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Report

drawn up on behalf of the Committee on External Economic Relations

on the draft regulation of the Council of the European Communities

(Doc. 304/77) concluding the cooperation agreement between the European
Economic Community and the Lebanese Republic

Rapporteur: Mr M. MARTINELLI

PE 49.338/fin.

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English Edition

By letter of 6 May 1977 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 238 of the EEC Treaty, to deliver an opinion on the draft regulation of the Council concluding the cooperation agreement between the European Economic Community and the Lebanese Republic.

The President of the European Parliament referred this draft regulation to the Committee on External Economic Relations as the committee responsible and to the Political Affairs Committee, the Committee on Budgets and the Committee on Development and Cooperation for their opinions.

On 26 April 1977 the Committee on External Economic Relations appointed Mr Martinelli rapporteur.

It considered this draft regulation at its meeting of 21 September 1977 and at the same meeting unanimously adopted the motion for a resolution and explanatory statement.

Present: Mr Kaspereit, chairman; Mr Schmidt, vice-chairman; Mr Martinelli, vice-chairman and rapporteur; Mr Amadei, Mr Bayerl, Lord Brimelow, Mr Jensen, Mr L'Estrange, Mr Pucci, Mr Price, Mr Radoux, Mr Schwabe (deputizing for Mr Didier) and Mr Vandewiele.

The opinions of the Political Affairs Committee, the Committee on Budgets and the Committee on Development and Cooperation are attached.

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A

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

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the draft regulation of the Council of the European Communities concluding the cooperation agreement between the European Economic Community and the Lebanese Republic

The European Parliament,

- having been consulted by the Council pursuant to Article 238 of the EEC Treaty (Doc. 304 /77),
 - considering its resolutions of 15 March 1973¹ on the consequences of the enlargement of the European Community for its relations with the Mediterranean countries, and of 18 December 1975² on recent developments in the Community's Mediterranean policy,
 - considering its resolution of 13 May 1977³ on the draft regulation of the Council concluding cooperation agreements between the European Economic Community and the Arab Republic of Egypt, the Hashemite Kingdom of Jordan and the Syrian Arab Republic,
 - considering the agreement between the European Economic Community and the Lebanese Republic of 21 May 1965 ,
 - having regard to the report of the Committee on External Economic Relations and the opinions of the Political Affairs Committee, the Committee on Budgets and the Committee on Development and Cooperation (Doc. 312 /77),
1. Welcomes the cooperation agreement signed on 3 May 1977 between the Community and the Lebanese Republic, which followed very quickly after the conclusion of the cooperation agreements with Egypt, Jordan and Syria, and approves the contents thereof;

¹OJ No. C 19, 12.4.1973, p.34

²OJ No. C 7, 12.1.1976, p.36

³OJ No. C 133, 6.6.1977, p. 52

2. Notes with satisfaction that the Community's overall approach to relations with the Mediterranean countries decided upon at the Paris summit conference of 19 October 1972 has been rounded off by the signing of this agreement;
3. Draws attention to the close, economic and cultural links that have long existed between the European countries and Lebanon and hopes that they will be further strengthened by the implementation of this agreement;
4. Recommends that the procedures necessary for the cooperation agreement to enter into force should be completed as soon as possible so that it can be fully implemented;
5. Expects that the trade concessions granted by the EEC, which already apply under the interim agreement, together with the financial aid and economic cooperation aimed at in the cooperation agreement, will both encourage productive investments and promote further agricultural development;
6. Considers it desirable, for the implementation of the policy set out in this cooperation agreement, for a permanent delegation from the Commission to be set up in Lebanon;
7. Wishes to be informed from time to time of the measures taken to implement the agreement in its entirety;
8. Calls on the Commission and the Council to give consideration to the request by the Lebanese Government for the granting of a 100 million u.a. credit for the reconstruction of the country, having regard to the situation in which Lebanon finds itself;
9. Declares its willingness to establish regular contacts as quickly as possible with the Lebanese Parliament and requests the Cooperation Council set up under the agreement to take all appropriate measures to this end.

EXPLANATORY STATEMENTA. Introduction

1. On 3 May 1977 a cooperation agreement was signed in Brussels between the European Economic Community and the Lebanese Republic. This agreement was concluded as part of the Community's overall Mediterranean policy and rounds off this policy in respect of the countries on the southern shores of the Mediterranean. Similar cooperation agreements were of course signed in April 1976 with the three Maghreb countries (Algeria, Morocco and Tunisia) and in January 1977 with three Mashrek countries (Egypt, Jordan and Syria).

