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Report

drawn up on behalf of the Committee on Agriculture

on the effects of the Mediterranean policy on Community agriculture

Rapporteur: Mr G. LIGIOS

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By letter of 29 April 1977 the Committee on Agriculture requested authorization to draw up a report on the effects of the Mediterranean policy on Community agriculture.

By letter of 18 May 1977 the President of the European Parliament authorized the committee to draw up a report on this subject. The Committee on Regional Policy, Regional Planning and Transport and the Committee on External Economic Relations were asked for their opinions.

On 23 May 1977 the Committee on Agriculture appointed Mr LIGIOS rapporteur.

It considered the draft report at its meetings of 6/7 June 1977, 29/30 September 1977, 3/4 November 1977 and 20/21 December 1977. At this last meeting it adopted the motion for a resolution by 18 votes to 1.

Present: Mr Houdet, chairman; Mr Liogier and Mr Hughes, vice-chairmen; Mr Ligios, vice-chairman and rapporteur; Mr Andersen, Mr Berkhouwer (deputizing for Mr Cifarelli), Mr Bourdellès, Mr Corrie, Mr Früh, Mr Klinker, Mr Kofoed, Mr L'Estrange, Mr Mitchell, Mr Ney, Mr Pisoni, Mr Pistillo, Mr Pucci, Mr Radoux (deputizing for Mr Hoffmann) and Mr Scott-Hopkins.

The opinions of the Committee on Regional Policy, Regional Planning and Transport and the Committee on External Economic Relations are attached.

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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 effects of the Mediterranean policy on Community agriculture

The European Parliament,

- having regard to the Communication from the Commission of the European Communities to the Council on Mediterranean agricultural problems (COM(77) 140 final),
  - having regard to the report from the Committee on Agriculture and the opinions of the Committee on Regional Policy, Regional Planning and Transport and the Committee on External Economic Relations (Doc. 467/77),
  - in view of the current public debate and the discussions within the Community on the problems of the Community's Mediterranean regions and their products in the light of the possible enlargement of the Community,
  - considering that the Mediterranean regions of the Community, in particular the Italian Mezzogiorno, are experiencing grave economic difficulties and their agriculture is unable to provide an adequate income for their farmers,
1. Calls upon the Commission to draw up a more precise and detailed list of the communes and areas to be included in the definition of Mediterranean area, on the lines of that given in Directive 268/75 on mountain and hill farming and farming in less-favoured areas, which should be drawn up on the basis of objective criteria such as climate, type of production and numbers employed in farming so as to avoid the risk of excluding any area from Community measures aimed primarily at the 'Mediterranean' area;
  2. Notes that whereas agricultural production in the Mediterranean regions has increased in recent years, their share of exports to the other Community countries has fallen compared with imports from other Mediterranean countries which have various kinds of agreement with the Community;
  3. Considers the position of fresh and processed fruit and vegetables, olive oil and wine to be particularly serious;
  4. Believes that the Mediterranean agreements signed by the Community have helped to aggravate the already precarious position of the

Community's Mediterranean regions, increasing competition from products originating in other Mediterranean countries and thus intensifying the dissatisfaction of Mediterranean farmers whose livelihood is in danger;

5. Notes that the Community's pricing and marketing policy has not, except in a few cases, sufficiently protected southern products, as is demonstrated by the inadequacy of financing from the Guarantee Section of the EAGGF, for these products;
6. Asks, therefore, that the reform of the main market organizations for Mediterranean products be carried out immediately and independently of the negotiations for the accession of the three applicant countries;
7. Believes firmly that this reform should be aimed at providing a higher income for producers in the Community's Mediterranean regions, at ensuring greater protection from imports from other Mediterranean countries at artificially low prices, and at the same time avoiding the creation of costly surpluses through appropriate structural measures;
8. Considers, however, that in cases where the proposed structural reforms entail a reduction in producers' incomes, the latter should be directly supported by appropriate measures;
9. Asks the Commission to take account, in formulating its proposals, of the practical suggestions for individual products put forward in this report;
10. Stresses in particular the need to strengthen the system of reference prices, which at present do not provide sufficient protection for Mediterranean products, and to consider, where necessary, providing Mediterranean third countries with forms of compensation;
11. Asks, furthermore, that there be set up as soon as possible common market organizations for products important to the Community's Mediterranean regions such as sheepmeat and goat meat, new potatoes, and alcohol, and that typically Mediterranean produce be protected at Community level;
12. As regards structural and regional aid, calls upon the Commission to present as soon as possible the proposals for irrigation in the Mediterranean regions which it has already announced;
13. Asks that certain Community aids, which should be primarily reserved for the Mediterranean areas, be concentrated in certain regions;
14. Insists on the need to coordinate aid from the various Community funds to make it more effective and decisive;
15. Believes that without a thorough reform of the common agricultural policy and a more effective regional policy, the problems of the

Community's Mediterranean regions will become increasingly, and unacceptably, acute;

16. Stresses, therefore, that it is vital that current debate focuses on a series of practical measures commensurate with the acuteness of the problems;
17. Instructs its President to forward this resolution together with the explanatory statement to the Council and Commission of the European Communities.

B

EXPLANATORY STATEMENT

Importance and topicality of the problem

1. It is above all the applications for accession to the Community recently submitted by Greece and Portugal, joined this summer by Spain, which have brought the agricultural problems of the southern regions of the Community into the forefront of public attention. Previously, when various association or cooperation agreements with third countries were signed, sporadic voices were raised to draw attention in Europe to the existence of a southern Europe, whose agriculture, already suffering natural disadvantages and backwardness was being hard pressed by increased competition from the Mediterranean countries. However, these voices in the Community always fell on deaf ears.
2. Now, however, the debate has been thrown wide open: in the Member States concerned various farmers' organizations have held conferences and presented their claims, and respected politicians have made their voices heard. The two states principally concerned, Italy and France, have drawn up studies and submitted memoranda with specific requests at Community level. At the invitation of the Council, the Commission has set up an inter-departmental working party, which has drawn up a detailed report, which served as a basis for the 'Communication on Mediterranean agricultural problems', forwarded to the Council on 4 April 1977 (COM 77/140 fin). Previously, the Italian commissioner in office at that time, Mr Scarascia Mugnozza, had presented to his fellow commissioners a memorandum containing comments and proposals on the effects of the agreements with the Mediterranean countries on the common agricultural policy.
3. The Council itself has on several occasions considered the problems of the southern regions, in the context of discussions on the enlargement of the Community and its effects on the economy and agriculture of those regions. It recognized the need to take action to help them in view of their deteriorating position. It therefore asked the Commission to submit proposals for practical action.

At its meeting in conclave at La-Roche-en-Ardenne in the middle of September, the Commission examined the working documents drawn up by Mr Natali and Mr Gundelach, the Commissioners responsible. Mr Natali



apparently then submitted to the Commission a document on Mediterranean policy and the accession negotiations but, in the absence of Mr Jenkins, it was not approved. A letter was then sent to the Council signed by Mr Haferkamp, Vice-President of the Commission with a memorandum setting out the broad lines of the practical measures which the Commission intends to propose before the end of the year in respect of Mediterranean products. In addition, at the above-mentioned meeting of the Council of Ministers Mr Jenkins gave a detailed statement of the Commission's intentions. The Council then discussed these matters at its meeting of 7 and 8 November.

4. The European Parliament, too, would like, with this report, to make a contribution to the debate by discussing all aspects of the problem in the committees concerned and then in the full Assembly, so as to draw the attention of the other Community bodies not only to the serious problems of the Community's Mediterranean regions, but particularly to any solutions which may be found at Community and national level.

5. What are the central problems on which this debate hinges? To simplify somewhat, there are basically three:

- the underdevelopment and serious economic problems of some of the Community's Mediterranean regions, particularly the South of Italy and certain French regions, such as the Languedoc;
- the debate about Mediterranean products (in particular fruit and vegetables, citrus fruit, wine, olive oil, durum wheat) and the insufficient safeguard provided for these products by the Community;
- the future danger to these Mediterranean regions from the enlargement of the Community to include the three countries that have applied, Greece, Portugal and Spain.

6. It is clear that these three problems are closely linked; if Mediterranean produce cannot find sufficient outlets in the Community, for whatever reason, and if the farmers producing it cannot obtain a reasonable income from their work, the whole economy of entire regions, in which for climatic reasons these products are concentrated, will suffer enormously. Moreover, free access to the Community market for competitive products from the three countries mentioned, and worse still, the production potential of these countries, can only aggravate the situation, and, partly because of higher salary costs and lower production in the Community, make the marketing of Community products more difficult and endanger the already precarious position of the Community's Mediterranean regions.

#### Definition of Mediterranean regions

7. At first sight, a precise definition and delimitation of these regions would have two advantages: initially it would permit a thorough analysis to be made of the common features of these regions, and therefore a precise overall view of their problems to be obtained and, at a later stage, would make it easier to concentrate aid to those regions and avoid the danger of frittering

it away on areas outside the generally recognized Mediterranean areas.

However, all the ways of defining these regions have drawbacks, especially since the borders of the administrative regions of the various states do not always coincide with the areas which have Mediterranean characteristics and sometimes only a small part of the administrative region can be defined as Mediterranean and not the region as a whole; moreover, it may happen that a region should strictly speaking be excluded from the definition of a Mediterranean area, but typically Mediterranean products or sectors may encounter serious difficulties there.

