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# Working Documents

1975-1976

21 November 1975

**DOCUMENT 385/75** 

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### Report

drawn up on behalf of the Committee on External Economic Relations

on/recent developments in the Community's Mediterranean Policy

Rapporteur: Mr J.F. PINTAT

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By letter of 29 April 1975 the Committee on External Economic Relations requested authorization to draw up a report on recent developments in the Community's Mediterranean policy.

Authorization was given by the President of the European Parliament in his letter of 22 May 1975. The Committee on Agriculture and the Associations Committee were asked for their opinions.

On 10 June 1975 the Committee on External Economic Relations appointed Mr Pintat rapporteur.

It considered the draft report at its meetings of 30 September and 21 October 1975 and unanimously adopted the motion for a resolution and the explanatory statement on 21 October 1975.

Present: Mr Kaspereit, chairman; Mr Bermani and Mr Boano, vice-chairmen; Mr Pintat, rapporteur; Mr Baas, Mr Barnett, Mr Bayerl, Lord Bethell (deputizing for Mr Dykes), Lord Castle, Mr D'Angelosante, Mr Didier, Mr Dunne, Mr Klapsch, Mr De Koning, Mr Laban (deputizing for Mr Corterier), Mr E. Muller, Mr Patiin, Mr Schulz, Mr Thornley, Mr Vandewiele, Mr Vetrone and Mrs Walz (deputizing for Mr Schwörer).

The opinions of the Committee on Agriculture and the Associations Committee are attached.

- 6. Stresses that attempts to achieve these objectives must be reconciled with the legitimate interests particularly in the agricultural sector of the people of the Mediterranean regions of the Community, who are the first to suffer from the adverse effects of tariff concessions granted to third countries;
- 7. Feels, therefore, that it is important that the Community should have at its disposal the resources to enable it to take special measures, whenever the need arises, in favour of these regions;
- 8. Supports the proposals from the Commission of the European Communities for a policy on long-term export contracts and requests the Council to instruct the Commission to take action in this matter;
- 9. Also emphasizes the need to safeguard the advantages granted to associated countries which are potential members of the Community, but are not directly concerned by the implementation of the overall Mediterranean policy;
- 10. Trusts that this cooperation will cover, in addition to the economic sector, matters of common interest such as scientific research, protection of the environment and the safeguard of cultural heritages;
- 11. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

#### EXPLANATORY STATEMENT

#### 1. HISTORICAL BACKGROUND TO THE CONCEPT OF A COMMUNITY MEDITERRANEAN POLICY

1. With two of its Member States bordering the Mediterranean, the European Community has, since its foundation, enjoyed privileged relations with the other countries of the Mediterranean area.

The provisions of the Treaty of Rome were, pursuant to Article 227, applicable to the French départements in Algeria.

Various protocols and declarations of intent annexed to the Treaty specified, moreover, that application of the latter would involve no change in the tariff arrangements which were applicable when the Treaty entered into force to French imports from Morocco and Tunisia and Italian imports from Libya. In this situation the Member States of the Community were prepared, after entry into force of the Treaty, to open negotiations with Libya and the former French protectorates in North Africa - then members of the franc area - with a view to concluding economic association agreements with the Community.

- 2. Some years later, at the beginning of the 1960's, the Community concluded association agreements, based on Article 236 of the Treaty, first with Greece and then with Turkey; the intention was that after a transitional period of development, these two countries should join the Community.
- 3. Beginning in 1969 the Community extended its relations to other Mediterranean countries and concluded, on the basis of Article 238 of the Treaty, association agreements with Morocco, Tunisia, Malta and Cyprus and, on the basis of Article 113, preferential agreements with Spain, Israel, Egypt and Lebanon as well as a non-preferential agreement with Yugoslavia.
- 4. The Community has thus moved progressively towards contractual relations, varying in degree and significance, with most of the Mediterranean countries. Libya and Albania are still the only outsiders.

But does this mean that these various agreements were the result of an ordered and preconceived plan to establish relations between the EEC and the Mediterranean world? Certainly not, and Mr Rossi,

- 'the consequences of the enlargement of the European Community for its relations with the Mediterranean countries' (Doc. 302/72) on the state of progress of Community policy in this field. Parliament approved 'an overall approach to a Community Mediterranean policy, coherent in its principles, but adjusted in the light of the special situation of each of the countries concerned.'
- 13. The time has come, two and a half years after our Parliament last expressed its opinion, to take stock of the development of the Community's Mediterranean policy and to adopt a position on the outstanding problems in this field. The following considerations are offered with this in mind.