2. It had originally been intended to conclude the agreement with Lebanon (a country of the Mashrek region) at the same time as the agreements with the other three Mashrek countries. However, this proved impossible because of the tragic events which took place not so long ago in this country. We may nevertheless note with satisfaction that this agreement, although delayed, has still been concluded very quickly, no doubt because the scope and content are virtually the same as those of the other Mashrek agreements.

3. Lebanon was the first Arab country in this region to enter into contractual relations with the Community: on 21 May 1965, both partners concluded a three-year non-preferential trade agreement - which, moreover, provided for a form of technical cooperation - which came into force on 1 July 1968 and was extended on a year-to-year basis from 30 June 1971 to July 1976. The agreement did not go beyond most-favoured-nation treatment, which moreover was not considered applicable to advantages granted to partners in a customs union or free trade area. This most-favoured-nation clause could thus not be applied to the advantages the Community later accorded to certain African and Mediterranean countries with which preferential agreements were concluded.

4. To improve this situation, the Community and Lebanon signed a five-year preferential trade agreement on 18 December 1972. This agreement, which formed part of the gradual process of creating a free-trade zone between the two regions, never entered into force, since

the necessary ratifications were never forthcoming. The European Parliament nevertheless gave its approval¹.

5. As mentioned above, this cooperation agreement was concluded within the framework of the overall approach to relations between the Community and the Mediterranean countries decided upon at the Paris summit conference on 19 October 1972.

B. Contents of the cooperation agreement²

6. The main features of this cooperation agreement are essentially identical with those of the cooperation agreement signed in Brussels on 18 January 1977 with Egypt, Jordan and Syria - on which the European Parliament delivered an opinion on 13 May 1977³ - namely:

- unlimited duration,
- general character, seeing that nearly all forms of cooperation are covered by this agreement;
- scope for future adjustments, provision being made for a general review;
- setting up of institutions that are to play an important role in the operation of the agreement.

7. The fact that the cooperation agreement is of unlimited duration reflects the will of both the Community and Lebanon to establish relations that are, in principle, indissoluble. The agreement merely contains a denunciation clause providing for one year's notice.

The Financial Protocol, however, will be of limited duration, expiring on 31 October 1981.

8. This agreement has a general character providing for large-scale economic and technical cooperation, backed up by financial cooperation, and also contains a commercial section.

(a) Economic, technical and financial cooperation is of fundamental importance for Lebanon.

Cooperation covers an extremely wide area, which is given a non-limitative definition in the agreement. To give some examples: cooperation to help develop the country's infrastructure, industrial cooperation, commercial cooperation, cooperation in the field of science, technology and environmental protection,

¹ OJ No C 40, 8.4.1974 - Cousté Report (Doc. 380/73)

² See Notice to Members (PE 48.322)

³ OJ No C 133, 6.6.1977, p.52 - Pintat Report (Doc. 99/77)

cooperation on research into production and processing of the country's resources. The institutions provided for in the agreement will be responsible for working out ways and means of implementing cooperation.

- (b) This cooperation will be backed up by financial cooperation amounting - in the case of Lebanon and until 31 October 1981 - to a total of 30 million European units of account, 20 million of which will be in the form of ordinary loans from the European Investment Bank, 2 million in the form of special loans and 8 million in the form of grants.
- (c) As far as trade is concerned, it has been possible for almost all industrial products originating in Lebanon, including ECSC products which form the subject of separate agreement, to be imported into the Community duty-free as from 1 July 1977 nor are they subject to any quantitative import restrictions. However, supervisory arrangements have been introduced for a limited period - until 31 December 1979 - for certain products originating in that country and considered sensitive in the Community. Mainly concerned are phosphate fertilizers and certain textile products.

With regard to agriculture, Lebanon will enjoy concessions, mainly of a tariff nature, for a number of products. These tariff reductions, which principally concern fresh fruit and vegetables and will be granted subject to compliance with the agricultural regulations, vary between 40% and 80%.

A certain degree of reciprocity is provided for on the Lebanese side in regard to its imports originating in the Community, mainly by means of the most-favoured-nation clause.

Finally, the question of non-discrimination has been settled in a manner wholly identical with that adopted for the Maghreb countries and the three other Mashrek countries.