8. Take for example the method used by the Commission in the above-mentioned communication. It treats as Mediterranean regions, chosen on the basis of climate, those where the share of Mediterranean products in their total agricultural production is at least 40%. These products are durum wheat, rice, fruit and vegetables, flowers, tobacco, wine, olive oil, fruit (except apples), citrus fruit and mutton and lamb.

This turns out to be a more precise definition than many others. For example, the empirical method of following the so-called 'olive line' that is to say to consider as Mediterranean regions those where the climate permits the growing of olives, and to exclude others, has the disadvantage of failing to take into account some provinces in Northern Italy and France in which wine, fruit and rice are produced.

However, even the Commission's method does have some drawbacks, which make its use for practical purposes somewhat problematic. For example, Umbria does not fall within this definition, in spite of the fact that it grows tobacco on a large scale (12,000 tons, in third place among the Italian regions after Campania and Apulia, with approximately 12% of total production), and also grows wine and olives. Moreover, it is illogical to treat on the same footing provinces like Avellino in Campania, with a production income per inhabitant of half the national average, or other provinces in the Mezzogiorno, all with incomes little over half the Italian average, and certain Northern provinces, in Emilia-Romagna, Piedmont and Lombardy, in which although there are problems for certain typically Mediterranean products, such as fruit or wine, the degree of industrialization and the standard of living of the population, including farmers, are incomparably superior to those in the southern provinces.

Similarly, whereas in France a recent report drawn up for the French Senate<sup>1</sup> considers as Mediterranean regions the two regions

<sup>1</sup> See Pisani-Sordel 'Rapport d'information' No 259

Midi-Pyrénées and Rhône-Alpes, the Commission, of the eight departments in the latter region includes only the Ardèche and the Rhône, and none of the eight departments of the first region.

9. What conclusions can be drawn from all this? The question of avoiding unjustified exclusions arises only if Community aid is granted on a regional basis, that is to say, given exclusively to regions defined as Mediterranean. If there were direct aid to products, for example improvements to certain common organizations of the market (such as tobacco, to take the example of Umbria), it would reach directly the areas excluded from general aid to Mediterranean regions defined on a geographical basis.

Your rapporteur believes, that the solution to the problem of defining the Mediterranean regions must be essentially practical: when the regionalized Community measures are launched, that is to say, those aimed only at the above mentioned regions, a list must be drawn up of the communes and areas concerned on a much more detailed basis than that given in the present communication, and similar to that drawn up for the less-favoured and mountain and hill farming areas receiving aid under Directive 268/75. This list should take account of all the various parameters: type of production, climate, income, percentage of the population engaged in farming, etc. This is the only way to reach all the Mediterranean regions including those which, although situated away from the Mediterranean area properly so called, nevertheless feel the effects of the Community's policy in this field.

10. For the sake of completeness, we include the following list of regions, provinces and departments, which the Commission, on the basis of climatic and production criteria which it has adopted, considers as Mediterranean:

Italy: eleven regions including the 8 regions of the Mezzogiorno; Sardinia, Sicily, Calabria, Basilicata, Apulia, Campania, Molise, the Abruzzi; two regions in the centre: Tuscany and Latium; one in the North; Liguria; ten provinces: one in the Marches (Ascoli Piceno), 3 in Emilia Romagna (Ravenna, Ferrara, Bologna), one in Lombardy (Pavia), one in Trentino-Alto Adige (Trent) and 4 in Piedmont (Asti, Alessandria, Novara and Vercelli).

France: three regions ('régions du programme'): Aquitaine, Languedoc, Provence-Côte d'Azur-Corsica and two departments: Ardèche and Rhône.

An example of a depressed Mediterranean region: the Mezzogiorno

11. As an example of a depressed Mediterranean region, we will take the Italian Mezzogiorno, which is the region where these problems are most acute<sup>1</sup>. A look at the general development indicators will show how acute those problems are.

Inflation and unemployment have hit the Mezzogiorno harder than any other area in Italy. The numbers in employment in the five-year period 1970-1975 have remained stable in the Mezzogiorno, in spite of a 1.2% annual increase in the population of working age, whereas in the centre and north employment has increased (130,000 jobs), although the population of working age has remained stable. This has three consequences for the Mezzogiorno:

- a further fall in the percentage of the population in employment, now less than 30%;
- emigration abroad with a net outflow of approximately 50,000 over the five year period;
- emigration to the centre and north with a net loss of approximately 200,000.

These imbalances were further aggravated in 1976, both in terms of employment - in industry another 60,000 jobs were lost compared with 1975 - and in terms of those seeking loss-of-earnings benefit<sup>2</sup>, which has increased disproportionately in the Mezzogiorno compared with the centre and north: in the first nine months, although the numbers seeking loss-of-earnings benefit fell by 18% of the country as a whole, in the Mezzogiorno they rose by 37%.

12. If, further, we take into account the fact that migration from the land has more or less petered out in the centre and north (where the figure of 10% employed in agriculture is equal to or lower than that in many countries<sup>3</sup> with a comparable degree of development), unlike the Mezzogiorno (where the figure of 27% employed in agriculture is far in excess of the level at which migration from the land will cease), it is safe to say that in Italy long-term if not short-term unemployment is confined almost exclusively to the Mezzogiorno.

<sup>1</sup> see the study recently drawn up by a group of economists and politicians - 'Mondo Economico' No 1, 1977 and SVIMEZ Information - Association for the development of industry in the Mezzogiorno - No 2, 31 January 1977.

<sup>2</sup> The loss-of-earnings fund (Cassa integrazione) is a national fund which makes up part of the earnings lost through short-time working.

<sup>3</sup> For example (1975): France, 11.3%; Denmark, 9.8%; Community average 8.7%.

It should also be stressed that in the Mezzogiorno, which already has a highly inadequate level of industrialization - less than 10 in 100 of the population work in industry, compared with 20 in the centre and north, West-Germany and the United Kingdom and 16 in France - there has been a sharp fall in investment; the amount of favourable loans for industrial investment in the Mezzogiorno fell in the first ten months of 1976 by approximately 50% on average, without taking inflation into account.

13. As regards farming structure, too, the situation is less bright than in other regions. In the Mezzogiorno are concentrated the largest number of farms, 1.04 million, with an average area of 7.7 hectares. 71.6% of these farms are between 1 and 5 hectares, 16% between 5 and 10, 6.9% between 10 and 20, 3.6% between 20 and 50 and only 1.9% with more than 50 hectares. This fragmentation of holdings is actually more serious than these figures would indicate, since the Community statistics do not take into account farms of an area of less than 1 hectare. In 1970 in Italy there were 1,151,000 such farms, a third of the total of all farms recorded in the census (3,600,000), concentrated for the most part in this area.

14. The problems created by structural inadequacies, by low productivity and by the excess of labour employed in agriculture, are aggravated by the natural problems caused by the nature of the land. A fertile and well-irrigated coastline suited to intensive fruit and vegetable growing, gives way to a hilly and mountainous inland area, with arid soil suffering greatly from erosion, suitable for the most part only for poor grazing for sheep or for the production of meagre and unprofitable crops.

15. Your rapporteur has dwelt at some length on the situation in the South of Italy to demonstrate its special features compared with other regions included in the definition of Mediterranean regions. In these regions the economic problems and the problems of agricultural incomes arise primarily from the concentration of Mediterranean products and in some cases from virtually one-crop economies (wine in Languedoc). Consequently, the difficulties for these products at national and Community level have direct effects on these regions, creating problems of conversion, income support, diversification of production. Nevertheless, because of the more favourable environmental conditions the problems, with some exceptions, do not have the same acuteness as in the Mezzogiorno.

#### The difficulties facing Mediterranean products

16. Although the Community's Mediterranean regions have continued to be net exporters to other Community countries of typical Mediterranean

produce, their share of the market has been constantly whittled away by competition from other countries in the Mediterranean area. We will now consider the position of the most typical products, citrus fruits, fresh fruits and vegetables, processed fruit and vegetables, olive oil and wine.

a) Citrus fruits

17. The production of citrus fruits is concentrated almost entirely in two regions of Italy, Sicily and Calabria. Of a saleable production of 2,688,500 tonnes in 1975, Sicily provided 1,930,800 (72%) and Calabria 440,500. French production is very restricted, 185,000 tonnes in 1974 and is concentrated almost entirely in Corsica.

18. The most serious problems in Community citrus fruit production can be summed up in a few statistics: although production in Italy increased between 1965 and 1974 by 61.3%, from 1.73 million tonnes to almost 2.8 million tonnes, over the same period Italy's share in Community supplies fell from 11.3% to 4.9% for the original six EEC countries (4.3% for the Nine). At the same time imports to the Community of Six increased by 14.5% (+44.7% for the Nine). Thus, for example, in 1974, Italy sold 53,000 tonnes of citrus fruits to Switzerland, 36.4 thousand to Austria and 17,000 to Sweden, a total of 106 thousand tonnes, only slightly less than the total sold to the nine countries of the Community, approximately 132 thousand tonnes.

19. Imports from third countries to the Community in 1974 totalled approximately 3,127,000 tonnes, broken down as follows<sup>1</sup>:

<u>Origin</u>	Oranges	Mandarins, satsumas, etc.	Lemons	Grapefruit
Spain	913,974	398,406	112,797	1,403
Maghreb	281,831	107,363	2,544	-
Israel	371,951	-	1,894	189,426
TOTAL third countries:	2,041,348	519,664	209,365	357,056
<u>Italy</u>	45,916	6,487	79,413	-

According to the Commission's figures, in 1974/75 187,946 tonnes of Community oranges had to be withdrawn from the market (10.62% of saleable production) and in 1975/76, 43,923 tonnes (2.78%).

b) Fresh fruit and vegetables

<sup>1</sup> Source: EUROSTAT - Foreign trade statistics - NIMEXE - 1974/A

20. For some types of fruit and vegetables such as tomatoes and peaches, the problems of marketing Community production are just as acute as those of citrus fruit.

