers, unrelated to individual products, designed to assist the achievement of the above goals¹.

A weakening of the income function of guaranteed prices would, in the medium term, facilitate the phasing out of monetary compensatory amounts.

The feasibility of such transfers is already proven. The directive on mountain and hill farming and farming in certain less favoured areas provides for direct income subsidies for approximately 10% of the total figure of 5 million farms, which account for around 25% of the Community's agricultural area.

4. Agricultural policy should be geared more towards the individual farmer and his specific situation. He should not be treated as an anonymous beneficiary of social welfare; account should rather be taken of his capabilities and his special responsibility for the tasks that fall to him in his region.

At the same time, care must be taken in dealing with established traditions, structures and arrangements.

In the interests of both producer and consumer, a fresh look is needed at the farmer's functions in terms of regional and social policy so that he can develop his potential to the fullest.

¹See report by Mr RICHARDS of 15.11.1971, paragraph 50, calling for the introduction of 'a system of income subsidies for farms remaining below the norms laid down'.

NEW GUIDELINES FOR AGRICULTURAL POLICY (NEW TRENDS)

Rapporteur: Mr M. DEWULF

INTERNATIONAL ASPECTS

The impact of the energy crisis and the general increase in raw material prices on international economic relations brought to a head the worldwide problem of establishing a more balanced relationship between the developing countries and the industrialized nations taking greater account of the developing countries' demands for a more equitable economic order.

The strong position of the raw material producing countries became apparent. The pressing need for a solution to the fundamental problems facing the developing countries was recognized; given the threatened shortage of raw materials vital to the western economies, it seemed essential to open a dialogue between equal partners as soon as possible.

On the other hand, food shortages in the countries of the Third World are as acute as ever, especially in Africa where, according to the World Bank, food production per head of population in 1977 was 10% lower than in the period 1961-1965. The total food deficit of the developing countries could reach 145 million tonnes by 1990. This situation poses new problems for the European Community and the rest of the world and highlights the need for genuine aid designed to promote agriculture and agricultural production in the developing countries.

The Convention of Lomé is one concrete result of attempts to achieve a new and more balanced approach to development policy.

Before giving detailed consideration to certain aspects of external policy as it affects the developing countries, your rapporteur feels that attention should first be drawn to a number of important points. These are simply statements of fact and are only set out briefly here since they will be dealt with more fully in the report on 'The Community's role in the sphere of food aid and the international implications of the common agricultural policy'.

- (1) Upgrading of agricultural production in the developing countries.
Greater emphasis must be laid on the development of agriculture, rural development and food production; the exploitation of industrial raw materials must not be given sole priority;
- (2) Agriculture is an important economic activity with far-reaching economic, social and cultural implications;
- (3) The agricultural regions in many developing countries have been destabilized and destructured; this has adversely affected agricultural productivity;
- (4) It is likely that there will be a large-scale food deficit for the population of the southern hemisphere;
- (5) In the past, trade in basic foodstuffs - which is mainly confined to cereals, oils and fats and sugar - has been conducted almost exclusively between the industrialized nations, especially in the northern hemisphere;

- (6) Relations between North and South in the area of agricultural products are principally characterized by the granting of food aid;
- (7) International economic relations can easily be disturbed since agriculture holds a special position in Western industrial society; in particular, agricultural relations between the United States and Europe must be clarified.

1. Lomé : guaranteed imports

The STABEX system introduced by the Convention of Lomé was an important innovation to protect the ACP States against fluctuations in raw material prices and thereby enable them to improve the organization of their economic development. However, the system is only a first step towards the stabilization of the ACP States' export earnings. Agricultural production, trade and consequently economic growth in the developing countries must be encouraged by the provision of a guaranteed market for tropical products.

Any extension of the list of products covered by the system must be based on detailed consideration of individual products essential to the economy of particular ACP States. Consideration might also be given to the possible application of the system by countries other than the Community. This would create a new kind of worldwide cooperation with Europe providing the incentive.

Turning to the encouragement of agricultural production in the ACP States, your rapporteur will now go on to consider how far other products such as oils and fats and meat could also be covered by a reciprocal system along the lines of the Sugar Protocol whereby the Community undertakes to purchase at guaranteed prices certain quantities of sugar which the ACP States undertake to deliver. Without disregarding the risks involved for the Community and the difficulty of fixing prices in view of the Community's guaranteed prices and price trends on the world market, the European and ACP partners might attempt to define a common position on this subject.

II. International product agreements

International product agreements to stabilize the raw material markets could reduce fluctuations in export revenue derived from the principal primary commodities. At present there are international agreements covering tin, coffee, cocoa, olive oil and sugar; the Community is a party to the agreements relating to the first four of these. Stabilization of primary commodities fits in well with the Community's global development policy, makes the developing countries less vulnerable to fluctuations on the world market and contributes to the promotion of agricultural production.

The Community is participating in the negotiations for an UNCTAD programme on primary commodities and a common fund to finance buffer stocks. For the Community, the major importer of agricultural products, it is important that agreements on basic products should be negotiated in order to stabilize food prices and encourage agriculture. The common agricultural policy has brought reasonable stability to food prices; however, this does not alter the fact that the Community must not aim at self sufficiency but must continue to promote the international organization of the markets in basic raw materials. If we succeed in achieving more stable international markets, would this not be a first step towards less rigid protective measures at the Community's external frontiers?

III. Regional International trade agreements, for example :

Maghreb and Mashrek

The Community's global Mediterranean policy sets an example in this field. Apart from its political aspects, this policy consists of trade preferences such as tariff reductions in favour of the Mediterranean countries together with economic and technical cooperation and financial aid for investment projects.

Binding reference prices are fixed for the agricultural products exported to the Community, which together with the Community's system of preferences, guarantee a profitable price policy for the Community's producers.

With respect to agricultural preferences, the question arises as to how much freedom for manoeuvre the Community still has if it wishes to develop this policy further or extend it to countries in the Middle East with which the Community is associated in the Euro-Arab dialogue and which have an economic structure similar to the Mediterranean countries but do not benefit from trade preferences to the same extent. In other words, has the Community already gone as far as it can, especially in the light of the forthcoming accession to the Community of three additional Mediterranean countries?

Further concessions would only be feasible if considerable financial compensation were offered to the producers of competing products in the Community's southern regions and to producers in Spain, Greece and Portugal after the accession of those countries.

Finally, the extension of this system might encounter difficulties in GATT where the United States is very sceptical about the formation of trading blocs.