9. The agreement's scope for future adjustment is emphasized by a general review clause allowing the contracting parties to examine, on certain dates, the results of the agreement and to consider what improvements, if any, ought to be made to it by either side.

The first review is fixed for the beginning of 1979 and any improvements resulting therefrom would be effective from 1 January 1980.

10. With regard to the institutions provision has been made for a Cooperation Council consisting of representatives of the Community and its Member States and of representatives of the partner country. The Cooperation Council will play a very important role, its function being to :

- ensure sound operation of the agreement as far as trade is concerned;
- define the general content of cooperation and find ways and means of implementing this cooperation.

It should also be pointed out that the Cooperation Council will be responsible for taking all useful measures to facilitate cooperation and the necessary contacts between the European Parliament and representatives of the Lebanese Assembly.

11. The commercial section of the cooperation agreement entered into force on 1 July 1977 by means of an interim agreement¹ concluded on the basis of Article 113 of the EEC Treaty. This interim agreement will remain valid pending the entry into force of the cooperation agreement or until 30 June 1978 at the latest.

C. Some facts about the Lebanese economy²

12. The Lebanese economy has traditionally been dominated by the tertiary sector (trade, tourism, transit trade and finance), which account for some two-thirds of gross national product and explains why the balance of payments, despite a permanent deficit in the trade balance, always showed a surplus. Lebanon's trade balance with the Community is also in deficit³.

As the main centre for trade and financial transactions between the European countries and the Arab world, Lebanon has always held a central position for Europe in the Middle East. It is significant, for example, that in 1974 there were more than 70 banks established in that country⁴. This trend was particularly intensified after the closing of the Suez canal in 1967 but came to a stop when the civil war broke out in April 1975. Many service companies then sought to move out of the country and to set up in other towns such as Kuwait and Cairo and, above all, Athens. It is, at the moment, difficult to judge to what extent Lebanon will continue to play a role as the financial centre of the Middle East after these tragic events.

13. Although, compared with other Arab countries, Lebanon is a relatively highly industrialized country, industry accounts for only 20% of gross national product, while some 30% of total exports consist of industrial

¹ OJ No L 133, 27.5.1977

² For obvious reasons, these data, which are drawn mainly from Information Bulletin No. 147/77 of the Commission of the European Communities and from the 'Munzinger Archiv' (International Handbook 9/76), do not go beyond 1975.

³ See Annex 1

⁴ Gold also occupies an important place in transit trade.

products. Among the most important branches of industry are oil refineries and the steel and building industries.

14. In addition to iron ore mines, the country has other mineral resources (such as copper, phosphates, manganese and chrome), but exploitation of these has not yet begun. The search for oil has not yet yielded any positive results; the State, however, obtained revenue (at least until 1975) from the transport of oil via two pipelines which run through the country.

15. Agriculture occupies a relatively small place in the Lebanese economy compared with most of the other Mediterranean countries. Agricultural production accounts for only 10% of gross national product. This also explains the low percentage contributed by agricultural products to total Lebanese exports to the Community¹. As a matter of fact, the trade balance in agricultural products has to contend with a considerable deficit (Lebanon covers approximately one-third of its domestic requirements) but the country has by no means exploited its potential to the full; only 26% of the land surface is under cultivation, while almost 50% of the working population is employed in the agricultural sector.

The greater part of the agricultural land is given over to corn but, expressed in quantities produced, fruit (particularly citrus fruit), potatoes and sugar products clearly exceed the other products, as the following table shows;

	Surface (1,000 ha)		Production (1,000 t)		Yield (t/ha)
	1972	1973	1972	1973	1973
Corn	50.5	50.1	63.7	55.1	1.1
Barley	7.8	7.3	7.6	6.5	0.9
Sugar beet	3.8	2.5	190.0	139.4	55.4
Potatoes	9.2	8.9	108.8	116.5	13.1
Onions	1.6	1.5	29.5	31.2	20.7
Tobacco	7.8	7.5	9.5	9.9	1.3
Citrus fruits	11.9	11.9	296.2	307.3	25.8
Apples	12.8	12.3	220.4	166.1	15.1
Grapes	17.8	18.2	109.4	107.4	6.1
Olives	28.0	30.2	39.6	32.2	1.1
Tomatoes	4.6	4.4	72.6	59.1	13.6

¹ See Annex II.