As regards vegetable production, (excluding potatoes) the Italian regions in which it is concentrated are, in order, the following (1975): Campania, with a gross saleable production to a value of 274,000 million lire; Apulia, 200; Latium 171.9; Sicily, 160; Emilia-Romagna, 150.6; Tuscany, 74.7; the Abruzzi, 59.4 etc.

In France, for the sixteen more specifically Mediterranean types of vegetable<sup>1</sup>, production in 1974 reached almost 600,000 tonnes in Provence (21% of total French production), 193,500 tonnes in Languedoc (6.9%), 187,500 in Aquitaine (6.6%), 120,000 in the Midi-Pyrénées (4.3%), and 105,500 in the Rhône-Alpes region (3.7%).

21. Italy's share of exports of fresh fruit and vegetables to the Community fell from 24.4% in 1965 to 16.7% in 1974 (15.4% for the Nine), in spite of an increase in total Community imports of 64.7% (86.8% for the Nine).

Exports of fresh tomatoes in particular fell from 4.2% in 1965 to 2% in 1974 (1.6% for the Nine) in spite of an increase in total EEC imports of 22.3% (the Nine+52.8%). The EEC receives its supplies of this product principally from Spain (52,565 tonnes in 1974), Morocco (103,630 tonnes), the Canaries (124,380 tonnes) etc.

In 1974/75 5,848 t of fresh Italian tomatoes were taken into intervention and 9,240 t of Dutch greenhouse tomatoes; in 1975/76 provisional figures were respectively 124,500 t and 8,520 t. Other products withdrawn were cauliflowers: 7,492 t and 1,315 t in Italy in 74/75 and 75/76 respectively, and 1,926 and 3,400 t in the same years in France.

22. As regards fresh fruit, we will take just two of the more sensitive products to illustrate the difficulties which arise: peaches and pears.

In Italy these fruits are produced primarily in the following regions (figures show gross saleable produce in thousands of tonnes, 1975).

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<sup>1</sup> Peas, beans, carrots, onions, artichokes, cucumbers, peppers, aubergines, celery (excluding root celery), courgettes, melons, water melons, tomatoes, new potatoes, strawberries.

<u>Region:</u>	<u>Pears</u>	<u>Peaches</u>
Veneto	155.3	72
Emilia-Romagna	841.1	361
Campania	97.5	310.7
Sicily	58.7	39.6
Abruzzi	10	20.6
The Marches	17.6	23.2
Latium	18.7	24.7
Tuscany	14.5	31.5

Total Italy (fruit harvested)

1416.7                      1104.3

23. In France, production of peaches and pears breaks down as follows per region (year 1976, in thousand tonnes):

	<u>Pears</u>	<u>Peaches</u>
Aquitaine	56.82	30.8
Languedoc	27.21	170.36
Provence, Côte d'Azur,		
Corsica	125.51	63.28
Rhône/Alpes	42.57	185.92

The cultivated area for peaches is approximately 75 thousand hectares in Italy and 45/50 thousand hectares in France. For pears, the areas are respectively 56 and 30 thousand hectares.

24. The figures for withdrawals from the market<sup>1</sup> by intervention agencies for pears, speak for themselves: in 74/75 the amounts withdrawn totalled 182,600 t in Italy, 16,900 in the Netherlands, 5,000 in France and 4,900 in Belgium; the following year (75/76), whereas in Italy the quantities withdrawn remained almost unchanged (172,600 t) for the other countries they fell noticeably (1,400 t in France, 1,100 t in Holland, etc.).

For peaches, in the 1974/75 marketing year withdrawals totalled 75,300 t in Italy and 4,500 in France; in the following marketing year, 33,100 t in Italy, while in France there were no withdrawals.

25. Of a total of approximately 97,000 t of peaches imported to the Community in 1974, the most important suppliers were Greece with 74,000 t approximately and Spain with 18.500 t. In the summer of 1976 a serious crisis arose on the Community market following massive imports into Germany of peaches from Greece at a price often lower than the reference price. After some disturbances in the production areas in France, the Commission had to apply on several occasions countervailing duties which,

<sup>1</sup> Source: Commission of the European Communities:  
The Agricultural Situation in the Community - 1976.



however, did not succeed in holding back imports. A similar situation arose this year, and indeed the Council of Agricultural Ministers had to discuss this matter at their meeting of 18 and 19 July. Countervailing duties were imposed this year too on Greek peaches and imports of certain types were banned for some time.

26. As regards the fresh fruit sector as a whole, whereas Italian production from 1965 to 1974 increased by 6.8% (from 6.15 million t to 6.57 million), total EEC imports over the same period increased by 22.8% (in the Nine + 46.4%). In spite of this the Italian share of the Community market fell from 49.6% in 1965 to 42% in 1974 (37.9% for the Nine)

c) Processed fruit and vegetables

27. The case of processed fruit and vegetables (tomato products, juices, preserved fruit and vegetables, etc.) is without a doubt the clearest demonstration of the serious crisis facing Mediterranean products. Although intra-Community trade in tomato products increased to an index of 193 in 1973, taking 1966 as a base index of 100, imports from Mediterranean countries increased almost 10-fold. In particular Greece won a large slice of the market: its exports increased from 46,000 t in 1974 to 62,000 in 1976, and its share of total EEC imports increased from 30% in 1974 to 42% in 1976. It should be noted that up to February 1976 Greece was exempt from the obligation of applying a minimum export price.

Italy's share of tomato concentrates and peeled tomatoes, on the other hand, fell between 1967 and 1975 from 60 to 50%, and for tomato juice from 40 to 37%.

28. The position of these products is still somewhat chaotic: the markedly lower production costs in Greece, Portugal and Spain, together with the higher profit margins which have stimulated production, have proved an obstacle to the marketing of French and Italian products, resulting in the creation of large stocks (43,000 t in 1975/76). At present the three countries which have applied for accession to the EEC export 40% of their production to the EEC and 60% to other countries but once the present Community tariff barriers fall, following their accession, these figures are likely to be reversed.

Furthermore, the existence of special conditions for the United Kingdom, Denmark and Ireland, who, until the end of the transitional period are allowed to apply minimum prices lower than those in force for the Six for their imports from certain third countries has meant that Community surpluses could not find an outlet on those markets.

29. Among the other particularly sensitive processed products are peaches and apricots in syrup, imports of which, particularly from Greece, have grown sharply, and citrus fruit juices, for which the rather curious phenomenon has occurred of the moving of the production plant from the regions producing fresh citrus fruit to those closest to the ports in which citrus fruit from the Mediterranean countries are unloaded. Thus in 1974 the Netherlands exported to the rest of the Community 7.5 million EUA worth of fruit juices (Italy: 9.5) compared with total imports to the EEC from non-Community Mediterranean countries of a value of 48 million EUA approximately.

d) Olive oil

30. This product concerns almost exclusively Italy, which is the largest producer, consumer and importer in the Community. The following are production figures in tonnes provided by the IOOC<sup>1</sup>:

	<u>1975/76</u>	<u>1976/77</u>
Italy	480,000	350,000
France	1,500	3,000

The three countries who have applied for accession are also large producers of olive oil and this threatens the market with a serious crisis if suitable provisions to cope with the problems of their accession are not adopted in time:

	<u>1975/76</u>	<u>1976/77</u>
Greece	220,000	200,000
Portugal	47,500	41,300
Spain	471,000	420,000

31. In Italy, cultivated areas producing oil, including specialized and wild production, are approximately 2.24 million hectares. The most important producer regions<sup>2</sup> are, in order, Calabria (35.2% of gross saleable regional production) and Apulia (25.3%), followed, some way behind, by Abruzzo (11.7%), Molise (11.1%), Basilicata (9.3%), Sicily (8.2%), Liguria (8.2%), Tuscany (7.9%), Umbria (7.7%) and Latium (6.8%).

In France olive growing is carried out over 30,800 hectares in 12 southern departments but suffered severely from frosts in 1956 and has never fully recovered.

32. In 1974 imports to the EEC from the Mediterranean countries totalled almost 200 million t of refined and unrefined oil. The main countries of origin were Spain (70,468 t), Tunisia (63,813 t), Morocco (29,355 t), Greece (16,641 t), and Turkey (11,844 t); the countries of destination were primarily Italy, with almost 90%, and then France. Community exports are negligible.

<sup>1</sup>INTERNATIONAL OLIVE OIL COUNCIL. The figures for 1976/77 are estimates.

<sup>2</sup>Figures provided at the National Olive Growing Conference - Catanzaro, June 1977

33. The main problem with olive oil is the constant fall in consumption, due to competition from seed oils, encouraged by a very favourable price ratio. The price of olive oil is greatly affected by the cost of labour necessary to cultivate and harvest the olives and prune the trees, operations which are difficult to mechanize either because of the terrain which is generally mountainous or hilly, or because of the kind of tree, usually ancient and very large. The restructuring of production, by replanting olive groves is made difficult by the costs of this operation and by objective environmental factors.