IV. Food Aid

One quarter of the world's population is suffering from malnutrition and the world food crisis goes on despite the fact that harvests have improved since the food crisis of 1973 and 1974. All the experts agree that there will be no improvement in the overall food situation for the

- (6) Relations between North and South in the area of agricultural products are principally characterized by the granting of food aid;
- (7) International economic relations can easily be disturbed since agriculture holds a special position in Western industrial society; in particular, agricultural relations between the United States and Europe must be clarified.

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The STABEX system introduced by the Convention of Lomé was an important innovation to protect the ACP States against fluctuations in raw material prices and thereby enable them to improve the organization of their economic development. However, the system is only a first step towards the stabilization of the ACP States' export earnings. Agricultural production, trade and consequently economic growth in the developing countries must be encouraged by the provision of a guaranteed market for tropical products.

Any extension of the list of products covered by the system must be based on detailed consideration of individual products essential to the economy of particular ACP States. Consideration might also be given to the possible application of the system by countries other than the Community. This would create a new kind of worldwide cooperation with Europe providing the incentive.

Turning to the encouragement of agricultural production in the ACP States, your rapporteur will now go on to consider how far other products such as oils and fats and meat could also be covered by a reciprocal system along the lines of the Sugar Protocol whereby the Community undertakes to purchase at guaranteed prices certain quantities of sugar which the ACP States undertake to deliver. Without disregarding the risks involved for the Community and the difficulty of fixing prices in view of the Community's guaranteed prices and price trends on the world market, the European and ACP partners might attempt to define a common position on this subject.

II. International product agreements

International product agreements to stabilize the raw material markets could reduce fluctuations in export revenue derived from the principal primary commodities. At present there are international agreements covering tin, coffee, cocoa, olive oil and sugar; the Community is a party to the agreements relating to the first four of these. Stabilization of primary commodities fits in well with the Community's global development policy, makes the developing countries less vulnerable to fluctuations on the world market and contributes to the promotion of agricultural production.

The Community is participating in the negotiations for an UNCTAD programme on primary commodities and a common fund to finance buffer stocks. For the Community, the major importer of agricultural products, it is important that agreements on basic products should be negotiated in order to stabilize food prices and encourage agriculture. The common agricultural policy has brought reasonable stability to food prices; however, this does not alter the fact that the Community must not aim at self sufficiency but must continue to promote the international organization of the markets in basic raw materials. If we succeed in achieving more stable international markets, would this not be a first step towards less rigid protective measures at the Community's external frontiers?

III. Regional International trade agreements, for example :

Maghreb and Mashrek

The Community's global Mediterranean policy sets an example in this field. Apart from its political aspects, this policy consists of trade preferences such as tariff reductions in favour of the Mediterranean countries together with economic and technical cooperation and financial aid for investment projects.

Binding reference prices are fixed for the agricultural products exported to the Community, which together with the Community's system of preferences, guarantee a profitable price policy for the Community's producers.

With respect to agricultural preferences, the question arises as to how much freedom for manoeuvre the Community still has if it wishes to develop this policy further or extend it to countries in the Middle East with which the Community is associated in the Euro-Arab dialogue and which have an economic structure similar to the Mediterranean countries but do not benefit from trade preferences to the same extent. In other words, has the Community already gone as far as it can, especially in the light of the forthcoming accession to the Community of three additional Mediterranean countries?

Further concessions would only be feasible if considerable financial compensation were offered to the producers of competing products in the Community's southern regions and to producers in Spain, Greece and Portugal after the accession of those countries.

Finally, the extension of this system might encounter difficulties in GATT where the United States is very sceptical about the formation of trading blocs.

IV. Food Aid

One quarter of the world's population is suffering from malnutrition and the world food crisis goes on despite the fact that harvests have improved since the food crisis of 1973 and 1974. All the experts agree that there will be no improvement in the overall food situation for the

developing countries. The FAO estimates that in 1985 the developing countries with a free market economy will have a cereals deficit of some 70-80 million tonnes. The FAO is calling on the African countries in particular to take drastic measures to solve the food shortage problem since food production in Africa has not kept pace with the growth in population and the production of foodstuffs in 1985 will only meet 81% of the food requirements in Africa.

Compared with the early 1960s, the developing countries have virtually doubled their imports of cereals. This is not the place to discuss whether the Community's food aid in the form of skimmed milk powder should amount to 150,000 tonnes, 200,000 tonnes or more per year; seen against the vast global food shortage, such aid is only a drop in the ocean.

The Commission and Parliament have repeatedly advocated an increase in aid, which in principle must be granted irrespective of surpluses, and an improvement in the quality of the food aid given. What is really at issue here are the objectives which must be set for the long-term food-aid policy:

- (a) Should food aid be incorporated in the Community's general development policy in order to encourage agricultural production and general economic development in the Third World?
Should we not then pay less attention to food aid and more to financial and technical aid which will encourage overseas agricultural production?
- (b) In the light of the needs of the developing countries themselves, would it not be better to make food aid available through normal trade channels, and would the developing countries not benefit more in the long run from an improvement in trade than from aid pure and simple?
- (c) Are not many developing countries suffering jointly and severally from the lack of a genuine agricultural policy?

Assuming that we must continue to grant food aid, what measures are feasible to increase the efficiency of this aid in the short term :

- (a) Should the Community assume obligations for several years and draw up multi-annual rather than annual programmes?
- (b) The amounts would have to be considerably increased, especially as regards cereals, irrespective of the existence of surpluses.
- (c) Can a more varied range of food be provided which the population can consume without risk?
- (d) Can the Community's decision-making process be simplified?

- (e) To what extent have any limits been set by the recipient countries' absorption capacity, and could measures be taken to set up processing industries on the spot, for example, dairy factories where skimmed milk powder and butteroil could be reconstituted?

V. GATT and relations between the European Community and the United States

Agriculture is the biggest problem area in the GATT negotiations in the fight against protectionism and for the liberalization of world trade.

On the one hand, there is a difference in approach between the United States and the Community, while on the other hand the developing countries are demanding priority in tariff reductions for exports of agricultural products and raw materials in general. Since their own food production is still insufficient to meet their own needs and they must still rely on food aid, it might seem that the developing countries could not afford to export agricultural products. On the contrary, however, it is only fair that in the developing countries the process of improvement and modernization of agricultural production should go hand in hand with an increase in their agricultural exports since this will result in increased purchasing power which will in turn promote domestic production, stimulate the market and earn the foreign currency required to purchase the production equipment needed to carry out further improvements in agriculture. GATT is the proper framework in which to study problems connected with the promotion of world trade and the attendant redistribution of production between the developing countries and the industrialized nations. For a Europe still going through a period of recession, greater participation in world trade by the developing countries means on the one hand more outlets for its products but on the other it requires adjustments to its own production structures; this calls for self-discipline in the agricultural sector, e.g. with respect to export subsidies. The 'Group of 77' is calling on every industrialized nation to set aside at least a certain percentage of its domestic consumption for imports from the developing countries. The Community would then have to integrate its own production of a large number of products such as sugar - where the ACP 'Sugar Protocol' already represents a step in this direction - vegetable oils and fats, feed grains, meat, tobacco, cotton and textiles with that of the developing countries. The Community is also under pressure from the developed agricultural exporting countries such as the United States, Canada, Australia and New Zealand. For a long time now, these countries, particularly the United States, have been criticizing the common agricultural policy which they consider to be too self-contained.

