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and annex

Report

drawn up on behalf of the Committee on External Economic Relations

on the ~~Cooperation~~ Agreements concluded between the European Economic Community and

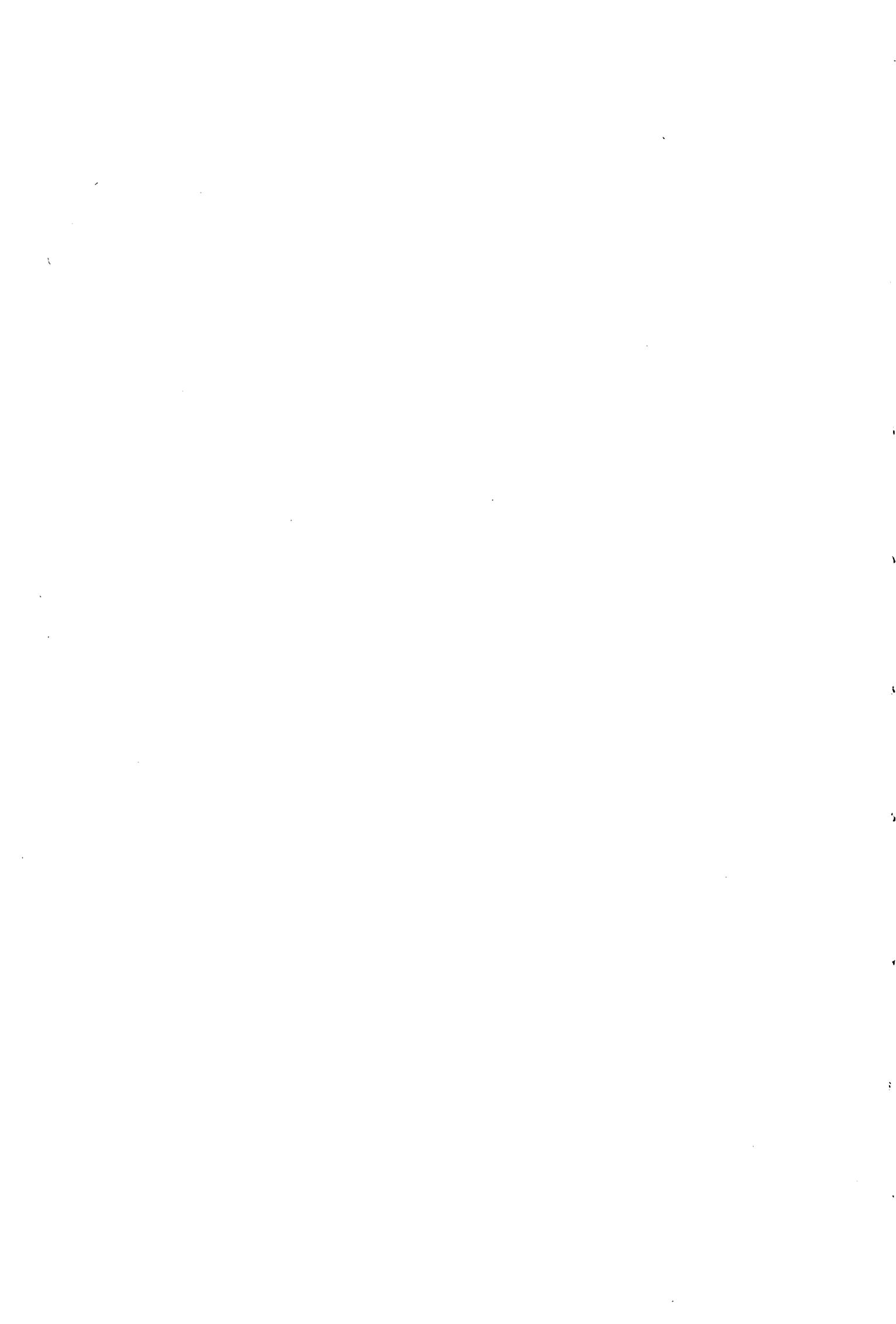
- the People's Democratic Republic of Algeria
- the Kingdom of Morocco
- the Republic of Tunisia

Rapporteur: Mr J.-F. PINTAT

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By letter of 4 June 1976 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 Cooperation Agreements concluded between the European Economic Community and

- the Republic of Tunisia
- the People's Democratic Republic of Algeria
- the Kingdom of Morocco.

The President of the European Parliament referred these Agreements to the Committee on External Economic Relations as the committee responsible and to the Political Affairs Committee, the Committee on Budgets, the Committee on Social Affairs, Employment and Education, the Committee on Agriculture and the Committee on Development and Cooperation for their opinions.

On 18 May 1976 the Committee on External Economic Relations appointed Mr Pintat rapporteur.

It considered these agreements at its meetings of 22 June and 21 September 1976. At the latter meeting it adopted the motion for a resolution by 10 votes to 4.

Present : Mr Kaspereit, chairman; Mr Schmidt, vice-chairman; Mr Pintat, rapporteur; Mr Baas, Lord Castle, Mr De Clercq, Mr Didier, Mr Dykes, Mr Klepsch, Mr Laban, Mr Radoux, Mr Schulz, Mr Spicer and Mr Vandewiele.

The opinions of the Political Affairs Committee, the Committee on Social Affairs, Employment and Education, the Committee on Agriculture and the Committee on Development and Cooperation are attached.

The opinion of the Committee on Budgets will be published separately.

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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 Cooperation Agreements concluded between the European Economic Community and

- the Republic of Tunisia
- the People's Democratic Republic of Algeria
- the Kingdom of Morocco

The European Parliament

- having been consulted by the Council, pursuant to Article 238 of the Treaty establishing the EEC on the Cooperation Agreements concluded between the European Economic Community and
 - the Republic of Tunisia
 - the People's Democratic Republic of Algeria
 - the Kingdom of Morocco (Doc. 306/76),
 - recalling 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,
 - having regard to the report of its Committee on External Economic Relations and the opinions of the Political Affairs Committee, the Committee on Budgets, the Committee on Social Affairs, Employment and Education, the Committee on Agriculture and the Committee on Development and Cooperation (Doc. 307/76);
1. Welcomes the signing, in April 1976, of the overall Cooperation Agreements between the Community and the Republic of Tunisia, the People's Democratic Republic of Algeria and the Kingdom of Morocco;
 2. Considers that these Agreements, which will establish closer economic, trade, financial and social links between the parties, mark a decisive step forward, following the entry into force of the Agreement concluded with the State of Israel and the Protocol extending the Association Agreement with Malta, in the implementation of the Community's overall Mediterranean policy, the need for which has long been stressed by Parliament;

¹OJ No. C 19, 12.4.1973, p.34

²OJ No. C 7, 12.1.1976, p.36

3. Believes, moreover, that these agreements bear witness to the Community's desire to establish a new pattern of relations between developed and developing states and to participate in the creation of a new world economic order corresponding more closely to the interests of the latter;
4. Approves the content of the Interim Agreements which provide for the early entry into force of the main provisions relating to trade;
5. Calls on the Commission to draw up measures to compensate for the possible harmful effect of the implementation of these agreements on certain Community regions or certain sectors of Community production;
6. Feels, for these reasons, that the Community must immediately adopt specific measures to compensate for the damage suffered by these regions or in these sectors, as the need arises, by making provision for aid from the European Social Fund and the Regional Fund;
7. Reiterates its concern over the way in which preferences granted by the Community to those associated countries which may become Member States have been eroded as a result of the implementation of the Community's Mediterranean policy and urges the Commission and the Council to submit concrete proposals so as to respect fully the spirit of the Association Agreements.
8. Regrets that the interim Agreements entered into force on 1 July 1976 before Parliament had delivered its opinion on the content of the Cooperation Agreements, and in particular on their financing;
9. Calls on the Commission and the Council to ensure that those clauses of the agreements which prohibit discrimination against Community undertakings are scrupulously respected;
10. Declares that it is prepared to establish as soon as possible regular contacts with a delegation from the Tunisian National Assembly, and with the appropriate representatives of Algeria and Morocco and asks the Cooperation Council set up by each of the three agreements to take the appropriate measures to this end.

EXPLANATORY STATEMENT

1. On 25 April 1976, in the presence of representatives of the Tunisian government, of the Commission, of the Council and of the Governments of the Member States of the Community, the Cooperation Agreement between the Republic of Tunisia and the European Economic Community was signed in Tunis.

The next day saw the signature in Algiers of the Cooperation Agreement between the Community and the People's Democratic Republic of Algeria; and on 27 April the Cooperation Agreement between the Community and the Kingdom of Morocco was signed at a similar ceremony in Rabat.