16. The nature of the Lebanese economy, as sketched out above, makes the country enormously vulnerable to internal and external political crises. (This is very clearly illustrated by the flight of a large number of services companies at the beginning of the civil war). In order to reduce this dependence, a development plan was drawn up in 1972 which aimed to achieve a more healthy balance between the various sectors of the economy and included to this end the modernization of industry and agriculture and the development of backward regions. Unfortunately, implementation of this plan had to be shelved in 1975 on account of the internal troubles.

It is to be expected that the implementation of the cooperation agreement will help this positive trend to be resumed. It is in any case conceivable that the trade concessions granted by the Community, together with the financial assistance and economic cooperation will encourage productive investments and promote further agricultural development.

D. Special aid from the Community

17. As is well known, Lebanon was ravaged in 1975 and 1976 by a severe civil war which cost the lives of tens of thousands of people and in which even more were wounded (to which should be added hundreds of thousands of refugees). It is not possible in this report to calculate what economic damage has been done to the country by this civil war, but it is certain that reconstruction will require considerable external aid.

18. Community aid to Lebanon in recent years has mainly been confined to food supplies: in the period from 1970 to 1976, cereals, milk powder and butteroil to the value of some 8 million European units of account were supplied. In 1976 - the year of the civil war - food aid was drastically stepped up; in addition, aid was extended to include medical supplies and financial contributions. In that year, Lebanon received Community aid totaling some 12 million units of account. This relatively high figure was reached after the Council, on a proposal from the Commission, had decided to adopt in December 1976 a special aid programme which provided for the emergency supply of food to the value of 10.28 million units of account and a financial contribution of 400,000 units of account.

19. For the sake of completeness, attention should be drawn to the fact that the special aid described above is totally independent of the 30 million units of account which Lebanon has been allocated under the cooperation agreement. These latter funds can be released only when the agreement has been ratified. The president of the Council has, however, stated that the Community, with a view to saving time, will immediately start studying the projects that qualify for financing. It is of the greatest importance for Lebanon's development that the ratification procedures should be completed as soon as possible.

20. Meanwhile, the President of the Council has received a formal request from the Lebanese Government for special aid in the form of a 100 million u.a. credit to be provided via the European Investment Bank to finance the country's reconstruction projects. The appropriations would have to be released gradually for the financing of projects as they were submitted by the Lebanese Government and approved for financing purposes by the Community.

At the signing ceremony, the Commissioner responsible stated that the Community should continue in its efforts to contribute to peace in and the reconstruction of Lebanon. Having regard to this statement, the Committee on External Economic Relations requests the Council and Commission to give consideration to the Lebanese Government's request referred to above.

21. It is important for the Community too that the situation in Lebanon, a country with which Europe has long had economic and cultural links, should return to normal as soon as possible.

ANNEX I

EEC TRADE WITH LEBANON - 1975¹

(in million EUA)

	EEC	GERMANY	FRANCE	ITALY	NETHERLANDS	BELGIUM	UNITED KINGDOM	IRELAND	DENMARK
EXPORTS	589.6	122.4	122.3	138.8	29.2	37.3	129.9	1.1	8.6
%	100	20.8	20.7	23.5	5.0	6.3	22.0	0.2	1.5
IMPORTS	51.6	15.6	14.5	8.4	2.4	2.8	5.6	0.2	2.1
%	100	30.2	28.1	16.3	4.7	5.4	10.9	0.4	4.1
BALANCE	+538.0	+ 106.8	+ 107.8	+130.4	+ 26.8	+ 34.5	+124.3	+ 0.9	+ 6.5

¹Information Bulletin No. 147/77 of the Commission of the European Community.

TREND IN EEC IMPORTS FROM LEBANON 1970 - 1975

('000 u.a.)

	1970	1971	1972	1973	1974	1975
All products	65,920	87,973	90,588	81,294	191,165	51,610
including						
agricultural products	12,509	12,423	13,675	18,572	14,932	9,853
Agricultural products %	19 %	14.1 %	15.1 %	22.9 %	7.8 %	19.1 %

Source: Telex Méditerranée- No 104, 14.2.1977

OPINION OF THE POLITICAL AFFAIRS COMMITTEE

Letter from the chairman to Mr Gabriel KASPEREIT, chairman of the Committee
on External Economic Relations

Brussels, 17 May 1977

Dear Mr Kaspereit,

At its meeting of 17 May 1977, the Political Affairs Committee held an exchange of views on the communication from the Commission to the Council on the negotiations between the European Economic Community and the Lebanese Republic, accompanied by a recommendation for a Council regulation concluding an Agreement between the European Economic Community and the Lebanese Republic.