The prospects for enlargement will also have serious effects on the whole sector, because of the great production potential of the three applicant countries. The existing protective machinery, particularly the system of levies, is fairly efficient and in addition the concessions granted to the Mediterranean countries in the various agreements are modest, but once they have acceded there is a danger of a sharp increase in production in the three countries and the total collapse of the market in Italy.

e) Wine

34. The current difficulties in the product in the Community are due primarily to surplus production in recent marketing years, particularly 1973/74 and 1974/75. The following are the figures for the three main producer countries in the Community<sup>1</sup>, in thousand hectolitres:

	<u>1965/66</u>	<u>1970/71</u>	<u>1971/72</u>	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u> <sup>2</sup>
Germany	5,200	10,110	6,356	7,933	10,751	6,964	8,672	8,570
France	66,707	74,470	61,816	59,049	82,987	76,271	64,800	73,890
Italy	68,206	68,870	64,212	60,174	76,716	76,867	68,200	65,850
EUR 6	140,238	153,714	132,510	127,303	170,645	160,244	141,833 <sup>+</sup>	155,000

This surplus production led to the exceptional distillation of large quantities of wine, shown below in thousand hectolitres<sup>1</sup>:

	<u>1970/71</u>	<u>1971/72</u>	<u>1973/74</u>	<u>1974/75</u>
France	500	3,000	2,895	14,261
Italy	2,900	500	2,998	6,000
Germany	-	-	-	16
EUR 6	3,400	3,500	5,893	20,277

35. Apart from the favourable climatic conditions, the surplus production of poor quality table wine was due primarily to an increased yield per hectare, particularly in the plains where irrigation is practised. For example in the plains of Languedoc, yields of 120 up to 200 hectolitres per hectare have been obtained producing wine of low alcoholic content and poor quality which can only be marketed by mixing with higher grade wines from Italy.<sup>3</sup>

<sup>1</sup> Source: COM(77) 22 final Table 7

<sup>2</sup> Estimates from national sources

<sup>3</sup> On these questions see the abovementioned Pisani-Sordel report, p.104 and following.

36. It would not seem, in this context, that any important role has been played by imports of wine from the Mediterranean countries, which are irregular and, in general, as regards table wines, on the decline, and increasingly specialized, that is to say orientated towards special quality wines (port, sherry, etc.). Imports from the main Mediterranean countries to the Community of Nine were as follows, in hectolitres<sup>1</sup>:

	<u>1970/71</u>	<u>1971/72</u>	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>
Portugal	594,668	600,548	770,102	691,126	521,264
Spain	1,466,971	1,515,765	2,062,697	1,972,307	1,848,787
Greece	812,009	686,211	663,304	341,890	307,022
Morocco	59,448	40,429	572,290	637,616	284,806
Algeria	524,524	188,202	1,712,277	1,692,305	458,796
Tunisia	169,253	92,232	741,001	594,867	374,084
Cyprus	239,451	210,903	285,940	289,988	236,501
<u>Total third countries:</u>					

4,663,192 4,152,645 7,848,333 7,114,501 5,120,669

37. The wine situation in the Community, to simplify somewhat, can be summarized as follows:

- partly because of the surplus in the Community market, the protective machinery to cope with imports from the Mediterranean Countries (quotas, reference price level) have proved fairly effective in preventing further disturbances on the Community market, or at least preventing the situation from deteriorating too much, in spite of the concessions in the various agreements;
- the problem will, however, arise in a very acute manner if the three applicant countries accede to the Community, because of their productive potential which will inevitably lead to much bigger and more expensive surpluses than we have at present;
- wine consumption is falling in France and Italy and rising slightly in the other countries, but is being held back in the latter by excessive and unjustified taxation;
- the Community should adopt two kinds of measures with a view to the accession of these countries to find a solution to Community problems in the wine sector: firstly it should gradually harmonize duties, so as to increase consumption in the northern countries, and secondly it should review the market organization machinery to stress quality rather than quantity and to discourage excessive yields, without nevertheless setting up obstacles (minimum prices or other obstacles) to intracommunity trade.

<sup>1</sup> Source: COM(77) final, Table 7.

### The reasons for the difficulties in Mediterranean products

38. The various difficulties encountered by typical Mediterranean products, and the consequences for both producers, in terms of inadequate income and serious dissatisfaction, and for the Community's Mediterranean regions, economically less developed than the others, can be attributed to three fundamental factors:

- competition from the countries of the Mediterranean basin, encouraged by a series of trade and cooperation agreements signed by the Community with these countries;
- the inadequacy of Community regulations on the principal Mediterranean products and in particular the inadequacy of the protection mechanisms;
- the structural and organizational weaknesses of the Community's Mediterranean regions, which neither the Community's structural and regional policy nor national aid have so far been able to remedy.

#### (a) Competition from Countries of the Mediterranean Basin

39. It is difficult to assess to what extent the agricultural concessions contained in the various association and cooperation agreements signed with the countries of the Mediterranean basin<sup>1</sup> have influenced the growth of imports to the Community of Mediterranean products from those countries. The situation varies greatly from product to product and depends on many different factors.

However, it remains true that all the agreements are based on terms of trade which automatically prove detrimental to the Community's Mediterranean regions: on the one hand the Mediterranean countries obtain special concessions for marketing their products in the Community, products in competition with those from these regions; on the other hand the Community can find favourable marketing conditions for its industrial products and those agricultural products from the northern regions of the Community which the Mediterranean regions lack, such as meat, dairy products, cereals, etc.

<sup>1</sup> at present the Community has signed agreements of various kinds with the following countries of the Mediterranean basin (the date of entry into force is given in brackets):

- Greece and Turkey: association agreements (1.11.62 and 1.12.64)
  - Spain: preferential agreement (1.10 70)
  - Malta: association agreement (1.4.1971)
  - Portugal: preferential agreement (1.1.1973)
  - Cyprus: association agreement (1.6.1973)
  - Yugoslavia: non-preferential agreement (1.9.1973)
  - Israel: trade agreement (1.7.1975)
  - Jordan: Syria, Egypt: cooperation agreements (signed on 18.1.1977)
  - Lebanon: cooperation agreement (signed on 3.5.1977)
  - Argentina, Morocco, Tunisia: cooperation agreements (signed in April 1976)
- The agreements with the Lebanon, Israel, Morocco and Tunisia replaced the old agreements which entered into force on 1.7.1965 for the Lebanon, 1.10.1970 for Israel and 1.9.1969 for the other two countries.

The consequences on some products have been extremely serious, particularly fresh and processed fruit and vegetables, especially citrus fruit, table grapes, peaches, pears and tomato concentrates, where a large increase in imports has been recorded, corresponding to a reduction in the use of Community produce to meet increased demand. For wine, the existence of surpluses of table wine at Community level and the prohibition on 'coupage' have greatly reduced the need to have recourse to Algerian or other wines. For olive oil, the traditional pattern of exports to Italy has shifted from Spain to Tunisia.

40. This brief summary demonstrates the variety and diversity of the situation. But in any case from the in-depth analysis of this subject carried out by the various Community and national bodies one general conclusion can be drawn which is difficult to dispute; the Mediterranean agreements aggravated a situation which was already precarious in at least three ways:

- psychologically, increasing the dissatisfaction and frustration of southern farmers, who are forced, for example, to destroy tons of peaches while the German market is being flooded with Greek peaches;
- practically, by making access for Mediterranean products to the vast Community markets easier in every way;
- and lastly legally, highlighting, as we will see in the next section, the serious gaps in the Common Agricultural Policy as regards Mediterranean produce.

(b) The inadequacy of Community Regulations.

41. Without a doubt this is the most serious aspect of the problems facing Mediterranean production, and is stressed by both the French and Italian Governments who are seeking a review of the various market organizations. Your rapporteur calls on the European Parliament to support these demands.

These inadequacies are twofold:

- the transfer of funds from the Guarantee Section of the EAGGF to southern rather than northern products, and the consequences of this on the producers' income in the regions concerned;
- the external protection machinery, inexistent in some cases and quite inadequate in others.

42. On the first point the secondary position of southern compared to northern products can be seen by comparing two series of figures: on the one hand the share of the various products in the value of Community's final agricultural production, and on the other the share of expenditure from the Guarantee Section of the EAGGF on the various products.

According to Community sources<sup>1</sup>, in 1975 the Guarantee Section spent

<sup>1</sup>See The Agricultural Situation in the Community, 1976 and, for 1975 expenditure, the 1977 budget, OJ L 79, 28.3.1977.

on intervention for the various products, excluding expenditure on monetary and accession compensatory amounts, a little more than 3.5 thousand million UA.

The relevant figures are given in the following table:

<u>Products</u>	<u>EAGGF Expenditure</u> 1975	<u>%</u>	<u>Share of final</u> <u>production value</u>
Cereals	559,358,715	15.93	10.5
Rice	3,974,986	0.1	0.3
Milk	1,100,677,484	31.36	18.7
Beef and Veal	927,136,551	26.41	16.3
Fruit and Vegetables	87,591,984	2.49	11.9
Wine	120,919,832	3.44	4.6
Tobacco	228,475,438	6.54	0.4

43. As can be seen from these figures the two extreme cases are milk and fruit and vegetables. The first, with a share in final production of 18.7% receives 31.36% from the EAGGF whereas the second, with a share of 11.9%, rising to 14.9% if potatoes are included as well, receives only 2.49%. Other products particularly important to the Community's Mediterranean regions such as sheep meat and goat meat, new potatoes and alcohol of agricultural origin are completely excluded from the system of common organizations of the market and therefore receive no funds from the EAGGF.