#### II.PROBLEMS AND DIFFICULTIES IN ADOPTING AN OVERALL MEDITERRANEAN POLICY

14. What point has the Community's Mediterranean policy reached early in the autumn of 1975?

Without wishing to be unduly pessimistic, any impartial observer can see that progress in this field has run into a number of obstacles, both internal and external to the Community, which have considerably interfered with the schedule set out by the Commission in its communication on the overall approach.

The Commission intended that the new agreements concluded with the Mediterranean countries under the overall policy should enter into force on 1 January 1974; it must be recognized, 18 months after this date, that what has actually been done falls far short of this initial objective. As we shall see in greater detail further on in this report, the only positive step has been the agreement signed on 11 May 1975 - which entered into force on 1 July - between the EEC and the State of Israel (replacing the 1970 agreement).

As for the rest, the negotiations with Spain and Malta were interrupted several months ago, those with the Maghreb countries are marking time, whilst those with the Eastern Arab countries (Egypt, Lebanon, Syria and Jordan) have not yet begun.

15. How can these delays, not to say failures be explained, when, during the same period, the Community has succeeded in drawing up a coherent policy vis-à-vis the 46 developing countries of Africa, the Caribbean and the Pacific now linked to it by the Lomé Convention?

There would seem to be three sets of reasons, of varying scope and significance:

#### (a) The ambiguities of the concept of a Mediterranean policy

16. The entire Mediterranean area shares the same climate, soil, agricultural production (wine, olive oil, citrus fruits, fruit and vegetables, etc.) and has more or less the same industrial structures. The Community with its southern regions (South of France, Italy) forms an integral part of the Mediterranean world; its agricultural produce thus competes with that of the countries concerned. At the same time, however, its constitutes their principal market. Furthermore, the Community exports a good part of its cereal, meat and dairy production to these countries and supplies a high proportion of their requirements for industrial products, equipment and manufactured goods.

The Community thus finds itself in the ambivalent position of competitor and privileged partner vis-à-vis its Mediterranean neighbours, a situation which does not make it easy to devise a coherent Community policy.

- 17. But the implementation of an overall Mediterranean policy rests on political and social considerations just as much as on strictly economic The centuries of historic and commercial relations between the two shores of the Mediterranean, similarities of civilization, closeness of human relations, the interest of all Mediterranean countries in turning the area into a 'sea of peace' beyond the rivalry of the super powers, the contribution of labour by several of the Mediterranean countries to the Community's booming economy: all these are reasons for encouraging a strengthening of solidarity between the various partners. Furthermore, the need for Europe to secure stable supplies of the raw materials which it lacks - which is far more a political than an economic problem - constitutes a further - and fundamental - reason for strengthening relations with the producing countries in the Mediterranean area. Through close cooperation, the Community can help to meet the needs of these countries for capital goods, receiving in exchange the raw materials which it lacks. However, in the absence of a common energy policy, with a regional policy still in its infancy, with often conflicting interests in the agricultural sector, the Member States of the Community find it difficult to agree on the objectives and means of such cooperation. enlargement of the Community in 1973 and the shifting of its centre of gravity towards the north and west of Europe have added to the difficulties of the Nine in reaching a common position in their relations with the Mediterranean countries.
- 18. Geographically speaking, the concept of a Mediterranean policy is not without its ambiguities. The Commission considered in its memorandum referred to above that although the geographic limits of the region could not be precisely defined, it did appear necessary, in the interests of an effective Mediterranean policy, to 'confine Community aid to countries actually bordering the Mediterranean', subject to certain adjustments which might be dictated by regional integration policy requirements. Jordan a country which does not border on the Mediterranean has benefitted from this exception.
- 19. Certain Member States, however, believe that other Middle East countries which do not border on the Mediterranean should also be covered by the overall Mediterranean policy. This is the case with Iran, for instance, whose relations with the Community raise awkward economic and political problems. The Commission is hostile to this interpretation, arguing that, with one exception after another, it would be liable to extend the Mediterranean policy to a large part of the world and would inevitably cause difficulties with the other major western industrial powers such as the United States and Japan.