The Political Affairs Committee, which has been asked to prepare an opinion for your committee, has instructed me to convey to you the following observations which were adopted unanimously¹.

The Political Affairs Committee welcomes the successful conclusion of the negotiations on the agreement between the Community and the Lebanese Republic, whose political implications both for the Community and for the Lebanon ravaged by a long civil war it wishes to emphasize. This cooperation agreement, the object of which is to establish economic and trade cooperation linked with financial aid, should contribute to the Lebanon's economic expansion.

This cooperation agreement completes the series of agreements recently concluded with the Mediterranean countries, namely the agreements with the Arab Republic of Egypt, the Hashemite Kingdom of Jordan and the Syrian Arab Republic, which were followed by the agreement with Israel.

The Political Affairs Committee considers that the signing of these agreements is a decisive addition to the global Mediterranean policy, while at the same time opening up broad prospects for cooperation between the Community and the States of that area.

In this connection, the Community must affirm the political role it can and must play in the Eastern Mediterranean by reason of its privileged and non-discriminatory relations with the States involved in the Arab-Israeli conflict.

¹ Present: Mr Bertrand, chairman; Mr Radoux, vice-chairman; Mr Bangemann, draftsman; Lord Brimelow, Mr Faure, Mr Guldberg (deputizing for Mr Durieux), Mr Holst, Mr Jahn, Mr Mitchell, Mr Knud Nielsen (deputizing for Mr Zagari), Mr Nyborg (deputizing for Mr Terrenoire), Mr Prescott, Lord Reay, Mr Scelba, Mr Seefeld and Mr Sieglerschmidt.

Our committee stressed the political significance of the agreement with the Lebanon - as it did in the case of the agreements with the other Mashrek countries - because of its similarity to those negotiated with Israel. As a result, the Community has a direct responsibility in the progress of negotiations towards an equitable settlement of the conflict based on respect for the principle of non-discrimination in the area.

In the opinion of the Political Affairs Committee, the cooperation agreement with the Lebanon will help to establish a new model for relations between developed and developing States consistent with the aspirations of the international community for a fairer and more balanced economic order.

While hoping that the ratification procedures can be initiated as quickly as possible, the Political Affairs Committee supports the conclusion of an interim agreement for the advance implementation of certain economic sections of the agreement with the Lebanon; this should help to strengthen economic exchanges between the parties.

Yours sincerely,

(sgd) Alfred BERTRAND

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr A. TERRENOIRE

On 27 April 1977 the Committee on Budgets appointed Mr Terrenoire draftsman.

It considered the draft opinion at its meeting of 23 June 1977 and adopted it unanimously.

Present: Mr Lange, chairman; Mr Bangemann, vice-chairman; Mr Terrenoire, draftsman; Mr Van Aerssen, Mr Albertini, Lord Bruce of Donington, Mr Caro, Mr Früh, Mr Martens, Mr Notenboom, Mr Radoux, Mr Schmidt (deputizing for Mr Patijn), Mr Schreiber, Mr Spinelli and Mr Würz.

1. The document referred to the Committee on Budgets for an opinion is a draft Council regulation concluding an agreement between the European Economic Community and the Lebanese Republic.

2. This agreement was signed on 16 February 1977 and, pursuant to Article 238 of the Treaty which deals with association agreements, Parliament is required to deliver its opinion before the Council can formally conclude the agreement. It should be noted, however, that some of the provisions of this agreement (particularly in the area of trade) will come into operation in advance, in virtue of an interim agreement concluded between the EEC and the Lebanese Republic.

COOPERATION AGREEMENTS

3. The Community has already had a link with the Republic of Lebanon in the form of a trade and technical cooperation agreement concluded in 1965, which came into effect in 1968 and expired in 1971; another trade agreement was signed as early as 1972, but never took effect as the necessary ratification was not obtained.

4. In 1975, the Community began negotiations on a 'global' cooperation agreement with Lebanon, which was signed on 16 February 1977. There are several facets to this agreement, including trade, industrial and scientific cooperation, etc. The agreement is supplemented by a financial protocol which aims to enable the Community to participate 'in the financing of measures such as to contribute to the economic development of the Lebanon'.