The signature of these three documents marked the successful conclusion of the negotiations opened in July 1973 between the Community and the three Maghreb countries. After many interruptions, negotiations were finally completed at the beginning of 1976.

2. The difficulties experienced by the negotiators during these long months demonstrate the complexity and multiplicity of the problems which had to be solved between the parties concerned.

Geographically close to the Community, both Mediterranean and African, sandwiched between the Community and the states of Black Africa, with most of which the Community has concluded a cooperation policy, and with very special links in modern history, with France, the three Maghreb countries have, since their independence (1956 for Morocco and Tunisia, 1962 for Algeria) maintained close relations with the Community.

The intention expressed by the Community in 1972 to adopt an overall Mediterranean policy and to develop relations with the Arab world to which these three countries belong, brought them even closer.

3. At the signing of the Treaty of Rome the Governments of the 'Six' had declared their readiness to propose to the independent countries of the Franc Area the opening of negotiations with a view to concluding conventions for economic association with the Community in order 'to maintain and intensify the traditional trade flows between the Member States of the European Economic Community and these independent countries and to contribute to the economic and social development of the latter' (declaration of intent on the association of the independent countries of the Franc Area with the EEC).

It was also specified, in an 'Additional Protocol' that the application of the EEC Treaty would require no changes to the customs arrangements for goods originating in and coming from Morocco and Tunisia (at that time Algeria still had the legal status of a French department).

4. However, it was only after Algeria became independent that Tunisia and Morocco tried to formalize their relations with the Community and submitted applications, on 3 and 14 December 1963, seeking negotiations with the Community.

These negotiations were begun in July 1965, on the basis of a partial mandate limited to trade and covering only part of the exports of these two countries to the Community. They continued, after several interruptions, and on the basis of a broader mandate, until March 1969. It was then (28 March 1969 for Tunisia, 31 March for Morocco) that two Association Agreements were signed, concluded for a period of 5 years and entering into force on 1 September 1969¹.

5. The two agreements, based on Article 238 of the Treaty of Rome, were limited to trade and provided for negotiations to be opened at the end of the third year of application, with a view to the conclusion of new agreements on a broader basis.

Without going in detail into the content of each of these agreements, it should nevertheless be pointed out that they provided for imports without quantitative restrictions and free of customs duties into the Community of almost all the industrial products originating in these two countries (products subject to the ECSC Treaty were excluded from these measures).

For certain agricultural products, the two countries were granted privileged arrangements compared with non-member countries, without endangering the protection and preference Community producers enjoyed (olive oil, citrus fruits, preserved fruit and vegetables, fishery products). For agricultural products not covered by the Agreement, France was allowed to maintain its previous preferential arrangements. For their part, Morocco and Tunisia granted the Community certain benefits - in respect of tariff duties or quantities - for certain specified products.

¹ On the content of these agreements: see Bersani report, on behalf of the Committee on Relations with the African Countries and Madagascar (Doc. 48/69)

6. Algeria, for its part, had expressed as early as 1963 its wish to negotiate the conclusion of an overall agreement with the Community. Most Member States however were still, on the basis of Article 227(2) of the Treaty, granting it trade preferences, the legal justification of which was open to debate, while Algerian products continued to have free access - with the exception of wine from 1971 onwards - to the French market.

7. In May 1972, the Council decided to propose to Algeria the opening of negotiations for the conclusion of an overall agreement including not only arrangements for trade in certain goods, but other economic and financial cooperation measures. At the same time the Community informed Morocco and Tunisia that it was prepared to begin negotiations with a view to the conclusion of overall agreements concomitant with the negotiations planned with Algeria.

8. This desire to intensify and extend relations between the Community of Nine and the three Maghreb countries came at a time when the Community was making clear its intention to adopt an overall Mediterranean policy which would situate its relations with other Mediterranean states in an overall context and make them more effective.

Your rapporteur has recently had the occasion to describe the problems and difficulties of implementing such an overall policy¹.

9. The agreements signed in April 1976 in the three Maghreb capitals represent the end of a long process which has allowed the signatories to see beyond the scars of history, unequal levels of development and conflicting short-term economic interests, and to become aware of their solidarity and their growing independence vis-à-vis the major problems of the second half of the twentieth century.

These agreements are therefore in large part something of a wager. To determine what is at stake, we will first examine the content before assessing the problems and, in some cases, the risks which are involved.

¹ See Pintat report on recent developments in the Community's Mediterranean policy (Doc. 385/75)

Nature of the Agreements

10. The object of the Agreements concluded between the European Economic Community and the three Maghreb countries 'is to promote overall cooperation between the Contracting Parties with a view to contributing to the economic and social development of Algeria, Morocco and Tunisia and helping to strengthen relations between the Parties'. To this end provisions and measures will be adopted in the field of economic, technical and financial cooperation, and in the trade and social fields.

The aim, set out in the preamble to each of the Agreements, is 'to establish a new model for relations between developed and developing states, compatible with the aspirations of the international community towards a more just and more balanced economic order'.

11. The ambitious nature of the agreements signed in April is underlined, we believe, by two aspects: their comprehensive nature and their role as a model.

(a) Comprehensive nature of the agreements

They are comprehensive, firstly, because they take into account most aspects (economic, financial, commercial, social) of present relations between the two sides: it is also to be seen as flexible, so that it can adapt to the development of relations between the signatories and extend if necessary into new sectors.

12. This view explains why the agreements were concluded (unlike the Association Agreements signed in 1969 with Morocco and Tunisia) for an unlimited period, thus making possible medium and long-term action on the economic structures of the various parties.

13. The institutional machinery provided under Title IV (General and final provisions) gives the Cooperation Council the powers of decision necessary for achieving the aims of the agreement. The Council, assisted in the performance of its duties by a Cooperation Committee, meets at least once a year and any time special needs require it. The results of the Agreement and any improvements which could be made are to be reviewed at the beginning of 1978 and again at the beginning of 1983.

14. This comprehensive nature is also derived from the identical structure of the agreements concluded between the Community and each of the three North African countries, differences - mostly very small - appearing only in the numerical size of the tariff concessions or quotas. Such differences of treatment, although merely details, were nevertheless put forward by Morocco and Tunisia to delay the signature of the agreement concluded with the Community by several weeks, since they believed that they were being discriminated against in comparison with Algeria in respect of certain agricultural concessions granted by the Community.

(b) The agreements as a model

15. These agreements, as we have seen, are proposed as a model for relations between developed and developing countries. Unlike the agreements signed by the Community in the 60's, the new conventions with the Maghreb countries do not require them to grant tariff or customs concessions. They merely undertake to grant the Community most-favoured-nation treatment (with the exception of measures aimed at the economic integration of the Maghreb countries or measures to help developing countries).

16. But apart from the unilateral nature of the concessions (already a feature of the Lomé Convention), the principal new feature seems to us to reside in the philosophy on which cooperation in the technical, economic and financial sectors is based (Title I). The aims of this cooperation are set out at length in Article 4 of the various Agreements. It is made clear that the Community undertakes to participate in the efforts made by the Maghreb states to diversify their economic structure and in the industrialization of these states, and that a certain number of specific measures are provided by common agreement to this end, in line with the aims and priorities fixed by these countries' development programmes. The Agreements also provide for the possibility of joint measures in which third countries would participate together with the Community and the beneficiary state.

17. This cooperation should also encourage regional cooperation between the three countries, and with this in mind, a certain number of provisions have been laid down considering the territory of Algeria, Morocco and Tunisia as a single unit for the purpose of defining originating products. It is to be feared, however, that the tension in recent months between Algeria and Morocco and - to a lesser extent - Tunisia, following events in Spanish Sahara, and the partition of the former Spanish colony between Morocco and Mauritania, may constitute an almost insurmountable obstacle to the implementation of this regional integration policy.

Financial cooperation

18. In order to achieve these various objectives, the Community has undertaken to make available to the three States, for a period of five years, to start six months after the signing of the Agreements (i.e. at the end of October 1976), financial resources listed in detail in a Protocol on Technical and Financial Cooperation. This financial contribution - the size of which has given rise to intense discussions between the Member States, and between the Community and each of the recipient Maghreb countries - is to be provided as follows:

(million u.a.)

| | Algeria | Morocco | Tunisia | Total |
|------------------------|---------|---------|---------|-------|
| EIB loans | 70 | 56 | 41 | 167 |
| Loans on special terms | 19 | 58 | 39 | 116 |
| Grants | 25 | 16 | 15 | 56 |
| Total | 114 | 130 | 95 | 339 |

Loans on special terms are granted for forty years, at a rate of interest of 1% : repayments to begin after the first ten years.