#### (b) Uncertainties in the Community

20. We have already referred to the contradictory economic interests of the Community in the implementation of an overall Mediterranean policy. As both a preferential partner and a competitor for the agricultural exports of the other Mediterranean countries - exports which constitute the main resources of these countries - the Community has basically still not found an answer to a range of options that are difficult to reconcile. It has been said that at Council meetings the views of the ministers of agriculture - economic views - have more often than not clashed with those of the foreign ministers - political views.

Indeed, since 1973, the Community has been very slow to move towards a definition of the content and measures of its Mediterranean policy and the Council's directives to the Commission on the opening of negotiations with the Maghreb countries, Spain and Israel were only given after long drawnout discussions.

- 21. These negotiating directives were first given in mid-1973. They soon proved inadequate and negotiations were suspended in October 1973. The problem has now been for several months to reach an agreement within the Council on the drafting of new negotiating directives for these countries and Malta. It was only on 17 September 1974 that the Council formally adopted the text of the new Community offers. The negotiations were resumed in the autumn of 1974 but have not so far been completed except, in May 1975, with the State of Israel. The negotiations with the Western Arab countries (Egypt, Lebanon, Syria and Jordan) have not yet started even though the Commission had proposed opening them in January 1975.
- 22. It is not possible in this report to give a final summary of the numerous meetings the last took place on 16 September 1975 at which the Council has dealt with the problem of the implementation of the common Mediterranean policy, nor to go into detail on the often very technical problems brought up at them. We shall confine ourselves to outlining the main obstacles which over the past few months, have prevented Community concessions from being drawn up.
- 23. The first directives adopted by the Council on 25-26 June 1973 for the negotiations with the three Maghreb countries, Spain and Israel offered these countries agreements that sought to remove the majority of trade barriers.

The Community proposed removing tariff and quota restrictions on the import of all industrial products either immediately or in accordance with a timetable stretching over several years. Further, it offered tariff concessions on a large part of its agricultural imports from each of these countries. Israel and Spain, for their part, were to remove in stages restrictions on imports of industrial products and agree to concessions on agricultural exports from the Community. The agreements will include

provisions in cooperation varying from country to country. For the Maghreb, for example, the Community proposed economic, technical and financial cooperation as well as various measures benefitting migrant workers from these countries.

24. The negotiations conducted by the Commission with the various countries from July until October 1973 made plain their dissatisfaction with the Community's terms: too few agricultural concessions, cooperation not clearly specified.

At the end of October 1973 the Commission reported to the Council on the results of the first phase of the negotiations. While emphasizing the agreement in principle of the parties concerned on objectives, the Commission pointed out that there were serious differences regarding the procedures and methods to be adopted.

In view of these results the Commission proposed a number of basic guidelines and invited the Council to new discussions.

25. During the first half of 1974 new Community concessions were drawn up.

Serious differences soon became apparent among the Member States, relating chiefly to :

- the transitional customs arrangements which the new Member States were to apply to the Mediterranean countries, since the alignment of their customs tariffs with those of the Community involved duty increases which the British Government, in particular, refused to accept;
- the amount of money to be made available in financial assistance to the Maghreb countries
- the arrangements to be made for agricultural imports, particularly for Algerian wine;
- the concessions to be offered to Israeli and Spanish citrus fruit.
- 26. Finally, after numerous delays, the Council reached a compromise in July 1974 (formally approved in September) enabling the negotiations to recommence on new terms.

The additional Community concessions were mainly concerned with EEC import arrangements for certain agricultural products, financial assistance (a total of 360 m u.a. was set aside for the Maghreb countries and Malta), the arrangements for Algerian wine, the problem of migrant workers from the Maghreb countries and finally the tariff arrangements for petroleum products.

27. The negotiations were reopened on these new terms in the autumn of 1974 and the spring of 1975. Although difficulties were encountered, they

culminated in the signature in May 1975 of an Agreement with the State of Israel. It has not yet been possible to conclude the negotiations with the Maghreb states mainly because of difficulties concerning concessions in the agricultural field. Italy has long held that new concessions in this sector were not possible. At a COPA meeting, Community farmers expressed their concern at the additional concessions being offered which were liable to result in a full-scale free trade area between the EEC and the Mediterranean countries.