In general the United States considers that during the GATT negotiations, agriculture should be included in the tariff negotiations on industrial products whereas the Community does not consider this to be compatible with the common agricultural policy and wishes to tackle agriculture separately. The Americans find that the common agricultural policy concentrates excessively on income support for producers with measures such as guaranteed prices, import levies and export subsidies and that it is insufficiently geared to free trade. In reply the Community points out that the United States enjoys a large surplus on its trade balance in the agricultural sector and that agricultural exports to the United States, especially in the dairy sector, are subject to tariff barriers, while cheap imported American soya is resulting in an imbalance on the European dairy market. We need only recall how the United States protested when the Community proposed a non-discriminatory levy on vegetable oils and fats, threatening to bring an action in GATT. The United States argued that the basic guidelines of the common agricultural policy were geared to safeguarding a reasonable income for producers by means of income support and aid for increased sales in the form of export subsidies.

The Community complains that the US is stepping up its agricultural exports to the Community and at the same time making it more difficult for the Community to export its own agricultural products to the US. As a result of the American protectionist quota system, Community dairy exports to the US are negligible, while the importation of other agricultural products is subject to severe restrictions. On the other hand, American exports to the Community are increasing, especially on account of the importation of feedgrains and soya, and the present weakness of the dollar is encouraging this trend. It is clear that the reorganization of the Community's dairy market is being severely handicapped by the American policy of raising barriers against European dairy exports and by cheap American soya imports.

The Community also deplores the fact that in the industrial sector the US applies countervailing duties to products which receive subsidies, thereby excluding a large number of export products from the American market. This is one of the major problems between the US and the Community which are making it difficult for the GATT negotiations to be brought to a conclusion.

The more the Community succeeds in reorganizing its own markets by means of its price policy and structural measures and in relieving the pressure on the dairy market, the more the United States' criticism can logically be reduced to reasonable proportions. Of course the Community should maintain the basic principles of the common agricultural policy, but it can help to overcome the differences of opinion by laying more

emphasis on the stabilization of international markets through product agreements so that fewer measures which in American eyes appear protectionist are necessary at the Community's external frontiers and so that products from the developing countries may obtain widespread access to the Common Market, and by carrying out the internal reorganization of those markets which are characterized by surplus production.

It is important to find ways of coupling Community aid to agriculture - a basic principle of the common agricultural policy and for the time being unavoidable given the unfavourable position of agricultural producers in the Community - with the maximum level of trade in agricultural products by striking a compromise between the interests of producers in the importing and the exporting countries.

Consideration must be given in GATT and UNCTAD to the implications for Community agriculture and agricultural production of a new international division of labour consequent on the developing countries taking a larger share of world trade in agricultural products as a result of the increase in their agricultural exports.

REPERCUSSIONS OF THE COMMON AGRICULTURAL POLICY
ON THE DEVELOPING COUNTRIES

Rapporteur: Mr M. CIFARELLI

1. This working document attempts to answer the question of whether or not the present system of the common agricultural policy (CAP) has any effect on the developing countries of the Third World, and if so, whether its effect is positive or negative.

It is clearly essential for the developing countries to export agricultural products to the richer countries. This is practically the only way, apart from exporting industrial raw materials, they have of obtaining foreign currency and, even if they cannot redress their balance of payments, of at least coping with their increasing indebtedness to industrialized countries. In addition, these exports increase domestic purchasing power, and hence the demand for goods, and create new jobs. They are therefore a prerequisite for launching the process of development.

2. If this requirement of the developing countries to export their agricultural products is to be met, the rich countries must not close their frontiers to such products or create artificial barriers to protect themselves against them through customs duties, quotas and excessive checks on consumption through domestic taxation and similar measures. Nor must the rich countries disturb the trade in products through practices which distort the conditions of competition, such as dumping or subsidizing exports of their own products or other commercial practices that squeeze the developing countries' products off the market, for these countries cannot stand up to competition from countries equipped with far more solid trade structures and financial bases.
3. Where, in this context, does the CAP come in? Unfortunately, in general, it clearly fails to meet the requirements and expectations of the developing countries. The CAP is based on two fundamental principles, at least as regards the principal products:
 - at internal level, guaranteed prices and disposal, without quantitative restrictions;
 - externally, a system of protection based on import levies (difference between world market price and Community price) and export refunds (the difference mentioned being refunded to the exporter).

4. If the accusations levelled at the EEC by third countries, and in particular by the developing countries, are to be believed, this system amounts to a form of protectionism which virtually excludes any chance for these countries of gaining a foothold on Community markets, and even deprives them of any advantage of lower costs resulting from, among other things, the more favourable location of production centres. To give some idea of the sums involved, it should be noted that, for the 1978 financial year, levies collected at the frontiers to compensate for the price difference amount to 1,686 m EUA.

In addition to these barriers at the frontiers, the CAP has hitherto led to the accumulation of considerable surpluses of certain products which can be disposed of on the world market only by means of heavy subsidies. For example, refunds for dairy products for 1978 amount to 1,174 m EUA (1,588 m EUA estimated for 1979); those for cereals to 1,198 m (1,418 m estimated for 1979), and those for sugar to 676 m (792 m estimated for 1979).

The effect of these massive subsidies is clear: on the markets of importing third countries, such as the Soviet Union, East European countries and Arab countries, the cheaper products of the developing countries must face unequal competition from the surplus products of the Community. The result is that the developing countries frequently come off worse and are squeezed off the markets, thus being compelled to reduce their production and exports or, at the very least, to halt the development required by their economic situation.

5. Examples of this Community policy are numerous and concern, to a varying extent, several products. Your rapporteur will merely cite two of the most typical, namely beef and veal and sugar, which are of particular concern to the developing countries.

EEC beef and veal production, which is closely bound up with that of dairy products, is increasing at a faster rate than consumption, which is limited by high prices that discourage potential consumers. The result is large-scale recourse to financial intervention by the EAGGF, creating stocks of approximately 440,000 tonnes which weigh heavily on the market. In July 1974, following a series of restrictive measures, a total ban was imposed on imports of beef and veal from third countries (safeguard clause).