19. This table shows that the total amount of aid commitments to the three countries (for a period of five years) is 339m u.a., comparable to what the Community is preparing to grant to Greece, Turkey and the four Mashrek countries.

In March 1976, the Commission of the European Communities proposed that special-term loans and grants should be included in the budget of the Community, as requested by the European Parliament on several occasions. However, there has so far been no Council agreement to this.

Cooperation in the field of labour

20. The inclusion of a section on 'cooperation in the field of labour' is the logical consequence of the comprehensive and exemplary nature of the Agreements signed (Title III).

It would have been illogical in fact to ignore the social and human problems resulting from the fact that more than 700,000 Maghreb workers have settled in Community countries. It is a known fact that the three governments have become particularly aware of the problem of the reception and social integration of these workers and their families in the Community countries (particularly in France which employs 640,000 Maghreb workers out of a total of 720,000).

21. The Agreements include various provisions on non-discrimination in relation to Community nationals as regards working conditions and remuneration, social security benefits, the aggregation of insurance periods completed in the various Member States for pension rights and other benefits - and the freedom to transfer them to the country of origin. It is understood that these provisions do not affect the rights and obligations arising out of bilateral agreements concluded with any Member State of the Community if the provisions of those agreements are more advantageous to the Maghreb workers.

Trade arrangements

22. This is the most 'conventional' section of the Agreement. The European Community is by far the most important trading partner of each of the Maghreb countries. Maghreb exports to the Community consists mainly of raw materials (oil and phosphates) and agricultural products. The proportion of agricultural products in total imports varies considerably from one country to another (58% for Morocco, 35% for Tunisia, 8% for Algeria). Community exports consist mainly of manufactured products and capital goods. France is still the main buyer and supplier for each of these three countries.

(a) Non-agricultural products

23. The Agreements provide for the free access to the Community market of all products exported by the Maghreb countries other than those coming under the common agricultural policy. Unlike the provisions of the 1969 agreement with Morocco and Tunisia, these provisions also cover ECSC products (special agreements were signed for the purpose).

There are only two exceptions to the principle of free access for non-agricultural products and these should disappear by the end of 1979 at the latest. The exceptions are exports of cork products and refined petroleum products for which there are ceilings that progressively increase from the second year following the entry into force of the Agreement. Up to this ceiling, imports are duty free; above it, the customs duties applicable to third countries may be reintroduced if the Community deems it necessary.

The Community does not, as we have seen, benefit from reciprocal advantages for its own exports.

(b) Agricultural products

24. It was without doubt the extent of the preferences granted to Maghreb exports of agricultural products that created the greatest difficulty during the negotiations and the greatest hesitation on the part of the Community representatives.

Because of its geographical proximity and climatic conditions, the Maghreb is a major competitor with regard to various agricultural products from the Mediterranean regions of the Community. Political and historical factors have also to be taken into consideration. The countries in North Africa feel that colonization is responsible for the difficulties created by the existence of large vineyards in areas under the influence of Islam. They therefore feel that the Community has a moral obligation to absorb some of the surpluses they have difficulty in disposing of on the world market. The size of the domestic surpluses in the Community - and the differences between Member States to which they have given rise - help to make this one of the most delicate problems at present.

25. The tariff concessions granted by the Community to Maghreb agricultural products (compared with those granted to third countries) vary from 20 to 100%. According to figures provided by the Commission, they cover between 80 and 90% of agricultural exports from the three countries (the 1969 agreements with Morocco and Tunisia covered only about half of such exports).

26. There is an 80% common customs tariff reduction for citrus fruits, the main agricultural product exported by Algeria and Morocco (since the Community reference price has to be respected). Most of their citrus fruit exports are to the Community (more than 90% for Tunisia and more than 50% for Algeria and Morocco). The Community has thus given the three Maghreb countries an important advantage (the reductions are higher than those granted to other competing Mediterranean countries: Israel and Spain and even Turkey despite its Association Agreement with the EEC etc.).

27. Olive oil (the main product exported by Tunisia, representing on average half of its agricultural exports) and fresh fruit and vegetables (representing about one-fifth of Moroccan agricultural exports to the EEC) are also given considerable advantages over competing products from other Mediterranean countries.

28. Table wines are granted an 80% tariff reduction provided the reference prices are respected. There is customs duty exemption for a maximum annual quota of 50,000 hl of quality wine from Morocco and Tunisia and 250,000 hl in the first year from Algeria, this limit to be gradually raised to 450,000 hl by the end of the fifth year.

Because of the volume of its wine production, Algeria is granted more concessions than its two neighbours. During the first four years of application of the Agreement, it has the right to export to the Community an annual quota of 500,000 hl of wine at a price lower than the reference price (the price difference to be gradually reduced).

29. It has also been agreed (although it is not mentioned in the Agreements) that agricultural products from the three countries not covered by the Agreements may continue to receive preferential treatment on the French market. As an exceptional and temporary measure, the same will apply to certain products covered by the Agreements, and Maghreb exporters should take advantage of this opportunity to distribute their exports more harmoniously throughout the nine Member States of the Community.

The Interim Agreements

30. The provisions of the Agreements concluded with Algeria, Morocco and Tunisia will enter into force only after 'approval by the contracting parties in accordance with their own procedures'. For the Community, this means ratification by the national parliaments of the provisions for 'cooperation' activities and financial aid (if it is agreed, which is very doubtful, that the funds necessary for financing grants and interest subsidies are not Community expenditure that has to be shown in the budget of the Community). It could in fact be several months before all the national ratification procedures are completed.

31. To avoid such difficulties, the Contracting Parties have negotiated Interim Agreements providing for the advance application of essential provisions of the Cooperation Agreements relating to trade in goods. It is planned to implement these Agreements once they have been approved in accordance with the procedures of the Contracting Parties. Their final date of validity is 30 June 1977.

32. Since the legal basis of the Interim Agreements is Article 113 of the Treaty of Rome, their approval requires consultation of neither national parliaments nor the European Parliament. The criticism that has been made of the lack of consultation under Article 113 and the problems it presents for the effectiveness of the budgetary powers attributed to the European Parliament are well known.

Moreover, advance application of the trade provisions renders the European Parliament's right to scrutinize Association Agreements under Article 238 of the Treaty theoretical. The trade provisions are in fact the central point of the Agreement and it is difficult to see how Parliament can really exercise its prerogative if it is not given the opportunity to express an opinion on provisions - since their advance application has already been decided on (and they have very often already entered into force)¹ - when the matter comes before the House.

Although this long-standing legal dispute has never been fully and satisfactorily resolved, the European Parliament approves the provisions of the Interim Agreements which (as in the case of the Lome Convention and various additional agreements concluded with the Associated countries) meet a real need.

Scope and implication of the Cooperation Agreements

33. The Agreements just signed with Algeria, Morocco and Tunisia should not be examined in isolation or removed from a broader political and economic context.

The Maghreb countries, as we have already seen, are at the cross-roads of different policies sketched out by the Community in recent years: overall Mediterranean policy, overall development aid policy, rapprochement with the Arab world, and the definition of a new world economic order characterized by new relations between developed and developing countries, between producers of raw materials and industrialized nations and between energy exporters and importers.

34. The European Parliament has for a long time called for the implementation of an overall Community Mediterranean policy. Various initiatives have been taken since 1972. The recent signing of the Cooperation Agreements with the Maghreb countries, following the signing of agreements fulfilling the same objectives with Israel and Malta show that, despite difficulties and inevitable delays, considerable progress has been made.

¹These fears were confirmed by the recent decision to apply the text of the Interim Agreements on 1 July 1976.

Nevertheless, the overall approach - characterized by an attempt to find various objectives to be achieved by means of previously defined methods - does not mean that the objectives and methods do not have to be adapted to the development and resources of the beneficiary countries. The Agreements concluded could not therefore be identical and despite the similarity of the objectives, the rate and time limits necessary to achieve them can vary considerably.

35. The Maghreb countries belong to the African side of the Mediterranean and have reached a much lower level of development than those on the northern side (Spain, Portugal, Malta, Greece) or Israel. They are more or less half way between these countries and the frontier states of Black Africa (Mali, Chad, Niger, Mauritania) that have signed the Lomé Convention. The preferences granted by the Community to the Maghreb countries correspond to this intermediate position.

36. Algeria, Morocco and Tunisia are not only Mediterranean countries; they are also Arab countries and producers of raw materials (oil, phosphates), and, like the other developing countries, they hope for the introduction of a new world economic order corresponding more closely to their interests. The Community, we know, is willing to take part in defining the new rules for relations between rich nations and poor nations and between producers of raw materials and producers of capital goods and manufactured products.