Finally, on 24 June last, the Ministers of Agriculture agreed on a new compromise on safeguard measures to be taken within the EEC with regard to imports of wine, fruit and fresh vegetables and preserved goods.

The moetings of foregin ministers held on 22 July and 16 September 1975 which were largely concerned with the problem of implementation of the Mediterranean policy, reviewed the outstanding problems in this sector. We shall examine below in greater detail the progress, country by country, of the various negotiations.

- (c) Conflicts of interest between the various Mediterranean countries
- 28. The implementation of an overall Mediterranean policy implies, notwithstanding local interests and inequalities in development, the existence of common interests among the various Community partners. Now, the question arises whether the disparities between them whether economic, political or demographic are not so great as to compromise the effective application of an overall Mediterranean policy which includes all the countries of the region and is based on identical principles and on solidarity between all the parties involved.
- 29. Quite apart from Libya and Albania, which have opted to have no contact at all with the Community, both Greece and Turkey also remain effectively outside the field of application of this policy. The relations of these two countries with the Community since the early 60's are governed by the Association Agreements of Athens and Ankara and by other related texts.

Destined sooner or later to become full members of the Community (Greece, it will be recalled, tabled a formal application for membership last June), the interests of these countries conflict with those of the other Mediterranean states: any new concessions granted to the latter will make inroads into their own preferences. This is a point which the Turkish members of the Joint Parliamentary Committee have repeatedly emphasized.

Yugoslavia, finally, a socialist country, has only concluded a nonpreferential agreement with the Community and remains outside the terms of the overall policy. 30. The other countries concerned by the overall approach are the three Maghreb countries, the four Western Arab countries, Israel, Malta, Cyprus and Spain.

The economic and demographic strength of these various countries are far from identical - Israel and Spain are both industrially strong in certain sectors and cannot be considered as developing countries. To a large extent the situation in Cyprus was comparable before the Turkish invasion in the summer of 1974 and the ensuing complications. By contrast, the three Maghreb countries are only beginning to industrialize and rely mainly on their agricultural exports (but Algeria, an oil producer, and Morocco, which produces phosphates, are not in the same position as Tunisia).

The four Arab countries concerned (Egypt, Lebanon, Syria and Jordan) are primarily producers of raw materials (with Lebanon, in addition, having a highly developed tertiary sector) and their overall level of development remains low.

- 31. The Mediterranean policy and this is one of its basic principles implies the implementation of reciprocal preferences between the various partners. A balance of this kind even if only relative would appear possible with Spain, Israel and Cyprus. It is more difficult with the Maghreb countries and Malta. It becomes distinctly problematical with the Western Arab countries. It might well be asked whether, finally, future agreements with the Arab countries should not be limited to unilateral tariff concessions by the Community and to a financial aid fund, with the Mediterranean policy becoming part of the Community's development aid policy.
- 32. In view of these disparities, then, the various agreements even if theoretically they should contain the same three elements (liberalization of trade in the industrial sector, tariff concessions in the agricultural sector, implementation of a cooperation policy) would in fact be very different in content and scope.
- 33. Political and economic solidarity amongst the various parties to the Mediterranean policy is often little more than wishful thinking as is amply shown by the Cyprus problem and the Israeli-Arab conflict.
- 34. Limited as regards its territorial coverage, diversified in its content, handicapped by the lack of solidarity and the conflicting interests of the various parties involved, the Community's Mediterranean policy is built, as we have shown, on a number of ambiguities which have certainly not all disappeared.

These factors explain the slowness and difficulties of the negotiations being held with the various countries concerned.

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#### III. PROGRESS OF THE NEGOTIATIONS WITH THE MEDITERRANEAN PARTNERS

35. As we have already said, only the negotiations with Israel have been successfully concluded so far. The new agreement entered into force on 1 July 1975, replacing the previous agreement of 1970. Without wishing to go into the details of the agreement's content (see Patijn report on this subject, at present in preparation), we should like briefly to summarize its essential features.

It is a preferential agreement of unlimited duration concluded under the provisions of Article 113 of the Treaty of Rome. It provides for the setting up of a complete free trade system in the industrial sector, between now and 1 July 1977 for Israeli products exported to the Community, and between now and 1 January 1980 for approximately 60% of Community exports to Israel, with total tariff freedom for the remaining products by 1985 (subject to Israel's right to protect its newly-established industries).