The percentages shown in the draft budget for 1978 (see letter of amendment approved by the Council, thus without the modifications requested by the European Parliament) indicate a further widening of the gap between Mediterranean and northern products (except in the case of beef and veal), viz.:

<u>Products</u>	<u>m EUA</u>	<u>%</u>
Cereals	1,428.3	20.4
Rice	36.6	0.4
Milk	2,914.6	41.7
Beef and veal	460.8	6.6
Fruit and vegetables	139.2	2
Wine	224.3	3.2
Tocacco	237.4	3.9
Olive oil	287.5	4.1
Total Mediterranean products (including aid for durum wheat).....	1,049.0	15
Total EAGGF expenditure (Guarantee Section - without MCAs).....	7,000.5	100

If we exclude tobacco and perhaps olive oil<sup>1</sup>, all other Mediterranean products, including rice, receive much less aid from the EAGGF than their share in final production would warrant.

44. Other very interesting figures were put forward at a recent conference organized by the 'Société française d'économie rurale'<sup>2</sup>. In a study by Professor Coda Nunziante from the University of Siena, EAGGF expenditure for the Guarantee and Guidance Sections for the years 1972/1973 were broken down by product, proportionately to the regional production of the product, in order to calculate how much each farmer in the various regions received from the two EAGGF sections. The picture that emerges is as follows, to quote only the most significant regions:

<sup>1</sup> It is impossible to obtain figures for this product for 1975 for in that year the accounts for the 1971 and 1972 marketing years were closed.

<sup>2</sup> 'L'agriculture dans les rapports euro-méditerranéens' - Paris, 25-26 May 1977

	EAGGF guarantee and guidance expenditure per farmer in EUR	<u>guarantee only</u>
<u>Germany</u>	<u>434</u>	<u>411</u>
Schleswig-Holstein	912	869
Hesse	368	344
Rhineland-Palatinate	282	281
Bavaria	371	356
<u>France</u>	<u>499</u>	<u>484</u>
Parisian basin	833	824
South-west	384	377
Mediterranean	193	162
<u>Netherlands</u>	<u>684</u>	<u>642</u>
North	1,075	1,001
West	367	335
<u>Italy</u>	<u>325</u>	<u>306</u>
Lombardy	568	550
Campania	227	222
Sicily	203	197
Sardinia	169	157
<u>Belgium</u>	<u>667</u>	<u>604</u>
Flanders	492	445
Wallony	733	664

Naturally, these figures merely give a rough indication of the size of the sums involved, and may be influenced by numerous factors, such as delays in payment and payments originally intended for one Member State but subsequently made in another. Even allowing for this, however, they provide further confirmation of the serious lack of regional balance in the CAP, and point once again to the lack of support for southern productions and the resulting negative effects on farmers' incomes in the Mediterranean regions.

45. A brief summary of the Community system of support for the main Mediterranean products will suffice to demonstrate the different treatment they receive compared with the rest of the Community.

Fresh fruit and vegetables: There are only seven products included in the price and intervention arrangements; cauliflower, tomatoes, citrus fruits, table grapes, apples, pears and peaches. For these products, frontier protection is guaranteed by the reference price, and if exporters from third countries fail to respect this a countervailing duty may be applied. For other products, the only protection is provided by the Common Customs Tariff. There are therefore no import levies, nor export refunds as is the case for products from the rest of the Community. The system of withdrawal from the market also applies only to these seven products and operates at a purchasing



price of 40-45% of the basic price for tomatoes, 50-55% for apples and pears and 60-70% for others.

Citrus fruits: Citrus fruits (limited to sweet oranges, mandarins and lemons) are governed by the regulations on fruit and vegetables. In addition a marketing premium is granted to facilitate sales on the Community market and special measures have been laid down to encourage the marketing of processed products based on lemons, as well as measures to encourage processing of some kinds of oranges. A citrus fruit plan to encourage the conversion of orange and mandarin groves and to improve structures in this sector is at present being implemented with partial financing from the Guidance section of the EAGGF.

Processed fruit and vegetables: For tomato concentrates (but not for peeled tomatoes) a minimum price is laid down each year which third countries exporting to the Community must respect. For products containing sugar, an import levy is applied and an export refund, depending on the sugar content. For imports of some products such as tomato products, peaches in syrup, peas and beans, an import certificate is required. Export refunds may also be granted for products not containing sugar.

Olive oil: The price support system, together with the application of import levies, guarantees Community protection for this product comparable to that for the main products in the rest of the Community. However, the increasingly unfavourable price ratio between olive oil and seed oil and the consequent fall in consumption make it necessary for the Community to adopt measures to improve the situation in this sector.

Wine: There is a system of prices and intervention for table wine, but not for quality wines produced in specific regions (p.s.r.). A guide price has been laid down, which is used as a basis for a threshold price to trigger intervention measures, such as aid to private storage and distillation. There is no system of compulsory intervention as in other Community products. As far as external protection is concerned the only barrier is the reference price, which is also laid down for juices, must and liqueurs.

Tobacco: For raw tobacco, target and intervention prices are laid down and in addition a premium is granted to purchasers of Community tobacco. This is therefore a well-structured market organization even though, unlike other products which are in surplus, rules exist to reduce quantities taken into intervention in the case of surplus, rules which are already being applied for example for the 'Beneventano' variety. Frontier protection consists solely of the CCT.

(c) The problem of the reference price

46. The reference price as a protection barrier at frontiers, as in the case of fruit and vegetables and wine is bitterly contested by the Member States concerned who point to its inefficiency and the ease with which it can be avoided, quoting the example of Greek peaches or Spanish citrus fruit. The main defects of this system are:

- the price level, fixed in advance and therefore sometimes too low to take account of unexpected developments in prices on Community markets;
- the lack of flexibility, which means that reaction to imports with unusually low prices is somewhat delayed, sometimes until it is too late and the Community market has already collapsed;
- the fact that countervailing levies are not automatic so that a Commission decision is necessary, and this produces resentment both among Community producers who feel their interests are being damaged if there is any delay in the decision and among exporters from third countries who feel that it is unjustified;
- the unnecessarily complex nature of the system, due to the fact that any entry price lower than the reference price must be recorded for at least 30% of quantities imported, and marketed throughout the representative market. Moreover, prices practiced on Community markets for Community products are taken into consideration only if imports concern large quantities. Any countervailing duties applied are abolished as soon as the entry price approaches the reference price once more, whereas it should be maintained for a longer period, to constitute an effective deterrent.

47. This means that owing to the very complexity of the system of reference prices it is relatively easy for exporters from third countries to get around the obstacles even without using fraudulent methods such as fictitious prices or under-invoicing of goods.

It is your rapporteur's view that a review of this machinery is absolutely essential.

(d) Structural deficiencies

48. If the Community pricing and marketing policies have been unable to provide southern producers with income comparable to that of their northern colleagues, neither have the structural policy, with intervention from the Guidance Section of the EAGGF or the Regional Fund been able to restore any balance in the situation. While leaving the Regional Policy Committee, which has been asked for its opinion, to make a more thorough assessment of the

effects of the Community's regional policy and any possible reforms, your rapporteur would like to focus on some particular points.

49. Firstly, it should be pointed out that EAGGF finance for individual products has not turned out to be concentrated any more than average, at least as regards Italy, in the southern regions where the greatest need is felt, but rather in the centre and northern regions , especially Emilia-Romagna and Tuscany. In France, on the other hand, the percentage of finance received by the Mediterranean regions is generally higher than for other regions. This is clear from a comparison carried out by the Commission between the percentage funds received by the various regions compared with the national total, and the percentage of farmers and the land given over to farming.

	EAGGF guidance individual projects		Farmers	Agr. area
	1964/72	1973/75	1972	1970
<u>France</u>				
Aquitaine	6.1	4.4	6.8	5.2
Midi-Pyrénées	6.4	8.3	7.7	8.4
Rhône-Alpes	9.0	8.5	6.2	6.4
Languedoc Roussillon	7.5	12.6	5.1	4.2
Côte d'Azur-Corsica	12.8	5.6	6.0	4.9
	41.8	45.4	31.8	29.1
Brittany	15.0	7.7	9.7	6.3
<u>Italy</u>				
Campania	2.5	5.9	11.4	4.7
Abruzzi	4.8	3.0	3.1	3.8
Molise	0.6	1.1	1.7	1.7
Apulia	9.9	7.5	10.3	8.6
Basilicata	8.8	4.7	2.1	3.7
Calabria	2.8	2.1	5.6	4.7
Sicily	4.1	7.0	11.8	10.8
Sardinia	0.7	1.0	3.3	9.0
	34.2	32.3	49.3	47.0
Emilia Romagna	13.2	9.8	9.6	7.9
Toscany	11.9	7.8	4.4	6.1

50. Apart from the negligible effects in percentage terms of aid to the Mediterranean regions it should be added that in absolute terms it was too sparse to have any hope of coping with the serious problems of these regions. The figures can be seen from the following table:

	EAGGF guidance individual projects	
	1964/72	1973/75
	MUA	MUA
<u>France</u>		
Aquitaine	11.1	4.8
Midi-Pyrénées	11.5	8.9
Rhône-Alpes	16.2	9.2
Languedoc Roussillon	13.6	13.6
Côte d'Azur-Corsica	23.3	6.0
Total France	190.7	107.4

### Italy

Campania	7.2	10.0
Abruzzi	13.8	5.1
Molise	1.7	1.9
Apulia	28.7	12.7
Basilicata	25.3	7.9
Calabria	9.2	3.6
Sicily	11.9	11.9
Sardinia	1.9	3.1
Total Italy	290.4	165.2

51. It is clear that the negligible effects of the Community's structural policy and the difficulties in getting it under way have been felt primarily by the Community's Mediterranean regions whose backwardness in terms of farm structures could have been remedied only if the Community had launched a structural policy right from the start, together with the pricing policy. Instead, severe handicaps arose, the priority given to expenditure under the Guarantee Section; the limitation of finance in the guidance section to 285 million u.a., later increased to 325 million; the fact that these funds were not even fully used because at present approximately 530 million u.a. are blocked in the 'Mansholt reserve'. Moreover, in some cases appropriations destined for the Guidance Section have been redirected towards the Guarantee Section (for example 62.5 million u.a. in 1975). In many cases, appropriations have been used for measures such as the grubbing up of fruit trees, improvements to fruit and vegetable growing in glass houses or conversion measures in the dairy sector with little significant effect on the improvement of structures and designed rather to remedy the serious problems caused by the market policy under the common organization of the market.