Imports from non-member countries fell from 432,000 t in 1974 to 255,000 t in 1975 and 377,000 t in 1976, after averaging 600,000 t in earlier years.

Apart from damaging the interests of producers in the developing countries, this system also penalizes deficit Community countries such as Italy, which would benefit directly from balanced development of the world meat trade and an extension of sources of supply.

Requests are therefore mounting for relaxation and greater flexibility of Community regulations which now closely protect Community meat production, to all intents and purposes ruling out opportunities for purchasing meat and other animal products on markets outside the Community¹.

6. As for sugar, the Community is approximately 110% self-sufficient (1976/77 marketing year) with a production of about 10 million t, to which is added 1.3 million t imported from the ACP countries under the Lomé Convention. The surplus has to be re-exported (1.779 t) thanks to the export refunds mentioned above. As a result, the lower-priced cane sugar of the developing countries has difficulty in competing on the world market with surpluses of Community beet-sugar. Despite this, the Commission's proposal to reduce the basic quota was not adopted by the Council, and in the final analysis, the main victims are the poorer developing countries, above all those which are not members of the Lomé Convention.
7. In addition, there is the example of butter, stocks of which (over 400,000 t) must be sold off on the world market, where they compete direct with vegetable-oil products from the developing countries. Then there is skimmed-milk powder, which competes with vegetable proteins in the animal feedingstuffs sector.

The need here is therefore to see whether remedies can be found for a situation which for many has become intolerable.

It is extremely difficult to reach a compromise in the conflict between (i) the EEC's agricultural and trade policy and the need to expand trade and exports (including agricultural exports) and (ii) a development policy geared to the vital requirement, for the developing countries, of ending the vicious circle of underdevelopment by, among other means, increasing their agricultural exports.

8. The remedies advocated by the developing countries themselves, within the framework of the various organizations and international conferences which deal with these problems, are extremely drastic and are all based

¹ Cf. debate at the Third World Meat Conference, organized by the International Meat Office, Florence, September 1978.

on a reorganization of agriculture in the EEC and the developing countries in general, for the benefit of the latter¹.

These measures may be summarized as follows:

- Removal of barriers to imports of developing countries' agricultural products, whether these be external (levies, quotas) or internal, such as consumption taxes on coffee and other tropical products;
- Restructuring of agriculture in the EEC to end surpluses and economically unsound lines of production;
- Granting of fixed market quotas for the developing countries, together with a possible reduction of the EEC's degree of self-sufficiency;
- Ban on the subsidizing of exports of surplus agricultural products likely to harm the developing countries' interests;
- Progressive reduction in the EEC of financing to support agricultural production;
- World redistribution of production on the basis of such factors as optimum geographical and climatic location and lower production costs

9. The Community answers the developing countries' arguments by referring to the considerations which, in all the richer countries, have led to the development of a strong agricultural sector side-by-side with an advanced industrial sector:

- The basic requirement, on economic and social grounds, of guaranteeing the income of agricultural producers;
- The limited scope for reducing the working population in agriculture, above all in this period of economic crisis;
- The need to guarantee a high rate of self-sufficiency in food products in a situation of international uncertainty and fluctuating costs;
- The need to develop certain less-favoured regions by expanding certain lines of production (e.g. tobacco, wine, citrus fruit or rice in various Mediterranean regions of the Community);
- The fact that agriculture, which is already less favoured than other sectors, cannot be expected to carry the burden of development aid at world level;
- The Community's past action in this field, such as Lomé, generalized preferences and food aid, which puts it in the first rank even when compared with much richer nations.

¹ See, for example:

OECD - REY report - Trade Policy and International Economic Relations - 1972
UNCTAD - Study on Certain Temperate Zone Products - Market Sharing - 1970
FAO - International Agricultural Adjustment - 1973
FAO - Agricultural Adjustment in Developed Countries - 1973

10. Between these two strongly contrasting positions, there may exist a third possibility, namely a policy of progress by small stages and the gradual reduction of the most glaring errors of the CAP as it now stands.

By way of example, the following measures might be suggested¹:

- No further protectionist measures should be introduced, for that would make the present situation still worse, and existing protectionist measures should be gradually scaled down;
- Production should be geared more closely to domestic and international demand in an attempt to avoid surpluses;
- In taking Community decisions, greater account should be taken of their repercussions on the developing countries in order to avoid or minimize any harmful effects;
- Wherever possible, restrictive health or administrative regulations should not be introduced or tightened up unless absolutely essential;
- Aids to exports of products competing with those of the developing countries should be limited to the utmost;
- Food aid should be included in programmes designed to promote the local production of the developing countries, and should not be merely a means of disposing of surpluses or, least of all, provoking disturbances on the market;
- Community financing of surplus products should be reduced by introducing restructuring measures, direct income support, and systems under which producers contribute to the financing of exports;
- An attempt should be made to promote imports not only of unfinished products but also of processed products from the developing countries, through substantial reductions in customs duties;
- The Community should work for international agreements on more sensitive products to ensure that the developing countries have a share of the market and guaranteed returns.

CONCLUSION

12. The CAP is currently beset with serious problems: surpluses, discontent among producers and consumers, regional imbalances - all exacerbated by the economic crisis and mounting unemployment. A homily on the need to take account also of the developing countries interests will probably, therefore, arouse irritation and be ignored until the situation improves.

¹ See abovementioned REY report for the OECD

However, the undisputed need of developing countries to increase the volume and value of their exports to developed countries, and to the EEC in particular, on a world market free of disturbances and stifling protectionist restrictions, should arouse a more and more favourable response from the EEC.

Complete liberalization of trade, based exclusively on the state of market forces and comparative cost advantages, is clearly inconceivable, above all because of the social and economic necessity to guarantee Community producers a reasonable income.

Nevertheless, the Community could initiate a policy of step-by-step improvements, in particular by preventing the present situation from worsening, by restoring market equilibrium, and by progressively reducing what the developing countries consider protectionism carried too far. The launching of such a policy would of itself play a decisive part in ending the vicious circle of underdevelopment and ushering in an economic breakthrough for the developing countries.

NEW GUIDELINES FOR THE AGRICULTURAL POLICY

(THE SEARCH FOR NEW INTERNATIONAL SPECIALIZATION OF AGRICULTURAL PRODUCTION)

Rapporteur: Mr. T. TOLMAN

The natural limitations to which agriculture, as opposed to industry, is subject, taken together with product specialisation, have imposed a certain structure on agricultural production in the industrialized countries of the West. Despite these limitations these same countries are witnessing considerable expansion generated by technical progress and higher productivity. So given the drop in the farming population and the capital-intensive nature of this sector, farming in the developed countries has virtually become an industry, but an industry in which incomes have not kept pace with other sectors and this is one of the basic difficulties of the common agricultural policy.