In this context, as we have seen, the Agreements signed are a model. They open the way for a system based on a new international distribution of labour (recommended by the Tripartite World Conference on Labour that opened at the beginning of June at ILO headquarters in Geneva) and on the solidarity and interdependence of all nations.

37. Like the Lomé Convention the Agreements with the three Maghreb countries introduce a new element in international economic relations and without doubt back the need for solidarity and interdependence between nations regardless of their level of development.

38. Is the boldness of these objectives compatible with the difficult economic situation at present confronting the nine Member States? Might it not entail new difficulties for agricultural production in the Mediterranean regions of the Community with easily conceivable political, economic and social consequences?

39. Such questions seem legitimate at a time when the cohesiveness of the Community has been weakened by the long period of recession, inflation and unemployment that the Nine has just undergone (or is still undergoing). Will the concessions granted to the Maghreb countries not create new disturbances in certain sectors of Community activity without Community exports increasing in return because the preferences are not reciprocal?

40. These fears seem particularly justified in the agricultural sector. The competitiveness of Maghreb agricultural products - and most sectors will benefit from considerable preferences - will combine with the competition that Spanish, Portuguese, Cypriot, Greek, Turkish, Maltese and Israeli products offer, and Egyptian, Syrian, Lebanese and Jordanian products will soon offer, to Community products from the south of France and Italy.

The structural difficulties affecting Community production of wine, fruit and vegetables, citrus fruits and olive oil are well known. At the same time, the Mediterranean region is one of the most economically and socially unstable of the Community.

41. Some voices - including Commissioner Cheysson's - have been raised against such exaggerated fears. The Community is in fact far from being self-sufficient in several of these 'sensitive' sectors (it produces only 45% of the citrus fruits it consumes). Precautions have however been taken against the risks involved in importing agricultural products: imported products have to respect Community reference prices; and if this is not sufficient, safeguard clauses have been included in the Agreements.

Moreover, agricultural imports from the Maghreb countries represent only a small proportion of total Community agricultural imports (0.6% of products covered by the common agricultural policy).

Far from increasing the preferences accorded the Maghreb countries, the agreements will have the opposite effect when they enter into force since those countries will lose the preferential treatment they still continue to receive on the French market for products covered by the new provisions: for instance, under the 1969 Agreement, Morocco benefits from an average tariff reduction which, taking into account customs-free entry on to the French market, is equal to 81% of the CCT. Once the 1976 Agreement enters into force, this reduction will be only of the order of 65%

42. According to the same people, we would be ill-advised to be influenced by the alarmist attitude of certain Community producers: overall, the Community exports many more agricultural products to than it imports from the Maghreb to the great advantage of ports that have traditional relations with North Africa (in particular Marseilles).

43. Despite these reassuring remarks it is nevertheless true that certain limited sectors of Community activity will suffer from such imports and one is led to think, yet again, that the Agreements concluded with the Mediterranean countries are of advantage mainly to the most highly developed regions of the Community and to the detriment of the least industrialized regions.

44. It seems difficult to contest such statements in certain sectors. It is difficult to see, for instance, how the Community will be able to absorb Maghreb exports of wine when domestic stocks are accumulating and have to be put through costly distillation processes.

In view of the difficulties there would be in stopping these imports, your rapporteur considers that it would seem at all events necessary to examine and apply at an early date compensatory measures to offset the damage thus sustained by Community wine-growers.

The same applies to refined petroleum products which will be able to enter freely into the Community from 1979 onwards although, as we know, the Community has a surplus in this sector.

45. The Community should therefore take appropriate steps on behalf of the populations of the areas most directly affected by competition from Maghreb imports, through the European Social Fund or the Regional Fund.

If it does not, it will either have to face the wrath of a considerable number of social groups - and the resulting political and economic consequences - or not fulfil the commitments it has freely undertaken.

46. The foreseeable short-term difficulties in some sectors should not stand in the way of genuine cooperation in the medium-term between partners to the north and south of the Mediterranean based on specialization and the complementarity of resources in line with climatic and geological conditions. This applies to agricultural products (grubbing up of vines in the Maghreb and a financial contribution by the Community to encourage the soya cultivation favoured by the North African climate). Long-term supply contracts could be concluded for agricultural exports from the Nine to the Maghreb countries. But perhaps this applies even more in the industrial sector. Energy for instance offers various possibilities (Community participation in prospecting

and aid for the development of the Maghreb petrochemical industry in exchange for supply guarantees and non-discrimination clauses; research into the use of solar energy).

47. These, it is obvious, are long-term tasks dependent on the mutual confidence and respect of the partners. In other words such objectives require the realization by governmental authorities and the public on both sides of the Mediterranean of this solidarity and interdependence. This means that the detention under legally questionable conditions of nationals of Community countries, as is currently the case in one of the three countries that signed the Cooperation Agreements, should first be brought to an end.

48. The European Parliament is at all events of the opinion that the entry into force of the Agreements should lead to the establishment of regular contacts with a delegation from the Tunisian National Assembly and, pending the re-establishment of parliamentary activities, with appropriate representatives from Morocco and Algeria in order to strengthen the political and human aspect of relations between both parties. The European Parliament hopes that, in accordance with the Final Provisions of the Agreement (Title IV) the Cooperation Council will soon take the necessary steps to facilitate such contacts.

49. Your rapporteur is of the opinion that it would be wrong to consider the effects of the entry into force of the Agreements only on the contracting parties. The effects on the Community's other trading partners seem to us to be just as important.

We have seen that because these three countries in North Africa are under-developed, the Community has granted them concessions that it refuses to grant to more privileged countries. This state of affairs, although entirely legitimate, could nevertheless lead to disputes and one-upmanship.

50. The Agreements have been signed at a time when the Community is preparing to enter into negotiations on Greek membership. The preferences granted to Maghreb agricultural products on the Community market cannot but create serious difficulties when it comes to subjecting Greek agriculture to the provisions of the common agricultural policy. How can a long-term task allocation and supply policy be implemented in respect of the three Maghreb countries if the Community is still uncertain about when and how Greece is to become a full member? Such problems will arise again when Spain and Portugal make the inevitable announcement of their intention of becoming members of the Community.

51. And again, how can one reconcile the provisions of the Agreements just signed in Tunis, Algiers and Rabat with those of the Agreement signed last year between the Community and Israel which entered into force on 1 July 1975? Are the three Maghreb countries not members of the Arab League which forbids its members to trade with what it calls 'Palestine under Zionist occupation' since they do not recognize the existence of the State of Israel? It is true, however, that the three Agreements include a non-discrimination clause under which Algeria, Morocco and Tunisia undertake not to discriminate between the Nine, their nationals and their undertakings.

Nevertheless, (Article 33 of the EEC-Algeria Agreement, Article 34 of the EEC-Tunisia Agreement, Article 35 of the EEC-Morocco Agreement) the agreements must not 'preclude prohibitions or restrictions on imports, exports ... justified on grounds of public morality, public policy or public security'. These are all reasons that could justify the boycotting of Community undertakings that trade with Israel. What is true in a time of peace may be all the more true in the not unforeseeable event of renewed conflict between Israel and its Arab neighbours.

Your rapporteur would like to be reassured that all necessary precautions have been taken as implied by the Commission in its recent reply to Oral Question No. 31/76 by Mr Hougardy.

52. We feel that the Agreements signed with the three countries could have even more serious effects on future relations between the Community and Turkey. We know that these relations have deteriorated in recent years.

One of the main reasons for this coolness is what the Turks call 'the erosion of preferences' granted to them by the Community. Having concluded an Association Agreement aimed at accession at the end of the 1960's, Turkey regards with suspicion the concessions that the Community is now granting to an increasing number of Mediterranean countries that are all competitors for the same markets. We have seen that in certain cases the preferences granted to the Maghreb countries are greater than those granted by the Community to Turkey after so many years of association. The Turkish objections seem to us to be justified, especially when we consider that Turkey grants the Community preferences, and that the Maghreb countries do not.

Likewise, the social provisions for Maghreb nationals are the same as those currently applicable to Turkish workers (although the Agreements with the Maghreb do not provide for the free movement of workers, one of the long-term objectives of the Agreements with Turkey).

53. We regard this as an important political problem that the Community should resolve in the coming months. Will the Community agree to increase the concessions granted to Turkey and risk displeasing the Maghreb countries, or will it decide to maintain the present situation and risk provoking a further deterioration in relations with Ankara?