### (e) The enlargement of the Community

52. Without going in too much detail into this matter, which will have to be discussed in the appropriate opinion by our committee, to be drawn up for the Political Affairs Committee, your rapporteur would like here merely to mention the serious problems arising for the Mediterranean area and for the Community in general from the prospects of the enlargement to include the three new countries. As an Italian Minister put it recently, the positive political aspects of enlargement should not make us forget or under-estimate the problems which will arise, particularly in agriculture. They will have to be considered with the clear determination to seek and to identify appropriate solutions in the interests of the present and future members of the Community'.

53. To summarize very briefly, the problems which will have to be dealt with in a resolute manner during the negotiations if they are not to lead to an unacceptable deterioration in the situation of the Community's Mediterranean regions, are as follows:

- the degree of self-sufficiency, which for the Community of 13 would be more than 100% for some typically Mediterranean products, such as wine and some very sensitive processed products, such as tomato products and preserved sardines, and almost 100% for citrus fruits and fresh fruit and vegetables; nevertheless the growth of the production potential of the three new countries in these various sectors could rapidly lead to a position of surplus;
- lower prices, due to markedly lower labour costs, which would create unacceptable competition for the French and Italian Mediterranean regions;
- probably redirection towards the Community of the traditional patterns of trade at present directed towards non-member countries, creating dissatisfaction among the other Mediterranean countries linked with the Community by preferential agreements, and making it necessary to compensate them financially or otherwise;
- serious structural problems, especially in Portugal and Greece, with the consequent need to increase substantially appropriations in the Guidance Section of the EAGGF and the Regional and Social Funds, to avoid squabbles among the poorer countries to obtain the largest possible share of funds.

It should also be stressed that for products from the rest of the Community, it is unthinkable that the three countries will accept without demur the opening of their frontiers to Community surpluses of cereals, milk and meat: it is probable that to protect their balances of payments and their agriculture in difficulties they will have recourse to protection measures at least on a temporary basis. It is therefore unlikely that enlargement will lead to an exchange: cheaper Mediterranean products for surplus Community products; the only effect of such an exchange would be to ruin irreparably the agriculture and the whole economy of the Community's Mediterranean region and of the three countries concerned.

#### Conclusion: the possible solutions

54. As we have tried to show in this report, the Community's Mediterranean regions have serious agricultural problems: problems of income, of inadequate structures, of vulnerability to fierce competition, and few prospects for the future. Unless the

Community wakes up and takes practical and decisive measures, the situation is likely to deteriorate to the point where it will have irreparable consequences for the whole Community. It is therefore necessary, taking advantage of the current debate on the possible enlargement of the EEC, to reach decisions within the Community on two points:

- the reform of the present common market organization for Mediterranean products;
- regional measures.

(a) The reform of the common market organizations for  
Mediterranean products

55. This reform has been urgently asked for by two of the governments concerned who have made it a precondition for any decision on the enlargement of the EEC. But what direction should the reform take? In your rapporteur's opinion, it should have three aims:

- to ensure greater protection against imports from third countries with artificially low prices;
- to avoid at the same time the formation of costly surpluses which are a burden on the Community budget;
- to attempt to eliminate present surpluses, particularly in the milk sector.

In the light of these three principles we give below those of the proposals which have emerged from discussions within the organizations and governments concerned which in the opinion of your rapporteur are the most practical and feasible, for the main Mediterranean products.

#### Fresh fruit and vegetables

56. In this sector, one of the most sensitive in Mediterranean terms, the following reforms would be possible:

- the extension to all the other products such as carrots, beans, peppers, artichokes, strawberries, tangerines, new potatoes and table grapes, the provisions of the basic regulation and in particular the protection it affords (reference price, etc.);
- limitation of market intervention, that is to say withdrawals of products from the market, to an essential minimum, to prevent the destruction of wealth; moreover, these withdrawals do not aid production, or improve quality and make exports less competitive; on the other hand, systems of incentives for marketing within and without the Community should be introduced, analogous to the marketing premium which, however slowly, is at present providing a revival in the Community citrus fruit market; in particular, export refunds should be applied more widely than at present for fresh and processed products;
- changes in the reference price machinery, to find a more effective protection system;
- strengthening of existing provisions and aid to producer organizations in the fruit and vegetable sector;
- aid to conversion, not only negative aid (grubbing up premiums for certain types of apple and pear), but positive aid, to encourage certain types which are in deficit, in line with the citrus fruit plan.

#### Processed fruit and vegetables

- as regards preserved tomatoes, peaches and plums, in view of the fact that the price of the basic products in the Community is higher than that in the competitive Mediterranean countries, the payment of a premium to the processing industry for purchasing Community products from producer associations on the basis of a standard Community contract guaranteeing the payment of a minimum price to the producer at a level which will exclude the use of intervention measures;
- in addition to the extension of export refunds already mentioned, the present system of minimum prices in force for tomato concentrates



should be strengthened and extended to other products; in particular, the period of the import licence should be reduced, and penalties for infringements increased, so as to provide stricter control over fraudulent practices aimed at evading the minimum prices imposed;

- negotiation by the Community of self-limiting agreements with third countries producing these products;
- the encouragement of the processing industry in areas producing fresh fruit and vegetables.

#### Olive oil

57. The reform of the common organization of the market in this product has been regularly promised for many years by the Commission during the annual fixing of farm prices but so far no practical proposals have been submitted. Such proposals, which have now become indispensable, should be based on the following points:

- the maintenance of the present price support system, so as to guarantee producers' income, with technical changes (a posteriori fixing of the market price); with possible links with restructuring operations to be carried out by producers;
- the encouragement of consumption of olive oil through a better price relationship with seed oils and adequate marketing campaigns;
- the maintenance, in trade arrangements with third countries, of the system of import levies, which should become definitive;
- the fixing of an adequate price scale, aimed at giving more importance to the better qualities of olive oil, by introducing a new and simpler classification of the various qualities;
- attempts should be made to find, through producer associations in particular, a method of implementing price support which will ensure rapid payment and ensure that funds reach the correct destination through proper control measures;
- reserving access to intervention exclusively for olive growers and their associations and cooperatives;
- the establishment of a stable and permanent stock of products to be used as a buffer to stabilize the market;
- the introduction for table olives, too, of a protection system based on levies.

#### Wine

58. For this product the following measures could be implemented at Community level:

- the improvement of the quality of the product by using all the methods available under the regulations, such as aid to producer associations which undertake to respect given quality standards and rules for wine-making plants, discouraging production in plains and unsuitable areas;
- an increase in outlets for wine particularly by: harmonizing consumer taxes on wine which reduce consumption in many countries; by strengthening production of grape juices; by the use of concentrated must to increase the alcohol content, instead of adding sugar in countries where this is permitted;
- the introduction of export refunds for sales to third countries.

#### Other measures

- The introduction of new common market organizations for products at present excluded and of importance to the Mediterranean area: sheep meat and goat meat, potatoes, alcohol from distillation of wine;
- the adoption of measures to provide effective protection for typical Mediterranean produce such as certain types of citrus fruit (bergamot oranges, limes, grapefruit, lime/lemon hybrids, saffron, jasmine, etc.)
- for tobacco and durum wheat, maintenance of the present systems with improvements including incentives to production of higher qualities and limitation of intervention for surplus quantities of poor quality varieties.

#### (b) Regional and structural measures

59. In addition to these measures related to the reform of the Community's pricing and intervention policies, rapid steps will have to be taken to implement regional and structural measures directed towards the whole Mediterranean area, the principle points of which could be as follows:

- the presentation as soon as possible of the Commission's proposal for common action on irrigation, which has already been announced by the Commission;
- the rapid approval by the Council of proposals for aid to producers associations and forestry measures which have been on the table for some time;

- a greater regional concentration of certain aid, which should be set aside primarily for Mediterranean regions, with a view to creating jobs in industry connected with agriculture (processing and marketing of products, feedingstuffs, fertilizers, etc.);
- adaptation of the reform directives of 1972 and 1975 to the specific requirements of these regions, if necessary toning down the requirements and criteria for intervention;
- greater coordination of aid from the various funds (agricultural, social, regional) to improve their effectiveness and incisiveness;
- consideration of limited and temporary direct aids to income in the cases of products whose prices must necessarily be left to the free play of market forces and cannot therefore play the role of supporting producers' income;
- lastly, the funds available to the Guidance Section of the EAGGF must be substantially increased if it is to become an active instrument to correct regional imbalances which since the beginning of the Community have not only not been eliminated but have become more acute.