Specialization in agricultural production has doubtless brought greater productivity and rational utilization of production resources and thus provides a basis for increased standards of living for the agricultural population. However specialization requires a large economic area in which products and production factors can circulate without hindrance, and is therefore inextricably linked with an increase in trade in agricultural production within this area.

The search for ways and means of creating a new international agricultural production system is therefore linked with the creation of the greatest possible international freedom of trade in agricultural products and thus largely with the GATT negotiations to formulate commonly accepted rules for trade policy in the agricultural sector. Here account must be taken of the need to increase the proportion of agricultural exports from developing countries in world trade. It is no longer realistic to believe that the international pattern of agricultural production and trade could be changed and better international specialization achieved through the free play of market mechanisms on the basis of comparative economic cost advantages.

For economic, social and political reasons price fluctuations and income fluctuations must be restricted by measures to stabilize the market and a certain measure of self-sufficiency in basic foods must be guaranteed. No single country can afford to be fully dependent on imports of products which form the basis of its food supplies such as cereals and oils and fats, beef and veal and sugar. On the other hand, better international specialization of agricultural production means first and foremost that agriculture in the developing countries themselves should be increasingly able to satisfy growing food requirements and this can only be done if agricultural exports from these countries are increased.

Agricultural and food production in these countries can only be developed properly if capital goods are imported; these can only partly be paid for from foreign aid and the developing countries themselves have to generate funds to buy them by increasing their own agricultural exports. This means that, in order to contribute to the export earnings of the developing countries, the developed countries would have to allow producers in the developing countries to have a part in the growth of production, thus changing home production requirements for products which are in competition with products which developing countries can export, such as vegetable oils and fats, feed cereals meat and sugar.

• This requires an enormous process of adjustment for agriculture in the developed countries and in particular makes necessary to endow agricultural policy with instruments to regulate the volume of production. In view of the world food shortage it is unacceptable that valuable cereals should be used for animal production in the developed countries whilst in the developing countries cereals are needed for human consumption.

Could a solution be found here by improving production distribution and easing the world cereal market by regulating the production of beef, veal and milk in the developed countries and taking in imports from developing countries where meat production is not dependent on cereals?

Better international specialization also inevitably raises the question of the unevenly balanced agricultural trade relations between the Community and the United States and the fact that Europe's current milk problems could be made easier if the US were to open up its markets more to Community products.

New international specialization in agricultural production is inconceivable without a coherent agricultural policy on the part of all developed countries, with particular regard to cereals, dairy products and beef and veal since it is on these that the world market prices of products such as cereals and oil seeds and export openings for developing countries depend.

Finally, a new international specialization pattern on the basis of a greater role for the developing countries in food production and trade in agricultural products is inconceivable without new agricultural policy instruments in the industrialized western countries to control production increases and to keep agricultural incomes at a proper level.

Within the European Community too efforts to create a better specialization pattern for agricultural products should dictate the direction to be taken by the common agricultural policy. This follows on from the stated objective of the common agricultural policy to increase agricultural productivity by promoting technical progress and by ensuring the more rational utilization of the factors of production.

The structure of agricultural production shows a very heterogenous picture coloured by regional circumstances and differences, available infrastructure, climate, size of farms, use of land and in connection with this, the extent to which farms concentrate on crop farming, livestock farming or processing. From these various factors a kind of specialization has emerged which is not entirely satisfactory, and this provides the *raison d'être* of the common structural policy.

But specialization cannot be pursued on exclusively economic grounds since for social or other reasons it may be desirable to maintain certain kinds of production in certain areas even though the yield may be below the level achieved by farms in other areas. Here for instance the intention of the directive on mountain and hill farming and farming in certain less-favoured areas is to maintain a certain population in these areas on the basis of non-agricultural considerations such as concern for the environment and nature and providing employment. To improve specialization implies that, after taking into account social and community developments, employment and the economy, competitiveness and market opportunities and the market situation, consideration should be given to whether in certain areas less suitable products can be discontinued and perhaps replaced by more profitable ones. Experience shows that the policy on the cessation of farming for non-viable farms and the utilization of released farmland and the offering of incentives for grubbing up vines, slaughtering cows, and converting from livestock farming to crop farming has met with major resistance and is not especially effective, particularly since the farmer's individual freedom of choice must be respected. Only if there are satisfactory alternative ways of earning a livelihood can we expect those concerned to give their active cooperation to restructuring and consequently better specialized distribution of agricultural production.

In this connection it should again be noted that structural policy has to contend with the fact that optimum specialization is hampered by monetary compensatory amounts which cut across the link between costs and prices and thus lead to artificial allocation of production factors and distortions in competition relationships whenever this system is applied on a permanent basis and transcends the compensation of temporary fluctuations in exchange rates.

Price and market policy measures may make certain types of production more or less competitive (this is the case for example with the milk levy) but they are more specifically directed towards market balance and combating surpluses than towards permanently changing production structures. It should be remembered that the farmer wishes to remain a free agent, taking his decisions on the basis of cost and price calculations within the framework of his operating structure which is based on continuity and therefore in general offers him little scope for giving up farming or switching to other types of production, without running too great a risk, if there are no other means of earning a livelihood available.

In order to improve on the specialization which has evolved naturally in the course of time, one would have to be able to influence structural factors and social and economic factors to cope with regional differences and the backwardness of the southern areas of the Community. This is however an extensive problem which goes beyond the possibilities of the agricultural policy alone and can only be solved by an effective agricultural structures policy linked to a regional and social policy and the creation of a satisfactory level of employment.

THE DIFFICULTIES ENCOUNTERED BY THE EUROPEAN PARLIAMENT
IN ITS EFFORTS TO INFLUENCE THE DEVELOPMENT OF

THE COMMON AGRICULTURAL POLICY

Rapporteur: Mr H.J. KLINKER

I - INTRODUCTION

1. It has become commonplace to describe the common agricultural policy as the European Community's only truly integrated policy. Nevertheless, this policy is meeting mounting criticism not only by individuals or groups who, for various reasons, are opposed to the building of Europe but also by active supporters of a United Europe who reproach it with distorting the market mechanisms and question its reasonableness and its cost.

2. In view of this criticism the European Parliament, which had a hand in introducing the policy in compliance with Article 43 of the EEC Treaty, must now consider, not what part it may have played in shaping this policy since 1958 - a pointless exercise of purely academic interest - but the scope that at present exists for influencing the lines along which it is to develop.

3. Recent experience has shown that the European Parliament is being increasingly excluded from the shaping of the common agricultural policy although the Council still consults it when it is legally impossible to do otherwise. A few examples will suffice to illustrate the European Parliament's loss of influence.