54. The first effects of the signing of the EEC-Maghreb Agreements on the functioning of the EEC-Turkey Association Agreement can already be seen. The Maghreb Agreements provide that the Maghreb countries may derogate from the provisions of the most-favoured nation clause 'in the case of measures adopted with a view to the economic integration of the Maghreb, or measures benefiting the developing countries' (Article 25(3) of the Agreement with Algeria). Might it not be assumed that the Ankara authorities will make use of this clause to reconsider some of the concessions they have undertaken to grant the Community?

55. In conclusion, the Agreements concluded with the three Maghreb countries will not become fully meaningful unless those countries successfully achieve economic integration as they are encouraged to do under several provisions of the Agreements. The tension that has existed for several months between Algeria and its two neighbours because of the Spanish Sahara problem makes such a rapprochement difficult. This situation is very much to be regretted and one may well ask whether the Community could not use its not inconsiderable influence to help to bring together neighbouring countries, that despite temporary disagreements, are united by the challenges of development.

ANNEX

| THE MAGHREB COUNTRIES - BASIC FIGURES | | | |
|---|----------------|----------------|----------------|
| | <u>ALGERIA</u> | <u>MOROCCO</u> | <u>TUNISIA</u> |
| Population (1972) (million) | 14 | 15.8 | 5.3 |
| farming population (%) | 57 | 52 | 58 |
| GNP - 1972 (million u.a.) | 5,637 | 3,924 | 1,879 |
| GNP per capita - 1972 (u.a.) | 396 | 249 | 350 |
| Rate of increase 1965 - 1972 (%) | 3.5 | 3.0 | 3.7 |
| Breakdown of GDP (1972) (%): | | | |
| - Agriculture | 8.9 | 28 | 23.7 |
| - Oil and gas | 18.2) | 25) | 24.9) |
| - Industry | 25.6) | | |
| - Services | 47.3 | 47 | 51.4 |
| Public sector foreign debt (1972) (million US \$) | 1,517.8 | 852 | 1,272 (1973) |
| EEC imports from Maghreb countries (1974) (million EURs) | 2,031 | 869 | 404 |
| EEC exports to same (1974) (million EURs) | 1,961 | 751 | 526 |
| BALANCE OF PAYMENTS (Million US \$) | | | |
| | <u>(1972)</u> | <u>(1973)</u> | <u>(1974)</u> |
| Exports | 1,403.1 | 930 | 1,053 |
| Imports | <u>2,029.9</u> | <u>963</u> | <u>1,096</u> |
| <u>Trade balance</u> | - 626.8 | - 33 | - 43 |
| Transfers by migrants | 307.9 | 137 | 100 |
| Other net transfers | - <u>33.0</u> | - <u>75</u> | - <u>125</u> |
| <u>Current balance</u> | - 351.9 | 29 | - 68 |
| Capital movements | <u>505.8</u> | <u>45</u> | <u>145</u> |
| Growth of reserves | 153.9 | 74 | 77 |

OPINION OF THE POLITICAL AFFAIRS COMMITTEE

Draftsman : Lord REAY

On 21 May 1976 the Political Affairs Committee appointed Lord Reay draftsman.

It considered the draft opinion at its meeting of 22 June 1976 and adopted it unanimously.

Present: Mr Boano, chairman; Lord Gladwyn, vice-chairman; Lord Reay, draftsman; Mr Adams (deputizing for Mr Ariosto), Mr Behrendt, Mr A. Bertrand, Mr Blumenfeld, Lord Castle, Mr Delmotte (deputizing for Mr Patijn), Mr Durieux, Mr Espersen, Mr Glinne (deputizing for Mr Stewart), Sir Peter Kirk, Mr Klepsch, Mr Noë (deputizing for Mr Scelba), Mr Scott-Hopkins and Mr Seefeld.

Having regard to the signing of the agreements between the European Community and

- the Republic of Tunisia (Tunis, 25 April 1976)
- the Popular Democratic Republic of Algeria (Algiers, 26 April 1976)
- the Kingdom of Morocco (Rabat, 27 April 1976),

and to the eight proposals for Council regulations providing for the advance implementation of certain trade measures relating to these agreements (Doc. 105/76 and COM(76) 179 final),

The Political Affairs Committee,

- emphasizing the importance of relations between the Community and the Maghreb States, in particular:
 - the need for all Mediterranean countries to attain a comparable level of development, in order to rationalize agricultural and industrial productions and trade and stabilize markets in the joint interest of all the States concerned,
 - the prospect of the development of these relations into increasingly close and diversified cooperation between the Community and the Maghreb countries, in order to ensure prosperity and lasting peace in the region as a whole.
- 1. Notes with satisfaction that these agreements widen the scope of cooperation between the Community and the Maghreb countries, opening the way for rapid development in these regions, while ensuring greater coherence between the economies of the States of the Community and the Maghreb countries, particularly in the agricultural, industrial and financial fields;
- 2. Trusts that these agreements will be implemented, not only in the respect of reciprocal obligations, but also with a view to closer cooperation between the Community and the Mediterranean countries without any form of discrimination;
- 3. Greatly regrets that the Council is not obliged to consult Parliament formally on these agreements, and that they were only communicated to Parliament 'for information' and after they had been signed;
- 4. Requests that meetings be organized with the Council as soon as possible in order to introduce new procedures ensuring adequate participation by the European Parliament in the concluding of international agreements.

OPINION

of the Committee on Social Affairs, Employment and Education

Draftsman : Mr Liam KAVANAGH

On 23 September 1976 the Committee on Social Affairs, Employment and Education appointed Mr Kavanagh draftsman.

It considered the draft opinion at its meeting of 24 September 1976 and adopted it unanimously.

Present : Mr Bouquerel, Acting Chairman; Mr Kavanagh, Draftsman; Mr Bermani; Mr Bertrand (replacing Mr Girardin); Mr Carpentier, Mrs Dunwoody; Mr Geurtsen; Mr Martens (replacing Mr Pêtre); Mr Meintz; Mr Herbert (replacing Mr Nolan); Mr Premoli; Mr Prescott, Mr Santer; Mr Vandewiele (replacing Mr Rosati).

General Statement

1. For the Committee on Social Affairs, Employment and Education, problems caused by the occupation of migrant workers in the Community takes up a large part of the Committee's time, and at various discussions with the experts of the Commission and at hearings in different States, the Committee tried to obtain full information. Its ideas are laid down in several documents, of which the report on the Commission's action programme in favour of migrant workers and their families¹⁾, drafted by Mr ALBERS, is the most complete²⁾. The Committee on Social Affairs, Employment and Education states clearly in all these documents that it is in favour of all progress that can possibly be made where higher social integration and equal status of migrant workers and their families are concerned, while of course the limits of economic possibility of the guest countries have to be respected.

The "labour" section of the Cooperation agreements with the Maghreb countries

2. The number of Maghreb workers in the Community³⁾ is 720.000 of which 640.000 are in France. Consequently almost 90 % of such workers are based in France because of historical connections between that country and the Maghreb.

The principle effect of the Agreements is to improve the position of migrant workers in the Community who have a legal right to be there and who are already there. The Agreements ensure that Maghreb workers are entitled to the same remunerations, conditions of employment and social security benefits as their European colleagues. Moreover, periods of employment in various Member States or with different employers within a Member State can be aggregated without losing pensions or other benefits.

(1) Bulletin of the European Communities, Supplement 3/76
Action programme in favour of migrant workers and their families

(2) Doc 160/75/rev.

(3) Maghreb citizens employed in the Community

| | Algerians | Moroccans | Tunisians | Total |
|-----------------------|-----------|-----------|-----------|---------|
| Total | 444,400 | 187,900 | 84,800 | 717,100 |
| of which | | | | |
| in France | 440,000 | 130,000 | 70,000 | 640,000 |
| in Belgium | 3,000 | 30,000 | 2,000 | 35,000 |
| in Germany | 1,400 | 16,400 | 12,000 | 29,800 |
| in the Netherlands | - | 9,500 | 800 | 10,300 |
| in the United Kingdom | - | 2,000 | - | 2,000 |

3. A bilateral Agreement also exists between France and the Maghreb countries in question, under which these workers have practically the same rights as those granted under the new Agreements. Consequently, the Agreements do not materially affect the majority of migrant workers in the Community. They do, however, affect the conditions under which migrant workers are employed in Member States other than France, because there are no other bilateral agreements. At a hearing in Bonn in 1974, the Committee on Social Affairs, Employment and Education was informed by the Moroccan trade unions that there were 30.000 Maghreb workers plus their families without any right of social security benefits.
4. The provisions of the new Agreement do not allow Maghreb workers free entry to the Community, nor do they allow Maghreb workers in one Member State to move freely within the Community. It is to be realised that this would be unrealistic in view of the present economic circumstances in the Community. However, since the EEC is more closely associated to Greece and Turkey their workers should have freer access to the labour market in the Community than other interested third parties.
5. The Agreements between the EEC and the Maghreb countries have annexed to them an "Exchange of Letters" which provides for possible consultations between the EEC and Maghreb countries in problems of mutual interest including sociocultural problems. The present Agreements do not include any provisions in relation to the social problems of migrant labour. Consequently there is no reference to educational and training facilities for such persons. Nevertheless these Agreements provide a forum within which such problems could be discussed. Thus in this way grievances can be identified and measures can be taken to deal with them.