### Position of the Commission

60. At the time of writing, the contents of the Commission's practical proposals on the common market organizations for Mediterranean products have not yet been revealed. However, from the various statements made and documents drawn up by the Commissioners concerned, it would appear that its proposals will have three main objectives:

- to prevent by means of structural measures any surpluses of these products: this implies the rejection of the French and Italian proposal to grant a level of support comparable to that granted to northern products;
- to minimize the incidence on the Community budget which, given the inordinate importance attached to agriculture, is already the target of severe criticism;
- to avoid damaging the interests of Mediterranean third countries with which the Community has signed agreements, by reviewing protection mechanisms at frontiers.

61. Taken individually, these objectives are perfectly valid. However, they do not take into account the overriding aim, which is to safeguard the incomes of southern producers, both in the present circumstances and, more importantly, following the future enlargement of the Community.

If structural measures, such as improving quality and marketing, cutting back production capacity and conversion, are ever to be effective, it can only be in the long term, and previous experience here scarcely provides cause for optimism.

In the short term, there is a danger that these measures may lead to a further reduction in incomes, if they are not accompanied by direct income support measures of a suitable nature. The Commission, however, seems reluctant to move in this direction, as if alarmed by the supposed technical and political difficulties involved.

As regards surpluses, it is in nobody's interest to create new ones. We must therefore change the present system under the CAP, which relies on prices as the instrument to support incomes. We can hardly expect southern farmers to understand why milk producers are continually allowed to accumulate millions of tonnes of milk powder and butter at an exorbitant cost to the EAGGF, while the destruction of a few hundred tonnes of fruit meets with a hail of protest from all sides. A real Community would not employ double standards: we should either review the intervention system for northern products, restoring the balance in Guarantee Section expenditure, or provide

for additional means of intervention in respect of, for example, processed fruit and vegetables which can be preserved without difficulty or, as an alternative solution, provide direct support for incomes of producers who, in order to avoid surpluses, are compelled to grub up their vines and orchards.

62. In presenting its proposals, the Commission must give serious thought to this dilemma which threatens to wreck the entire common agricultural policy. Southern farmers have the impression that a dangerous philosophy has now taken root in the Community, namely that the CAP with its advantages and disadvantages has come to stay and cannot be tampered with. Any proposal for radical change, such as the introduction of new market organizations for products at present excluded, meets with insurmountable obstacles, such as the enormous difficulties involved in increasing the policy's present cost. However, without the courage to make substantial innovations and evidence that Community solidarity truly exists, not only will the enlargement of the Community be a failure from the start, but the whole structure of the Community will be in danger of collapsing.

OPINION OF THE COMMITTEE ON REGIONAL POLICY,  
REGIONAL PLANNING AND TRANSPORT

Draftsman: Mr H.-J. HOFFMANN

On 26 May 1977 the Committee on Regional Policy, Regional Planning and Transport appointed Mr HOFFMANN draftsman.

It considered and adopted the draft opinion at its meeting of 28 September 1977.

Present: Mr Nyborg, vice-chairman; Mr Hoffmann, draftsman of the opinion; Mr Albers, Mr Corrie, Mr Ellis, Mr Fuchs, Mr Giraud, Mrs Kellett-Bowman, Mr Lezzi (deputizing for Mr Zagari) and Mr W. Müller (deputizing for Mr Haase).

## I. Introduction

1. The growing regional disparities between the Mediterranean area and the other areas of the European Community have prompted the Commission to submit a study to the Council containing both an analysis of Mediterranean problems and a proposal as to the means of eliminating these disequilibria.
2. Special attention is paid in the analysis to the problems of Mediterranean agriculture. At first sight this seems justified inasmuch as a large proportion of the working population of this area is employed in this sector. It seems doubtful, however, whether restricting the analysis to the agricultural sector permits sufficient account to be taken of the difficulties of the Mediterranean regions as a whole.

## II. The causes of underdevelopment

3. The following are described by the Commission as typical problems of the Mediterranean regions

### - Socio-structural problems:

- large proportion of working population employed in agriculture
- average farm of small size
- low productivity in agriculture
- low incomes
- high level of under-employment
- lack of specialized agricultural knowledge
- old-fashioned methods of cultivation
- trend towards monoculture (wine, olives etc.)
- production structures hardly changing

### - General economic conditions:

- The slow-down of general economic development since the beginning of the energy crisis led to a drop in the number of people leaving farming in these regions to take up jobs in industry and services, in which no new jobs were being created. In areas in which industrialization is still in its infancy, the lack of or slow-down in industrial expansion has tended to ossify the unsuitable agricultural structures.
- A further aspect of the economic policy climate is the failure of both the European Community and the individual Member States to pursue an energetic agricultural structural policy. It is worth noting in this connection that between 1965 and 1970 Italy failed to utilize 36.5% of the appropriations placed at its disposal under the Guidance Section of the EAGGF. Between 1971 and 1973 as

much as 86.7% of the aids granted remained unused. According to Commission data<sup>1</sup>, about 28 million u.a. set aside for projects to improve agricultural structure have thus remained unused by Italy since the Guidance Section of the EAGGF was set up. France has failed to utilize 8 million u.a. No mention is made of this state of affairs in the Commission's communication.

- It must also be pointed out in this connection that directives 159, 160 and 161/72, which were intended to promote the improvement of agricultural structure, are only now being implemented by the two Member States in the Mediterranean area after a five-year delay. Owing to this delay the structure of agriculture in the regions concerned now lags even further behind, as the Commission rightly points out in its communication.
- The European Community's closer relationship with neighbouring states in the Mediterranean area, which is of course to be whole-heartedly welcomed from the point of view of external policy, has stepped up the pressure of competition on the already underprivileged producers in the Mediterranean regions of the European Community owing to the granting of trade concessions (notably easier access for imports of certain agricultural products).
- The accession of Greece, Portugal and Spain will generate further problems for the Mediterranean regions of the present Member States. In the agricultural sector in particular the Mediterranean countries will lose some of their markets to the new member countries. It would appear premature, however, to try at the present time to make a detailed prediction of all the consequences of the expected enlargement for the Mediterranean regions of Italy and France. Detailed studies will first have to be made by the Commission before any well-informed proposals can be made. Such studies are an essential prerequisite for the development of a long-term policy comprising effective measures to reduce the disparity between the Mediterranean regions and the other regions of the Community. The Commission's communication does not constitute an adequate basis for a long-term policy of that kind.

4. The Commission's analysis of the problems in this area omits certain factors which have an equally negative, though indirect, impact on the situation of agriculture in the Mediterranean regions. These include the peripheral geographical position of these areas, their remoteness from Community industry and consumers, the often inadequate transport infrastructure, poor connections between the Mediterranean islands and the

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<sup>1</sup> See Fifth Annual Report on the EAGGF for the year 1975, COM (76) 553 final, 5.1.2 to 5.1.5



mainland of the Community, social infrastructure (health service, education etc.) generally below the Community average. Consequently, the analysis also fails to mention the comparatively small incentive to investment which most of these regions offer in every sector of the economy, and not just in agriculture.

### III. Measures proposed

5. In order to eliminate regional income disparities in agriculture, the Commission proposes a package of agricultural policy measures, which are designed to improve agricultural structure and the organization of the market. These include, for the Mezzogiorno and Languedoc, soil conservation measures protection against flooding, afforestation, improvement of water supply, irrigation, improvement of the quality of products and marketing arrangements (wine and olives), establishment of agricultural information and promotion services.

6. The measures suggested by the Commission are clearly meant to be no more than pointers; they do not constitute detailed recommendations intended to be immediately implemented. Moreover, the communication makes no reference to the cost of implementing these measures. Not does it indicate any timetable for their implementation.

7. The Commission believes that the proposed measures should be implemented on a regional basis in the Mezzogiorno and in Languedoc. The Committee on Regional Policy, Regional Planning and Transport feels that consideration might also be given to the possibility of regarding Corsica too as one of the problem areas of the Mediterranean.

### IV. Lack of coordination

8. All the measures proposed by the Commission are aimed at improving both the structure of farms and the marketing arrangements for agricultural products.

It is not for the Committee on Regional Policy, Regional Planning and Transport to assess the usefulness of these agricultural policy measures. The draftsman of the opinion nevertheless draws attention to the strikingly ill-balanced nature of the measures proposed.

9. It is axiomatic that the problem regions of the European Community are those in which the proportion of persons employed in agriculture is higher than the average. The reason for this is, in addition to unfavourable agricultural structure, chiefly the lack of alternative jobs, i.e., the absence of or excessively slow development of industry and services. The draftsman is of the opinion that an agricultural structural policy geared to the needs of specific regions can be successful only if it is closely

linked to measures in other sectors of regional policy. These include measures to improve transport infrastructure in the abovementioned regions of the Mediterranean (utilization of the Regional Fund), measures to improve social infrastructure (utilization of the Social Fund), to promote the establishment of industrial and service enterprises (utilization of the Regional Fund, national investment incentives, European Investment Bank).

10. Although in its analysis the Commission stresses the need for the coordinated utilization of the Community's various financial instruments, the package of measures proposed by the Commission shows no sign of such coordination. The proposals are strictly confined to agricultural policy measures. There is no reference to or link-up with other Community policies.

11. In its stocktaking of the common agricultural policy (Doc. 529/74) the Commission states: 'solution to the problems associated with farm incomes and the disparity of incomes in the agricultural sector calls for the implementation of a coherent set of Community measures and, in particular, requires the continuous correlation of the common agricultural policy and the regional and social policies. This correlation must involve all the instruments employed, including the financial instruments (EAGGF, Social Fund, Regional Development Fund),'

12. The draftsman of the opinion notes the absence of such coordination and coherence between Community policies in the Commission's proposals. There is no sign of coordination between agricultural policy, social policy and regional policy in them. On the contrary, the measures outlined by the Commission give the impression that the Commission believes farming in the problem regions of the Mediterranean can be assisted only by agricultural policy support measures.