II - THE EUROPEAN PARLIAMENT'S LOSS OF INFLUENCE IN AGRICULTURAL AFFAIRS

4. It may seem out of place for a Member of the European Parliament to pass an adverse judgment on the institution he is supposed to serve. However, only an objective analysis can yield solutions which will enable the directly elected Parliament to play its proper role with powers of initiative and supervision.

5. Consideration of the European Parliament's role in the shaping of the common agricultural policy is bound to lead us to question the adequacy of certain texts limiting Parliament's powers, the growth of procedures leading to the exclusion of the European Parliament from the decision-making process, and recourse to certain practices that treat Parliament as a mere onlooker when certain political decisions are taken.

a) Legal limitation of the European Parliament's powers in agricultural affairs

6. The most typical example of the limitation of Parliament's powers in agricultural affairs is the grand ceremony held each year to fix agricultural prices, with its endless ritual of Council 'marathons' and late night sittings. After searching discussions in the appropriate committees, Parliament delivers an opinion stating its preference for this or that increase in agricultural prices. This opinion is submitted to the Council, which takes it, more or less, into consideration. Unfortunately Parliament cannot ask for the conciliation procedure¹ to be initiated in connection with this decision, which is of a financial nature, because 'this procedure may be followed for Community acts of general application which have appreciable financial implications and of which the adoption is not required by virtue of acts already in existence'. This last provision immediately rules out any conciliation involving the common agricultural policy.

b) Anti-constitutional procedures resulting in the exclusion of the European Parliament

7. The common fisheries policy is a typical example of such procedures although Parliament, through its constant activity and perseverance, has succeeded in leaving its mark on this policy by introducing fishing programmes and implementing measures to keep a check on the new common policy.

Nevertheless, the Council and/or the Commission have frequently managed to bypass Parliament, which has vigorously protested on several occasions². Parliament is against invoking Article 103 (conjunctural policy) and Article 113 (commercial policy) as the legal basis for Community acts on fishing - neither of them provides for consultation of Parliament - and it considers that acts that do not specify the article of the Treaty on which they are based are a violation of the Treaty.

c) Practices that treat Parliament as an active or passive observer of the common agricultural policy

8. Since 1977, it has been becoming more and more common for Parliament to be consulted, if at all, at the very last moment. It is then obliged to work in conditions unworthy of a parliament because of the shortcomings

¹ OJ No. C 89, 22.4.75, pl. Joint declaration of the European Parliament, the Council and the Commission

² Doc. 541/77 : resolution submitted by Mr Houdet on behalf of the Committee on Agriculture ; Doc. 80/78 - rapporteur : Mr Schmidt

of the Council or Commission. It may reasonably be asked if this is not a deliberate tactic to turn Parliament into a body required only to apply its rubber-stamp.

9. Even more deplorable is the 'coat-rack' ploy, which consists in hitching on further provisions to a proposal for a regulation on which Parliament has already delivered an opinion and thus avoiding consultation of Parliament. This tactic, which has been resorted to for several years, can no longer be tolerated.

10. Such a situation arose when Parliament delivered an opinion on the amount of aid to be granted to hops producers for the 1977 harvest¹. A few days later, it was learnt that the aid was in fact limited to recognized producer groups². This, of course, altered the scope of the original proposal. The European Parliament was never consulted on this new provision.

11. Finally, the European Parliament is virtually excluded from important issues such as the multilateral negotiations in GATT (lack of information, lack of contact with the departments concerned) and is not kept informed of the Commission's work programme. A typical example of this failure to provide information is that of the common organization of the market in alcoholic beverages which the Committee on Agriculture studied for several months only to find that in the meantime the Commission was withdrawing its proposal. It is still not known whether the Commission will submit a new proposal, maintain the principles already adopted by the Committee on Agriculture, or draw up an entirely new proposal. This lack of respect for the European Parliament is again deplorable.

III - CONCLUSIONS

12. The European Parliament must therefore ponder on the setbacks it has suffered in the past few years. Since the crisis of June 1965 the Commission has relinquished its role of initiator and has become a kind of secretariat for the Council. The European Parliament must therefore try to establish contacts with the institution that wields the power, i.e. the Council.

At the same time Parliament must try to make contact with public opinion and enlist support from the people in order to influence the Council.

These, then, are the two directions in which Parliament must steer its activities and which are dealt with in memos No. 9 by Mr Corrie and No. 10 by Mr Brégère.

¹ OJ C 108, 8.5.78, p. 62; Doc. 40/78 - rapporteur Mr Früh

² regulation (EEC) No. 708/78 - OJ L 94, 8.4.78

DEVELOPMENT OF THE ROLE OF THE EUROPEAN PARLIAMENT IN THE FORMATION OF THE CAP

Rapporteur: Mr CORRIE

INTRODUCTION

1. The influence of the European Parliament in shaping the Community's agricultural policy is limited. The adoption of the price proposals demonstrates this each year. An increase of influence will require a strengthening of the powers of the European Parliament.

It has become evident that there is little point in asking the Commission or the Council to increase these powers. The European Parliament must take the initiative and examine all possible methods of achieving this aim.

2. There are four main directions in which we can search:

- i) improving the efficiency of the European Parliament itself;
- ii) acting upon public opinion;
- iii) using existing powers of the European Parliament to achieve aims not foreseen by the Treaty;
- iv) developing informal working procedures with the other institutions of the Community, so as to increase the power of the Parliament through greater contact with those responsible for decisions and to create precedence under which Parliament can increase its consultative role (cf. the development of the powers of the Senate in the United States).

Participation rather than consultation

3. The Parliament has, in the past, been concerned to run after events rather than to seek to influence them. This is particularly true of the system of writing reports, by which Parliament gives an opinion after the smallest details of a proposal have been decided upon by the Commission. It often occurs that by the time the Parliament comes to give its opinion, the original proposal has been substantially modified by discussions which have taken place meantime between the Council and its secretariat, the Commission.

4. This implies that there must be greater long-term strategies developed within the Parliament, if it is to participate more in the elaboration of policy rather than limiting itself to merely criticising the completed edifices. This need for reflection is evident and implies greater specialized groups developing ideas, evaluating options, pressing the Commission to develop policies and proposing modifications to Commission proposals in their embryonic stage.

5. The Parliament and its Committees should seek to change their roles and reinforce their working procedures. This should involve:

- (a) the development of more specialized working groups able to elaborate long-range strategies against which Commission proposals could be judged;
- (b) this would also allow the Committee to push the Commission to develop new policies and eventually to take the right of initiative by drawing up proposals for regulations¹;
- (c) the holding of public hearings;
- (d) the commissioning of major policy studies to be undertaken by specialized research centres or the Commission²;
- (e) greater contact with specialized agencies concerned with drawing up reports in the agricultural and fisheries sectors; and
- (f) more relative, in-depth information to MPs and working groups.