Conclusions

The Committee on Social Affairs, Employment and Education:
having regard to the signing of the agreements between the
European Community and

- the Republic of Tunisia (Tunis, 25 April 1976)
- the Popular Democratic Republic of Algeria (Algiers, 26 April 1976)
- the Kingdom of Morocco (Rabat, 27 April 1976)

1. Welcomes the social provisions of the Agreement which are designed to prevent discrimination against Maghreb workers,
2. Trusts that future contacts between the EEC and Maghreb countries within the cooperation Council will be used to improve the conditions of Maghreb workers in such fields as education, training and housing.
3. Expresses its hope that out of the new relationship between the Maghreb countries and the EEC furthermore, a high degree of legal security and democratic rights is gained for those migrant workers returning to their home country.
4. Insists that the Cooperation Council, which is responsible for adopting provisions enabling the principles set forth in the Agreements to be applied, meets as soon as possible;
5. Greatly regrets that the Council is not obliged to consult Parliament formally on these Agreements, and that they were only communicated to Parliament 'for information' and after they had been signed.
6. Wishes therefore to be consulted by the Council before such Agreements are signed.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman : Mr G. Boano

On 3 June 1976 the Committee on Agriculture appointed Mr Boano draftsman.

It considered the draft opinion at its meeting of 15 and 16 July 1976 and adopted it unanimously with two abstentions.

Present: Mr Martens, oldest member and acting chairman; Mr Liogier, vice-chairman; Mr Boano, draftsman; Mr Baas, Mr Brégègère, Mr Cipolla, Mr Concas (deputizing for Mr Cifarelli), Mr Della Briotta, Mr Delmotte (deputizing for Mr Laban), Mr Deschamps (deputizing for Mr Lücker), Mrs Dunwoody, Mr Fabbrini (deputizing for Mr Marras) Mr Haase, Mr Hansen, Mr Hughes, Mr de Koning, Mr Ligios, Mr Ney, Mr Brøndlund Nielsen (deputizing for Mr Eourdellès), Lord St. Oswald, Mr Scott-Hopkins, Mr Suck, Mr Walkhoff (deputizing for Mr Frehsee) and Lord Walston.

I. Agricultural provisions of the three agreements

1. The new agreements concluded at the end of April between the European Community and Morocco and Tunisia replace the previous association agreements which were signed in 1969, subsequently adjusted following the enlargement of the Community and extended for a further period pending renewal. No preferential agreement had been concluded between Algeria and the Community as a whole, however, and the treatment applied to Algerian products (generally on the basis of bilateral agreements) differed from one State to the other. Pending the ratification of the new agreements by the Member States, an interim agreement has been introduced to enable their trade provisions to be brought into force on 1 July 1976.

2. The salient features of the new agreements may be summarized as follows:

- (a) industrial products originating in the three Maghreb countries: in general, these are allowed duty-free entry into the Community and are not subject to quantitative restrictions;
- (b) agricultural products: as will be seen later, provision is made for an appreciable reduction in the customs duties on many of these products; special arrangements have also been made for products of key importance to the Maghreb countries, e.g., wine and olive oil;
- (c) workers employed in the Community: cooperation in this sector will be directed toward preventing all forms of discrimination as regards conditions of work, remuneration and social security;
- (d) technical and financial cooperation: this will be achieved by means of EIB loans, loans on special terms and grants totalling, over five and a half years, 130 m u.a. for Morocco, 114 m u.a. for Algeria and 95 m u.a. for Tunisia;
- (e) general review: the three agreements include a general review clause. The first such review will be carried out in 1978.

3. The tariff reductions provided for in the three agreements are particularly extensive in regard to agricultural products, covering a hundred or so tariff headings. The following reductions for the Maghreb countries' main exports to the Community are given by way of example:

- citrus fruit: 80%, as in the previous agreements, but subject to observance of the reference prices;
- fresh tomatoes, peas, beans and onions: 60%, but limited to certain months of the year;
- prepared or preserved fish: 60% for tunny
100% for the rest, excluding sardines,
for which there are special arrangements;

- vegetables prepared or preserved otherwise than by vinegar or acetic acid: various reductions (30% for peeled tomatoes and asparagus, 50% for forced mushrooms, etc.);
- tomato concentrates (concerns Tunisia and Algeria only): 30% from the date and for the periods to be determined by joint agreement.

4. Special provisions are laid down for a number of other agricultural products. The import levy applicable to unrefined olive oil is reduced by 0.50 u.a. per 100 kg. Furthermore, if the three countries levy a special charge on exports of such oil, the import levy will be reduced by an amount equal to the special charge but not exceeding 20 u.a. per 100 kg. In the case of olive oil which has not undergone a refining process, only the variable component of the levy (and not the fixed component) is to be imposed on imports.

Exemption from customs duties of prepared and preserved sardines is subject to observance of minimum prices determined by the parties concerned.

5. Wine needs to be considered separately. The duties on wines from Morocco and Tunisia are to be reduced by 80%, provided that the reference price is respected. Provision is made for the total exemption from customs duties of wines in bottles having a registered designation of origin, within the limits of an annual quota of 50,000 hl.

For Algerian wines of an actual alcoholic strength not exceeding 15^o, the tariff reduction is 80%, again provided that the reference price is observed. For wines intended for fortifying, the reduction is likewise 80%. Furthermore, within the limits of an annual quota of 500,000 hl, provision is also made for a reduction of the reference price, this being 30% of the difference between the reference price and the guide price in the first year, 22.5% in the second, 15% in the third and 7.5% in the fourth.

On the other hand, Algerian wines having a registered designation of origin are totally exempted from customs duties within the limits of an annual quota of 250,000 hl in the first year, rising to 450,000 hl in the fifth.

In addition, of the 25m u.a. granted to Algeria by the Community as non-refundable aid, 12m u.a. are earmarked for the reconversion of vineyards.

6. The special duty-free arrangements currently applied to many Maghreb exports to France will continue to be applicable to products not covered by the present agreements, as well as to some which are covered and which have yet to be decided. The Commission takes the view that by the beginning of 1979 at the latest a common uniform system should be introduced and France's special measures consequently abolished.

Comments by the Committee on Agriculture

7. Since the conclusion of the agreement with Israel, which entered into force on 1 July 1975, the agreements with the three Maghreb countries are the first

to be signed in the context of the overall Mediterranean policy pursued by the Commission since 1972. They therefore provide an opportunity of ascertaining whether, and to what extent, the demands made by Parliament's Committee on Agriculture in its previous opinions on the Community's Mediterranean policy have been met¹.

8. It will be recalled that in these opinions, the Committee on Agriculture repeatedly stressed that the agreements would be inadequate if based solely on trade instruments such as tariff reductions. Concessions in the agricultural sector must, it was argued, be reinforced by other measures such as financial, technical and economic aid and assistance in the employment sector. The principal objective of granting aid to the Mediterranean countries must be to enable them to diversify their domestic production, by discouraging the output of products such as wine, for which it is increasingly difficult to find outlets in the Community, and by boosting the production of crops such as soya beans, which are imported in large quantities by the Community from other third countries and for which the Community market would therefore provide an ideal outlet.

Lastly, the Committee on Agriculture takes the view that all the agreements should not only contain safeguard clauses (observance of reference prices, timetables, etc.) designed to protect Community products such as citrus fruit and fruit and vegetables, which are increasingly threatened by Mediterranean competition, but also provide for their periodic review, so as to eliminate any obstacles or difficulties encountered during their implementation.

9. To what extent, then, do the three recently signed agreements take account of these legitimate requirements?

The Committee on Agriculture notes with satisfaction that, for the first time in the history of the Community, commercial agreements have been concluded with the Mediterranean countries which are not merely concerned with trade arrangements and the granting of tariff and trade concessions, but include a whole range of cooperation measures in the financial, technical and economic sectors, and in the employment sector.