'MEDITERRANEAN POLICY' AND ITS FINANCIAL IMPLICATIONS

5. The agreement with Lebanon follows other agreements, almost identical in form, already concluded with the Maghreb and Mashrek countries and Malta; agreements of a similar type have already been, or are about to be, concluded with Portugal, Greece, Turkey and Cyprus.

6. In embarking on its 'global Mediterranean policy', the Council wished to obtain an overall picture of the external financial commitments into which it would thus be entering. Jointly with the EIB it therefore drew up in the spring of 1976 the following table:

OVERALL FINANCIAL IMPACT OF THE MEDITERRANEAN POLICY¹

	EIB loans	Other loans and outright grants
Portugal	350	60
Maghreb ²	167	172
Mashrek ³	145	125
Malta	16	10
Lebaron	20	10
Israel	30	-
Greece	225	55
Turkey	90	220
Cyprus	20	10
Yugoslavia	<u>50</u>	<u>-</u>
TOTAL	1,113	662

¹ in EUA million for periods of 3 to 5 years

² Algeria, Tunisia, Morocco

³ Egypt, Syria, Jordan

7. The financial content of the Mediterranean policy is thus considerable and the budgetary authority should therefore carefully assess this new expenditure item for consistency with the aims pursued and in the light of earlier policy towards other associated countries.

8. But the strictly budgetary implications of this series of agreements should also be assessed in the light of the trade concessions accorded to the various countries, because the various tariff reductions granted by the Community will lead to a fall in its budgetary resources, while for the countries concerned they will represent a considerable contribution to the development of their exports and the balancing of their external accounts. It is surprising, therefore, to find that neither the Council nor the Commission has made any estimate of this loss of revenue. At least, if such estimates have been made, Parliament is not aware of them.

9. In view of this, it is clearly impossible to assess the real financial implications of the Mediterranean agreements, for lack of information on the real size of the Community concessions. It is a matter of budgetary responsibility, however, both on the part of the Commission and of the budgetary authority, to assess as accurately as possible the extent of the financial commitment thus entered into.

THE FINANCIAL PROTOCOL

10. The financial protocol contained in the cooperation agreement is identical in every way to the model already examined by the Committee on Budgets when it was consulted on the Malta, Maghreb and Mashrek agreements. The main provisions of this protocol are contained in Article 2 which lays down the overall amount of financial aid and its distribution under two distinct headings:

- EIB loans: granted from the Bank's own resources and on the usual conditions applied by it;¹
- budgetary aids in the form of
 - special loans from the Community for a period of 40 years at an interest rate of 1% (with a 10-year grace period)
 - non-repayable grants from the Community to subsidize the servicing of the EIB debts and to finance technical cooperation schemes.

11. The total amount of this aid is 30 m u.a. broken down as follows:

EIB	20
Special loans	2
Outright grants	8
(interest subsidies; non-repayable grants)	(5.6) ¹ (2.4) ¹
<u>TOTAL</u>	<u>30</u>

¹ estimated

It should be noted that the above amounts are denominated in the European unit of account which is to replace the budgetary unit of account from 1 January 1978.

12. This amount of 30 m u.a. is to be spread over a period expiring on 31 October 1981, as in the case of almost all agreements concluded with the Mediterranean countries.

THE BUDGETIZATION OF THE AIDS

13. In delivering its opinion on the cooperation agreement with Malta, the first of the series of Mediterranean agreements, Parliament had asked that the special loans and the outright grants should be financed, not

¹ Loans from the Bank are usually granted for 10 years at the market interest rate (less 2% interest subsidy from budgetary appropriations for outright grants). The interest rate may vary according to the currency used and is fixed by EIB Board of Governors. For instance, a 10-year loan in US\$ granted on the terms applicable on 22.3.1977 would carry an interest rate of 9-1/8%.

from the national budgets but from the Community budget¹; the request was repeated in the opinions on the agreements with the Maghreb and Mashrek countries, Portugal and Greece. Parliament, in fact, considered that the question of budgetization should be settled before the agreements could come into force.

14. Following an inter-institutional dialogue on certain budgetary questions and the negotiations with the Council in connection with the vote on the 1977 budget, a token entry was reserved in the budget for cooperation aid.

15. It would thus seem that Parliament has won its point and that these aids can be effectively budgetized (that is, in actual figures) for the 1978 financial year. The Committee on Budgets Ad hoc Working Party is continuing its examination of this question to ensure a successful outcome.