6. To achieve these aims it would be essential eventually for Committees to be endowed with a limited individual and/or collective budget.

Changing the political game: Public opinion

7. The role which the Parliament can gain for itself by improving its own procedures is extremely limited. The Parliament has been effectively kept on one side by the Commission and the Council and no matter how well the Parliament plays the present game its role will not greatly increase. Therefore, the Parliament must attempt to modify its rules, rather than merely be a better player.

8. The Parliament must seek to change the nature of the existing political game within the Community. At the moment that game is dominated by nine states through which all the various political currents flow. Parliament must seek to direct this political activity through the Community institutions at a political level, and this finally must mean the European Parliament. Only the Parliament really provides the means to break the national mould.

9. Members of the Parliament must seek to have greater contacts with groups in the Community affected by proposals for legislation; and the Members should seek to bring about a compromise at a Community level between interested groups, even if that compromise should bring the Members of this Parliament and those interested groups into contradiction with the official position of the governments of their respective states. This could only be done, of course, if we could persuade those interested groups that it is in their interest to arrive at a compromise and that sheltering behind purely national positions is, in the end, detrimental to their interests.

This, of course, depends once again on the ability of the Parliament to develop long-term strategies based on a thorough preparation of policy

¹ This is covered more fully in Mr Brégégère's paper

² See report by Lord Reay, Doc 148/78, paragraphs 44 - 48

objectives. If the Parliament were successful in acting directly with interested groups, it would be possible to short-circuit the present national basis of Community politics. Agreement directly between interested groups, or even the mere emergence of a more independent position of an interested group in a particular country, would leave the national ministers responsible stranded without a constituency. Their national positions would be revealed as being eventually prejudicial to the interests of those they seek to defend.

10. To achieve a more active role politically, to understand more fully problems facing particular regions and producers, and to facilitate public acceptance of new policy directions, committees and committee delegations must meet the public and examine problems at a local level.

This should be an essential element of each committee's work. Policies must be realistic and must be understood. The civil servants of the Commission require policies to get their ideas across and to develop the consensus necessary for policies to get off the ground.

11. Eventually each committee will require a small annual budget so it can plan effectively and coherently contacts with the world outside the committee rooms.

12. Relations with the national and specialized press must also be put on a more permanent basis, with committee press officers providing regular briefing at the national and regional centres and organizing regular and well prepared press conferences.

The committees and the Parliament

13. The role of the committees cannot be divorced from the role sought by the Parliament and the powers at its disposal.

The committees constitute the Parliament's principal arm in the control of policies in each sector. But that control is rendered difficult by the limited powers of the Parliament. In particular the relationship between the committee and the Commissioner responsible for policy has no political basis and depends entirely on personal relationships.

14. This situation must eventually change. It could be achieved in two ways:

- (a) ensuring a greater role for the Parliament in the distribution of portfolios in the Commission; and
- (b) developing the right of the Parliament to dismiss individual Commissioners.

15. This will not be easy. It may sound impossible. The Parliament has limited powers and makes meagre use of those it possesses. But the Parliament could increase its effective control of the Commission by using in a more

imaginative manner the powers it already possesses¹. This it must do: it has become evident that there is no point in pleading with the other institutions for additional powers.

(a) Motion of Censure

The Parliament has the power to remove the Commission from office. It never does this, as the power of censure has similar properties to the atomic bomb: its consequences are so awful to consider that the deterrent to its use has become almost total.

This power of censure could, however, be used in a number of ways.

(b) Pre-censure Motions

The European Parliament could adopt a motion for a resolution stating that, if the Commission or the Council were not to proceed with a course of action that coincides with the position adopted by the Parliament, the Parliament would undertake a motion of censure. The Parliament therefore does not use the power of censure but merely the threat of censure. Such a motion for a resolution would be more easily adopted than the present censure motion. It could be used to indicate a lack of confidence in the policies, or lack of policies, of an individual Commissioner. The possible confrontation that would result could be employed positively to develop new working procedures² with the Commission and the Council.

(c) Selection of the Commission and distribution of portfolios

In the Tindemans' report it was suggested that the Parliament be consulted on the nomination of the Commission. This is eminently sensible and in view of the impasse which is developing between the Parliament and the Commission on certain matters, appears to be eminently necessary.

The fact that it is sensible is not a guarantee that it will be adopted by the Council. In this situation the Parliament must get off its knees and take the power itself. It could do this simply by stating that at the appointment of each Commission it would automatically adopt a motion of censure, if it had not been consulted on the composition of the

¹ Budgetary questions have been excluded from the present discussion.

² See paragraph 16.

Commission and/or the distribution of portfolios¹. The Parliament would simply continue its automatic suspension of the Commission until such time as the consultation took place. This may sound dramatic, but closer consideration will surely reveal that by simple devices, based on the existing powers of the Parliament, additional powers may be obtained.

Development of formal and informal working procedures at committee level with other institutions of the Community

16. Institutions are living bodies. Their powers increase or atrophy with use or disuse. The power of everyday working habits, which later become translated into precedent, is greater than the written word which establishes institutions. The increase in the powers of the United States Senate is perhaps the clearest illustration: its considerable powers are based to a considerable extent on precedent.

The European Parliament should therefore attempt to develop a series of informal procedures and working groups with the Commission and particularly the Council: committee work is now excessively directed towards the Commission.

17. This could be done by using the threat of a motion of censure to induce the Commission to consult the Parliament on matters on which it is not normally informed, as for example working groups within the Commission and policy options. If the threat were once successful, the power of the Parliament to be consulted would have been established through the power of precedent.

18. It is possible that the Parliament may deliberately provoke a series of confrontations with the Commission or the Council, as for example in the threat to proceed to the European Court of Justice were the legal basis for action by the Council or the Commission not clear. The Parliament could block the legislative process by refusing to give an opinion.

The aim is not confrontation for the sake of confrontation but the desire to evolve new working practices from difficult situations.

Consequently, deliberately provoked confrontations or practical difficulties over timetables could lead to the necessity for new informal working procedures to be developed. For example, working groups between the Parliament and the Commission or the Parliament and the Council, leading eventually to formally established mixed committees. These would not necessarily be at the high political level of the present delegations of Parliament to the Council, but could be at the level of Committee delegations and COREPAR.

¹ Consultation could take many forms: on a list from which the Commission should be selected, or on the President for example.

Through such informal working procedures devised as practical solutions to particular difficulties, the Parliament would be able to enter into the mechanics of decision-making and its powers would inevitably increase.