Why does not the Commission draw the appropriate conclusions from the fact, which it rightly makes in its communication, that 'price and market policy have proved inadequate to cope with these problems'.

13. From the Regional Fund alone, 459 million u.a. had been poured into the abovementioned two regions (456 million into the Mezzogiorno and 3 million u.a. into Languedoc-Rousillon) by the end of July 1977. About 42% of all payments made out of the Regional Fund have been poured into the problem regions of the Mediterranean.

Of all the Community's financing instruments the Regional Fund has made one of the most significant contributions to the elimination of regional disparities. This clearly underlines the structural policy and regional policy. Some time ago the European Investment Bank drew up a detailed plan of irrigation projects in the Mezzogiorno and in southern France. The Commission's proposals make no reference to this preliminary work.

## V. Conclusions

14. Owing to the slowdown in general economic growth, the effects on trade policy of the European Community's closer relationship with neighbouring Mediterranean states and the Community's persistent failure over the years to pursue an appropriate policy to improve agricultural structures, farming in this area is faced with increasing problems which the Commission believes justify the taking of special aid measures confined to that region.

15. With a view to eliminating the regional income disparities in farming, the Commission proposes a series of measures which are intended to improve agricultural structures and the organization of the market in agricultural products in the Mediterranean area. The Committee on Regional Policy, Regional Planning and Transport stresses that these measures will in all probability not suffice to eliminate regional income disparities in agriculture.

16. The achievement of this objective necessitates close cooperation between the Community instruments of agricultural, regional and social policy. There is a notable absence in the measures proposed by the Commission of any such coordination between the various Community policies which have an impact on the regions and on structures.

17. The problems of Mediterranean agriculture cannot be solved by agricultural policy measures alone. The agricultural policy measures proposed by the Commission must therefore be amplified and supplemented by appropriate measures in the field of social policy, transport policy and regional policy.

18. The Commission's initial analysis of the effects of the Mediterranean policy on agriculture must therefore be followed by further studies which should examine the effects of this policy on industry and services and on the social situation in the Mediterranean area. Not until studies are available on each of the economic sectors in the Mediterranean will it be possible to devise appropriate measures in the context of a coordinated approach to the elimination of regional income disparities in agriculture.

19. The measures proposed by the Commission are lacking in detail and therefore unconvincing and imprecise. The Committee on Regional Policy, Regional Planning and Transport regrets the absence of any information regarding the cost of these measures or the timetable for their implementation. The measures proposed for the agricultural sector can therefore be regarded as no more than an initial, provisional outline which must be followed by detailed proposals.

20. The measures proposed by the Commission to deal with Mediterranean problems are confined to the Mezzogiorno and the Languedoc regions. The Committee on Regional Policy, Regional Planning and Transport feels that Corsica too belongs to the problem areas of the Mediterranean.

21. The Committee on Regional Policy, Regional Planning and Transport acknowledges the need for special measures to improve the situation of agriculture in the Mediterranean. It points out, however, that some of the aids granted since 1964 to the Member States in which these regions are located under the European Guidance and Guarantee Fund for the improvement of agricultural structure have not been utilized and that three directives on the reform of agriculture were implemented by the Member States concerned only after a five-year delay. The Commission should endeavour to ensure that existing instruments are used more effectively for the improvement of agricultural structures in the Mediterranean area.

22. The Committee on Regional Policy, Regional Planning and Transport approves the measures outlined by the Commission. They will not be useful, however, or have a chance of being implemented successfully, unless they are amplified and supplemented by closely coordinated social and regional policy measures.

23. Such coordination presupposes the carrying-out of detailed studies into not only the problems of agriculture but also the difficulties of industry and services and the social situation in the Mediterranean area. The Committee on Regional Policy, Regional Planning and Transport therefore considers that the Commission should extend its analysis to include those sectors as soon as possible.

24. Until a sound basis has thus been provided by a thorough study covering the many sectors concerned it will not be possible to produce an informed, comprehensive 'Marshall plan' for the Mediterranean regions.

The Committee on Regional Policy, Regional Planning and Transport feels that work should commence on this development programme at the earliest opportunity.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Mr P. DE CLERCQ

On 21 June 1977 the Committee on External Economic Relations appointed Mr de Clercq draftsman.

It considered the draft opinion at its meeting of 22 November 1977 and adopted it unanimously.

Present: Mr Kaspereit, chairman; Mr Scott-Hopkins and Mr Schmidt, vice-chairmen; Mr de Clercq, draftsman of the opinion; Mr van Aerssen, Mr Amadei, Mr Berkhouwer (deputizing for Mr Baas), Lord Castle, Mr Cousté, Mr Durand (deputizing for Mr E. Muller), Mr Galluzzi, Mr de la Malène (deputizing for Mr Jensen), Mr Pintat, Mr Radoux, Lord St. Oswald and Mr Spicer.

## I. INTRODUCTION

In its communication of 4 April 1977, which is the subject of this opinion, the Commission of the European Communities outlined the agricultural situation in the Community's Mediterranean regions and listed the principles and chief measures it considered might usefully be adopted to deal with the consequences of the Mediterranean policy.

It should perhaps be recalled that the Community has already signed preferential agreements with virtually all the Mediterranean countries in the broad sense of the term, that is, including Portugal and Jordan, whose agricultural production and economic situation make them very much similar to the countries of the Mediterranean basin. On the commercial level, all of these preferential agreements have introduced concessions for Mediterranean agricultural products some of which, like fruit and vegetables and wine, enjoy external protection based not on threshold prices or levies but rather on customs duties coupled in certain cases with reference prices and countervailing charges.

Hitherto, the consequences of the Mediterranean policy had largely been viewed from the angle of the Community's external relations and the point of view of trade links between the Community and its third country partners. However, for some time now it has been apparent that the Community's Mediterranean policy has been affecting the internal situation in the Community itself and that the preferences granted to products from competing Mediterranean countries - especially in the agricultural sector - were causing an increasing number of difficulties in the Community's Mediterranean regions (southern France, Italy).

It must be remembered that the difficulties in southern France and Italy caused by the Community's Mediterranean policy stem largely from the differing degrees of protection afforded to the various crops in the Community. The fact that 'continental' products are highly protected means that the individual Member States are almost entirely supplied with the major continental product by the Community itself.

However, it must be noted that the same degree of Community preference has not been granted to the agricultural produce commonly grown in the Community's Mediterranean regions.

The difficulties facing the Community's Mediterranean regions will be aggravated by further enlargement of the Community. It is clear that the Community must make every effort to restructure agricultural production in the Mediterranean regions in order to avoid the problems of competition which will certainly arise once Greece, Spain and Portugal become full members of the Community.

Thus there are two different problems which interact in a way that the Community must not underestimate if its external policy is not to work to the detriment of the interests of the poorer areas in the Community.

## II. PROBLEMS OF MEDITERRANEAN AGRICULTURE

The communication submitted for consideration by the Commission of the European Communities deals with the agriculture and economy of the Mediterranean regions, analysing the present situation, visible trends and the future outlook. This analysis shows first that agriculture and the socio-structural situation are more depressed in these regions and that growth is slower than in the rest of the Community, and secondly that a number of regions where incomes are exceptionally low are faced with a series of problems which are not solely agricultural but bound up with the level of general economic development.

The socio-structural situation in the regions under consideration is poor; a very high proportion of the working population is in agriculture, productivity is low, and consequently incomes are very low indeed, and there is much agricultural underemployment. The marketing and processing structures for agricultural products are changing but slowly and utilization of natural resources is unsatisfactory. The gap between agriculture there and agriculture elsewhere in the Community has been widening.

The Commission proposes that projects should be undertaken to improve production, processing and marketing structures in the Community's Mediterranean sector and encourage a more rational production policy.

It also proposes that reforms should be made in the organization of markets, especially in olive oil, wine and protein-rich products, and that a common organization of the market in mutton and lamb should be established.

It further proposes that the organization of markets in fresh and processed fruit and vegetables should be improved since it feels that this is one of the major problems in these regions. This improvement should help to guarantee Community preference and price stability as well as facilitating the marketing of fresh produce.

The other problem affecting the Mediterranean regions and at present facing the Community derives from enlargement. Firstly, the Community must implement any plans for possible future enlargement in a way which does not seriously affect the economies of the applicant countries or disturb the economy of the Community itself or result in its integration process being affected or delayed. The enlargement of the Community to admit countries facing development problems similar to those of the Community's Mediterranean regions may worsen the situation, especially since there will be a large increase in the production of Mediterranean agricultural products in the enlarged Community.

Our committee therefore feels that every effort must be made to ensure general regional development in the Community's Mediterranean regions even if the European and world economic crises prevents these efforts from changing the situation radically. Given the limited employment opportunities in other sectors, vast efforts must be made in the short and medium term to develop the production, marketing and processing of agricultural produce.

But even if we are aware of the legitimate aspirations of the people living in the Community's Mediterranean regions and even if we feel it is essential to adjust the economic growth rate which currently favours the Community's northern regions, we still feel that it is essential to give a positive response to applications for accession which have been submitted. It is essential that enlargement be carried through at the earliest opportunity, especially in the case of Greece. This statement is based on the fact that Greece is linked to the Community by an Association Agreement which came into force on 1 January 1962. It is partly this Association which has enabled Greece to find a solution to economic, agricultural and customs problems so that it can now contemplate accession without any likelihood that problems external to the negotiations might impede or delay its accession.