It hopes, moreover, that the consultation machinery set up to deal with difficulties affecting the main agricultural products (e.g. citrus fruit and olive oil), coupled with the periodic reviews, the first of which will take place in 1978, will make it possible to monitor market developments and, whenever

¹See previous opinion by Mr VETRONE annexed to the reports by Mr ROSSI (Doc. 302/72) and Mr PINTAT (Doc. 385/75)

necessary, to adjust the mechanisms of the agreements.

10. In the light of these provisions, it may fairly be stated that the recent agreements with the three Maghreb countries represent, from the point of view of European agriculture, a marked improvement on the previous agreements.

It is important, however, that the cost of the trade-off for the undoubted advantages gained by the Community in the industrial field (of which the deficit in the Mediterranean countries' balance of payments with the EEC is eloquent proof) should not be borne solely, as in the past, by the agriculture of the Community's southern regions, exposed as they are to the direct competition of Mediterranean exports. The Community has undertaken to provide financial aid to support the economic growth of the Mediterranean countries, promote their industrialization and restructure their agriculture. The Committee on Agriculture notes this undertaking with satisfaction and looks forward to its gradual practical implementation.

11. It remains to be seen whether the safeguards introduced to protect Community production, especially the reference prices mechanism, are adequate, or whether it will not be necessary to strengthen them in some way, perhaps by adjusting the reference prices mechanism. Action along these lines was recently recommended by various European professional agricultural organizations.

12. These organizations maintained that the reference prices mechanism would have to be improved, especially in regard to fresh fruit and vegetables and fruit and vegetables intended for processing. It would be essential to raise these prices to allow for higher production costs and to combine this with strict control by the EEC of entry prices of fruit and vegetables from the Mediterranean countries, the establishment of precise quality standards and scrupulous observance of Community preference.

13. A potential danger does in fact exist, deriving not so much from the signing of the three new agreements with the Maghreb countries as from the accumulation of the concessions for Mediterranean agricultural products provided for in all the agreements already signed or now being negotiated with the Mediterranean countries. Whether in the agreements already signed with Israel and the Maghreb countries, or in the present association agreements with Greece, Turkey, Malta and Cyprus, or in those now being discussed with the Mashrek countries, Spain and Portugal, the Community concessions relate to essential products for the economy of these countries - citrus fruit, wine, olive oil, and so on. Thus the danger is that the sum total of the concessions granted will gradually strangle the agriculture of the southern regions of the Community and provoke harsh competition among the southern states themselves, with each striving to win a larger share of the Community market.

This danger can be avoided only by strict enforcement of the safeguard machinery of the agreements and appropriate adjustments to the reference prices and other protection mechanisms if the periodic reviews and consultations with the countries concerned show that a crisis situation has arisen. Only in this way will it be possible to avoid irreparable damage to the agriculture of the southern regions of the Community, which would otherwise result from the policy of promoting industrial exports.

14. This clearly demonstrates the need, repeatedly emphasized by the Committee on Agriculture, for the Community's Mediterranean policy to be developed in harness with regional policy measures in Community areas most directly vulnerable to too sudden or too massive an influx of products from the Mediterranean countries onto the Community markets. Only thus will it be possible to avoid a worsening within the Community of the imbalance between industry and agriculture and between the agriculture of the south, little protected and exposed to strong competition, and the agriculture of other regions, which will clearly gain from exporting products such as cereals and dairy produce, in which the Mediterranean countries are far from self-sufficient.

15. In its discussions, the Committee on Agriculture drew attention to various other requirements. It was pointed out that what had been and might be achieved in the southern regions of the Community, particularly through the regional and agricultural structure policies, may well be put at risk by agricultural concessions to the countries of the Mediterranean basin. It would be a waste of money to concentrate Community efforts on improving the situation of these regions and at the same time to deny them any opportunity of development by exposing them to ruthless competition.

Attention was also drawn to the particular situation of Greece and Turkey, countries on the northern shores of the Mediterranean and future candidates for full membership of the Community. It would be unjust if concessions to the other Mediterranean countries were to cause serious harm to Greek and Turkish agriculture, making a mockery of their special relationship with the Community.

Finally, the Commission was asked to ensure that, in the periodic reviews provided for under the cooperation agreements, the necessary steps were taken to guarantee balanced reciprocal concessions by the contracting parties.

If all these problems are to be discussed comprehensively with those directly concerned, the Mediterranean Conference proposed by the Commission should be convened as soon as possible, so that agreement may be reached on a wide range of issues by directly comparing each party's positions.

CONCLUSIONS

The Committee on Agriculture requests the Committee on External Economic Relations as the committee responsible to include the following points in its report:

The Committee on Agriculture

1. Welcomes the fact that after long negotiations it has at last been possible to conclude new agreements with the Maghreb countries;
2. Notes with satisfaction that these agreements are not confined to trade arrangements but also contain specific undertakings on the Community's part in matters of financial, technical and economic cooperation and also with regard to manpower;
3. Calls again for suitable measures to compensate the disadvantages which might result from the implementation of the agreements to particular regions or particular productive sectors in the Community;
4. Calls upon the Commission of the European Communities to supervise carefully compliance with the conditions governing the agricultural concessions, so that it can take timely action through effective safeguard mechanisms whenever serious disturbances are noted in the most sensitive sectors, such as fruit and vegetables, olive oil, wine and citrus fruit;
5. Further calls upon the Commission of the European Communities to check, especially during the periodic reviews provided for in the agreements, on the proper functioning of these agreements so as to strengthen the reference price mechanism and ensure the observance of the principle of Community preference;
6. Asks the Commission to ensure that, in the periodic reviews designed to improve the agreements, the necessary steps are taken to guarantee a balance of reciprocal advantages to the contracting parties;
7. Hopes that the future agreements now being negotiated with the other Mediterranean countries will likewise take account of the requirements to which the committee has drawn attention, especially the requirement that such agreements should not be detrimental to the Community's southern regions.
8. Emphasizes that measures taken within the sphere of the Community's regional policy must not be thwarted by concessions, particularly in the agricultural sector, having a contrary effect;

9. Trusts that agreements with the Southern Mediterranean countries will not cause prejudice to the agricultural economies of the Northern Mediterranean countries, especially Greece and Turkey;
10. Hopes that the Mediterranean Conference proposed by the Commission will be convened as soon as possible.

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman : Mr O. ESPERSEN

On 24 June 1976 the Committee on Development and Cooperation appointed Mr Espersen draftsman.

It considered the draft opinion at its meeting of 21 September 1976 and adopted it unanimously.

Present: Miss Flesch, chairman; Mr Lagorce, vice-chairman; Mr Sandri, vice-chairman; Mr Espersen, draftsman; Mr Deschamps, Mr Dondelinger, Sir Geoffrey de Freitas, Mr Girardin, Mr Jakobsen, Mr Lenihan (deputizing for Mr Nolan), Mr Ligios and Lord St. Oswald.

1. The Committee on Development and Cooperation considers that the Agreements between the Republic of Tunisia, the People's Democratic Republic of Algeria, and the Kingdom of Morocco and the European Economic Community constitute a firm basis for strengthening relations between the contracting parties and for the improvement of the economic and social situation in the Maghreb countries. The agreements provide for the implementation of provisions and measures in the fields of economic, financial and technical cooperation, trade and labour whereas Association Agreements have existed with Tunisia and Morocco since 1969 (these contained a provision specifying that 'a new agreement on a wider base' would follow), this is the first comprehensive cooperation agreement between Algeria and the Community.

2. The main provisions in the three parts of the agreement may be summarized as follows:

The agreements between the EEC and the Maghreb countries should be viewed in the context of the Community's development policy, and in particular the Lomé Convention, and take the form of cooperation agreements. This cooperation should be seen as an extension of the efforts already undertaken by the countries themselves in the context of the aims and activities of their respective development plans and programmes. It is especially gratifying to note that special emphasis is to be laid on regional cooperation and on the carrying out of integrated schemes and the coordination of several possible programmes (such as training - intervention aid - trade development).

3. The Community's financial participation in the development of the means of production and the economic infrastructure of the individual countries is of great importance since it opens up a broad range of activities. The committee therefore especially welcomes the fact that the Community is granting financial aid to the Maghreb countries analogous to the aid provided under the Lomé Convention. This financial support comprises a total of 339 m.u.a. in grants and low-interest loans over the next five years. Morocco will receive a total of 130 m.u.a. made up of 56 m.u.a. in the form of loans from the EIB, 16 m.u.a. in the form of grants and 58 m.u.a. in the form of loans on special terms. Algeria will receive a total of 114 m.u.a. made up of 70 m.u.a. in the form of loans from the EIB, 25 m.u.a. in the form of grants and 19 m.u.a. in the form of loans on special terms. Tunisia will receive a total of 95 m.u.a. made up of 41 m.u.a. in the form of loans from the EIB, 15 m.u.a. in the form of grants and 39 m.u.a. in the form of loans on special terms. After five years the conclusion of a new financial protocol may be considered.