CONSULTATION OF PARLIAMENT ON THE FINANCIAL IMPLICATIONS OF THE COOPERATION AGREEMENTS

16. The present procedure for the consultation of Parliament on the financial implications of these agreements is unsatisfactory, to the extent that the consultation occurs after the signature of the agreements, and hence after the amount of aid has been definitely fixed.

17. It appears that both the overall amount of the aids envisaged for the Mediterranean cooperation programme and the amounts earmarked for each State concerned are in fact fixed before the negotiations have even begun. The Council, in cooperation with the EIB² - had laid down as early as April 1976 the total amount of the loans and grants for the Mediterranean countries;

¹ Paragraph 6 of Parliament's resolution (OJ C 100/9, 3.5.1976) reads: 'Considers that the appropriations to finance special loans and non-refundable aid to the Republic of Malta must be specifically mentioned in an appropriate entry in the Community budget after their adoption by the budgetary authority under the general procedure for authorizing expenditure; reserves the right, should the Council object to their entry, to take recourse to the conciliation procedure'.

² It would even seem that the amount of budgetary aid was determined by reference to the amount of EIB loans - the latter having been decided independently by the Board of Governors of the Bank.

in the following months the Council determined the amount for each of the countries or groups of countries¹.

18. The Council, however, was of the opinion that 'it has been the Community's unchanging view that these offers cannot be subject to any substantial negotiation; they already take into account the requests and needs of the partner countries within the limits of the Community's financial capacities'.

19. Obviously, then, Parliament should be consulted on the financial implications at the time when decisions on these are actually taken, that is before the beginning of negotiations. Only if undertaken at this stage, can the consultation procedure have any real meaning, because then Parliament is still able to influence - if necessary through legislative consultation - the amount of the aid to be determined.

20. Need it be further emphasized that consultation at the appropriate time would considerably ease the approval - in the voting of the budget - of the appropriations needed for financial cooperation? Is it not obvious that, in its absence, Parliament might be forced to use its right of amendment on these appropriations, thus creating a delicate political situation?

CONCLUSIONS

21. The Committee on Budgets welcomes the conclusion of the agreement with the Lebanese Republic as extending the scope of cooperation between the Community and countries of the Mediterranean area. Within the terms of reference, the Committee on Budgets:

1. requests the Commission and the Council to make reliable estimates of the budgetary costs entailed in the tariff concessions contained in the cooperation agreements and to communicate them to Parliament;
2. subject to this reservation, takes note of the overall financial amount fixed by the cooperation agreements already concluded by the Community with the Mashrek countries;
3. considers it essential to achieve effective budgetization, by the 1978 financial year, of the appropriations relating to cooperation agreements;

¹ It is impossible to quote exact references for the decisions mentioned, in view of the indeterminacy of the Council's decision-making process and the secrecy surrounding its deliberations.

4. considers that consultation of Parliament on the financial implications of these agreements - in particular on the budgetized loans and aids - should take place before operative decisions are taken by the Council, that is, in most cases, before the opening of negotiations;

22. In pursuance of Rule 44(3) of the Rules of Procedure, the Committee on Budgets requests the Committee on External Economic Relations, as the committee responsible, to take account of the above conclusions when drafting its motion for a resolution.

If for timetabling reasons, its conclusions cannot be considered in good time by the committee responsible, the Committee on Budgets will instruct its draftsman to table the necessary amendments to the motion for a resolution in the plenary Assembly.

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Letter from the acting chairman to Mr Gabriel KASPEREIT, chairman of the
Committee on External Economic Relations

Luxembourg,

Dear Mr Kaspereit,

At its meeting of 28 September 1977 the Committee on Development and Cooperation considered a recommendation for a Council Regulation (EEC) concluding an agreement between the European Economic Community and the Lebanese Republic (COM(77) 45 final).

The members of the committee noted that the provisions of this agreement are very similar to those of the other agreements with the Mashrek countries and that the delay in signing the agreement with Lebanon was caused solely by the political situation in that country. For this reason, our committee has decided to give a favourable opinion.

Yours sincerely,

(sgd) Giovanni BERSANI

Present: Mr Bersani, acting chairman; Mr Broeksz, Lord Castle, Mr Dewulf, Mr Dondelinger, Mr Glinne, Mr Hunault, Mr Jakobsen, Mr Lagorce, Mr Lezzi, Mr Martinelli, Mr Nolan, Mr Price and Mr Sandri.