Conclusions

19. The European Parliament and its committees cannot wait for the other institutions to increase their powers. It is not sufficient to play the present game more efficiently but to seek to change the rules of present Community politics. This must be done with the instruments already at hand, limited or cumbersome as they may be.

20. In this, the other institutions should become aware that they have a common interest with the Parliament in the development of Parliament's powers. Just as the Parliament needs the Commission, so the Commission really needs the Parliament. It is becoming increasingly clear that civil servants of the Commission require politicians to get their ideas across and to create that Community consensus necessary for policies to be implemented.

Rapporteur: Mr M. BREGEGERE

I. INTRODUCTION

1. Since the crisis of 30 June 1965, as Jean-Francois Deniau so rightly explains in his book 'L'Europe interdite', the 'Monnet system' has ceased to exist.

The institutional balance established when the ECSC and EEC Treaties were first drawn up has shifted from the Commission to the Council.

Since then, the Commission has relinquished its right of initiative; in other words, it now submits to the Council only proposals that the latter is likely to approve.

2. As a result the European Community, instead of becoming more integrated in all areas, has become an instrument of intergovernmental cooperation with all the disadvantages that this implies, such as incessant bargaining, a real loss of efficiency and growing public disregard and ignorance of Community affairs.

3. As a result of this growing hold by governments on Community affairs and the fading away of the European spirit, the European Parliament is being excluded more and more from the Community decision-making process.

Indeed, its activities interfere with the exclusive dialogue that has grown up between the Commission and the Council; this is why Parliament's right to be consulted has been increasingly flouted, particularly since January 1977.

4. The European Parliament has repeatedly protested against this way of going about things, which is anti-constitutional¹. But protests are not enough: Parliament must take steps (i) to fill the vacuum left by the Commission when in 1965 it relinquished the right of initiative conferred on it under Articles 149 and 155 of the EEC Treaty, and (ii) to improve its internal procedures.

It may be said, therefore, that an improvement in the inter-institutional dialogue should be backed by an improvement in the European Parliament's internal procedures.

¹ Doc. 541/77 : resolution tabled by Mr Houdet on behalf of the Committee on Agriculture; Doc. 80/78 - rapporteur : Mr Schmidt.

II. IMPROVEMENT OF THE INTER-INSTITUTIONAL DIALOGUE

5. Under the EEC Treaty the right of initiative for Community acts is vested essentially in the Commission.

As Article 149 of the Treaty stipulates, 'Where the Council acts on a proposal from the Commission, unanimity shall be required for an act constituting an amendment to that proposal.' If the Commission really wished to avail itself of that right, clearly the Community spirit would prevail since in the event of a deadlock in the Community decision-making process Member States would be compelled to reach an agreement.

6. In fact, the Commission no longer uses this right, preferring to submit further proposals which are often unhappy compromises that far from reflect the Community spirit.

7. Unlike the Commission, which has become a kind of secretariat to the Council, the European Parliament is the only institution, apart from the Court of Justice, where the Community spirit still exists.

It would therefore be desirable for the European Parliament gradually to acquire a right of initiative. To this end it might be suggested that, without amending the Treaty, Parliament should annex to its resolutions proposals for regulations, directives or decisions which the Commission would undertake to submit to the Council in the same way as its own proposals.

If need be, Parliament's resolutions could stipulate a deadline by which the Commission would have to submit its proposals to the Council under penalty of having a motion of censure passed on it by Parliament.

8. In addition, since with the new institutional balance, power has now shifted from the Commission to the Council, it would be desirable for the European Parliament to try to establish a direct relationship with the institution that wields political power.

A dialogue must therefore be started up between these two institutions, one representing the general public, the other the Member States.

9. First the conciliation procedure would have to be modified so that it no longer applies merely to 'Community acts of general application which have appreciable financial implications, and of which

the adoption is not required by virtue of acts already in existence.¹

Thus the European Parliament could not ask for the conciliation procedure to be initiated for the fixing of agricultural prices, since this is required by virtue of acts already in existence.

If the words 'and of which the adoption is not required by virtue of acts already in existence' were deleted, a permanent dialogue could be established between the European Parliament and the Council on all acts having appreciable financial implications for which Parliament deems it necessary to initiate this procedure.

10. Similarly some sort of joint Council/European Parliament committee could hold a meeting, which would also be attended by Commission representatives, whenever the Council intended to depart substantially from the European Parliament's opinion on proposals of importance for European integration.

For example, when fishing quotas are being fixed, if the Council intends to depart to an appreciable extent from the European Parliament's opinion, the two institutions might be able to reach a compromise before the Council finally adopted its decision.

However, this improvement in the inter-institutional dialogue can only be fully achieved if it is accompanied by an improvement in the European Parliament's internal procedures, for at present it is only through the efficiency of its work that the European Parliament can influence the Community decision-making process.

III. IMPROVEMENT OF THE EUROPEAN PARLIAMENT'S INTERNAL WORKING PROCEDURES

11. It would often be useful for the parliamentary committees to work more closely together so that the opinion drawn up by the committee responsible would reflect the views of the European Parliament as a whole and not simply those of a small group of Members with an interest in the matter under consideration.

From this point of view the joint working party set up by the Committee on Agriculture and the Committee on Budgets is an interesting precedent, since it should help to make the Committee on Agriculture more aware of budgetary matters and to give the Committee on Budgets a better grasp of the specific problems faced by the Committee on Agriculture.

¹ See Joint Declaration of the European Parliament, the Council and the Commission, O.J. C89, 22.4.75, p. 1

12. It should then be possible to make more adequate preparation for conciliation with the Council since the European Parliament would be more fully informed and therefore better equipped to meet the Council.

Finally, relations between the committee responsible and the committees asked for their opinions could often be improved if the committee responsible incorporated the points that the other committees considered important in its motion for a resolution.

This would make the committee responsible more aware of the problems of the committees asked for their opinions, and would make for a more objective debate in plenary sitting.

IV. CONCLUSIONS

13. The European Parliament must be more imaginative in its approach if it wishes to extend its influence and powers while complying with the Treaties.

With its direct election, it will acquire a legitimacy which will give it more influence over Council acts, but only if it evolves procedures which eventually, by force of custom, become equivalent to constitutional rules.

This applies in particular to the right of initiative which Parliament ought to acquire, and also to the permanent dialogue it must establish with the Council.

14. In addition, after its direct election, the European Parliament, as the people's representative, must establish more immediate contact with public opinion than in the past, so that it can exert greater influence on the Commission and Council.

By appealing direct to the public and breaking away from the routine of the past thirteen years, it should be possible to give a fresh impetus to the Community so that it can become the champion of the people's aspirations rather than a mere 'tool' to be used by a few technocrats and financiers intent on increasing their power and their profits.