4. Maghreb exports of raw materials and industrial products, including ECSC products, will have free access to the EEC market. This represents considerable progress. There are only two temporary exceptions to this general principle: a ceiling is set for exports of cork goods and refined oil products until the end of 1979 at the latest. The proportion of non-agricultural products in exports from the Maghreb states to the Community ranges from 42% for Morocco, to 65% for Tunisia and 92% for Algeria; a considerable proportion of these percentages is made up of exports of raw materials (crude oil, phosphates). The success of the agreement is therefore linked to the gradual industrialization of these countries, in particular with the Community's efforts to make possible local processing of the raw materials. It should also be mentioned in this context that these arrangements should safeguard supplies of raw materials from the Maghreb to the EEC. The Community will also need to give proof of its good intentions in respect of non-agricultural exports from the Maghreb, since many of these products are in direct competition with European products. The trade arrangements, which have as their ultimate objective a free trade zone in the industrial sector, can at all events be regarded as the lynch pin of the Maghreb Agreements.

For exports from the EEC to the Maghreb - approximately 3% of Community exports - the most-favoured-nation clause applies.

5. The share of agricultural exports in total exports to the EEC from the three countries varies: between 6 and 8% for Algeria, approximately 35% for Tunisia and almost 60% for Morocco. Although these agricultural imports represent only a small proportion of total EEC agricultural imports (some 0.6%), the Community itself produces a proportion of these products. It should be emphasized that the EEC has granted the Maghreb countries a preferential position by comparison with other third countries, even if some restrictions have been imposed in order to take the interests of European farmers into account. Reductions in EEC customs duties for various products range from 20 to 100% and cover between 80 and 90% of the agricultural exports. For exports of agricultural products from Morocco and Tunisia, the improvement, compared with the 1969 Agreements, amounts to some 50%. Apart from this, a reduction of 80% on the CCT is granted for wine and citrus fruits: the economic concession for olive oil is also increased.

When signing the Agreement Morocco, for whom agricultural exports are most important, stated that it was not entirely in agreement with the agricultural arrangements, since for the agricultural sector it had specifically requested a division of labour, in which it was supported by Tunisia and Algeria, since all three countries possess unused capacity in the agricultural sector. Here it must be observed that there will never be satisfactory relations between the developing countries and the industrialized nations until the latter at least open their markets to agricultural products from the developing countries. The committee therefore requests the Commission and the Council to do everything in their power to implement the proposed regulation in full and calls for a better solution to the agriculture problem in a later review of the agreements in order to emphasize the credibility of the Community's efforts to help the developing countries. The difficulties which arose over the export of fruit and vegetables from the East African Community to the EEC, because of the EEC's frequent pettiness, have not been forgotten.

6. The committee stresses the great importance of the arrangements on social security for workers from the Maghreb countries in EEC States, even though present bilateral agreements will still apply in certain cases. This question is important since some 721,000 workers from the Maghreb States (446,000 Algerians, 190,000 Moroccans and 85,000 Tunisians) are employed in the EEC. The aim of the arrangements is to guarantee non-discriminatory wages and working conditions as well as certain rights such as the freedom to transfer pensions and annuities to their own countries.

7. Compared with the Lomé Convention, the Maghreb Agreement has the great advantage of having been concluded for an indefinite period. This will benefit in particular the realization of development projects stretching over several years and it will stimulate investment, thereby contributing to the more rapid industrialization of the Maghreb countries.

8. The committee is pleased that both the Lomé Convention and the Maghreb Agreement are built round the same political objectives, i.e. the Community is repeating its intention to give active support to the developing countries as they tackle their problems. The Maghreb agreements are, therefore, after the Lomé Convention, a further important element in the EEC's general development policy. Moreover, for reasons of development policy, it is only logical for the Community to treat Africa as a unit, allowing for the fact that individual regions are at varying stages of development. This policy is also in line with the Council's decision of 23 February 1976 which specifically supported OAU activities designed to encourage African cooperation.

Although the Maghreb Agreements continue along the main lines of the Lome Convention, there are certain differences. First, the former agreements were not negotiated with the Maghreb countries acting as one unit but with each individual country, since they could not agree on a common spokesman. The Maghreb countries are geographically much closer to Europe and economically more powerful than the ACP States, and some products are in direct competition with EEC products. Terms for Maghreb exports to the EEC are therefore less generous than the provisions of the Lome Convention under which 99.3% of ACP products enjoy free access to the EEC market. It should be particularly noted that:

- the Maghreb Agreements have no regulation corresponding to the Lome Convention protocol on sugar;
- there is no provision for a STABEX system;
- the amount of technical and financial aid is less, although it must be borne in mind that the Maghreb countries are at a more advanced stage of development. In this context our committee welcomes the Commission's proposal to enter the appropriations in the Community budget and calls on the Council to take an early decision on this matter, on which The Committee on Budgets has been asked for an opinion.
- institutional cooperation is not accorded such a large place as in the Lome Convention. It would therefore also be appropriate to provide for consultative bodies in the framework of the Maghreb Agreements because the experience of Yaounde and Lome has shown what very valuable work is done by such bodies.

On the other hand the Maghreb Agreements contain some new provisions:

- the agreements are for an indefinite period;
- provision is simply made for the agreements to be reviewed - the first review to take place in 1978. The general assumption is that the Association Agreements with the ACP States will be renewed every five years, but there is no reference to this in text of the ACP Convention;
- the non-discrimination clause is more comprehensive than the corresponding clause in the Lomé Convention;
- the principle of free trade is enunciated as an objective for the future; at present the consequences are the same as for the ACP States, i.e. the principle of non-reciprocity applies;

- the Maghreb Agreements contain special clauses for migrant workers, in particular concerning the removal of social discrimination.

9. At long last the Community is working out a coherent Mediterranean policy, based on the assumption that most countries on the northern shores of the Mediterranean will one day become full members of the Community. The present agreements follow an entirely different line for there is no suggestion that attempts should be made to integrate these countries politically into the EEC. On the other hand, it was politically and economically appropriate to negotiate agreements with the Maghreb countries who might otherwise have felt discriminated against. Moreover, the EEC Treaty states that special relations should be maintained with these countries. In economic terms, these agreements can only be described as logical since the Maghreb countries are geographically very close to Europe and the major proportion of their exports goes to Europe.

10. The Community should be paid tribute for reaching an agreement with the Maghreb countries which was in some ways more difficult than the Lomé Convention, one particular problem being the greater competition of industrial and agricultural products with those of the EEC: but the Community overcame these difficulties and in doing so demonstrated its political far-sightedness.

11. The signing of the cooperation agreements between the EEC and the Maghreb countries of Tunisia, Algeria and Morocco may be described as an important step on the part of the European Community towards the acceptance of greater responsibility in the Mediterranean and the extension of its policy towards the Third World. In a certain sense, the Maghreb Agreements are an extension of the Lomé Convention and set the tone for the EEC's relationship with Africa as a whole. The conclusion of these agreements is a decisive breakthrough in the overall concept of the EEC's Mediterranean policy, for this area is now largely covered by a uniform approach.

In this context, we recall that there are already agreements with Israel, Malta, Turkey and Greece and discussions with Spain and Portugal, and the Mashrek countries - with whom an agreement similar to the Maghreb Treaties is to be concluded - as well as the growing definition of the Euro-Arab dialogue in which the Arabian oil states also take part. The aim of the EEC's Mediterranean policy must be to find a new equilibrium with the states on the Mediterranean so that this area may develop into a zone of peace and prosperity.

12. Finally, the committee hopes that in the context of the Maghreb Agreements, preferential cooperation will develop between the two partners. It considers that the new agreements open up manifold opportunities for cooperation in the economic, technical, financial and trade sectors and that these should be exploited fully. It also hopes that the agreements will serve as a basis for European cooperation in the industrialization of the Maghreb States so that the EEC may contribute substantially to the overall economic development of these countries. Moreover, it considers the Maghreb Agreements as a touchstone for the smooth operation of the Lomé Convention, for if they should fail, the EEC would have to resort to the conventional one-sided development policy pursued by some major industrialized nations.