The EEC will remove quotas on some 85% of Israeli agricultural exports to the common market and grant tariff reductions of 50% or more for two-thirds of these products. In return, Israeli produce must comply with the rules of the common agricultural policy. Duty reductions of between 15 and 25% will be granted on a restricted list of Community agricultural products. 'General reviews' will be conducted and may extend the field of application of the agreement.

A joint committee will have the task of looking into methods for promoting the diversification of trade, for facilitating the transfer of technological information and for encouraging private investment.

The negotiations with the other countries, by contrast, have run into various difficulties which have prevented signature of an agreement within the planned time limits.

36. Talks with <u>Spain</u> have again been suspended (since November 1974) owing to differences between the two sides on the extent of concessions in the agricultural field and the timetable for tariff reductions in the industrial sector. Following unofficial conversations it now appears that a compromise between the two points of view may be possible which would permit a recommencement of negotiations.

In the meantime the preferential agreement - which entered into force on 1 October 1970 - continues to be applied.

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agricultural policy, so that its agricultural products may receive equality of treatment on the Community market. For its part, the Community is to provide Greece - under a new financial protocol - with technical and financial aid to enable it to reach this objective. Preliminary contacts have been established to prepare for the negotiations proper.

Greece's principal exports of agricultural products to the EEC are tobacco, fresh stone fruit, wine, olive oil, fresh grapes, lemons, fresh and frozen fish and citrus fruits.

TURKEY: has requested the conclusion of the first and the initiation of the second so-called 'agricultural reassessment' provided for in Article 35 of the Additional Protocol. With its trade balance with the EEC constantly deteriorating, Turkey fears that its own products may enjoy less favourable EEC concessions than those accorded to competing products of other Mediterranean countries. In addition, Turkey is urging speedy renewal of the Financial Protocol due to expire in May 1976. The Community ought shortly to submit definite proposals to Turkey concerning the agricultural sector.

Turkey's main exports to the Community are cotton, hazel-nuts, tobacco, dried grapes and figs, fruit and vegetables and olive oil.

#### MAGHREB COUNTRIES

ALGERIA, MOROCCO and TUNISIA: although there is no preferential relationship between Algeria and the EEC, the Association Agreements signed in 1969 with the other two Maghreb countries were subsequently adapted following the enlargement of the Community and temporarily extended beyond the initial period of five years, pending renewal.

However, certain obstacles have come in the way of renewal. Firstly Italy has insisted that any new concessions should be accompanied by a preliminary agreement giving compensation to Southern Italian agriculture, which would be adversely affected by competition from the other Mediterranean countries. Once this obstacle was overcome, the olive oil war' flared up plus the fishing boat war with Tunisia, and the problems of Algerian wine and mineral oil have become more acute. In theory, therefore, only the negotiations with Morocco might be brought to a swift conclusion, providing that the latter country disassociated itself from the position adopted by Tunisia, which would be an extremely unlikely development.

The new aspects of the fresh agreements should principally lie in the tields of <u>financial</u>, <u>technical</u> and <u>industrial</u> <u>cooperation</u> as there is hardly any room for further concessions in the agricultural sector, not least because France, the main outlet for the agricultural products of the Maghreb countries, has maintained its preferential system with these countries.

Disregarding for a moment the main exports of the three Maghreb countries (hydrocarbons, natural gas, phosphates and superphosphates) and confining our attention to the agricultural sector, we should recall that Algeria's main exports to the EEC are wine and citrus fruit those of Tunisia olive oil and citrus fruits, while those of Morocco are fruit and vegetables, preserved fish, olive oil and citrus fruits. Their main imports are common wheat, dairy products and sugar.

#### MACKREK COUNTRIES

<u>LEBANON</u>: the original non-preferential agreement, signed on 21 May 1965, has again been extended until 1 July 1976. This merely stipulates that each party should accord the other most-favoured-nation treatment; no action has been taken to implement the provisions for technical cooperation. The subsequent preferential agreement signed on 18 December 1972 has never come into force, since it has not been ratified by Lebanon.

Negotiations with Lebanon are due to open at the end of this year, together with those with Egypt, Syria and Jordan. The type of agreement aimed at should not be very different from that of the agreements with the Maghreb countries. However, the present state of civil war in Lebanon makes any prediction somewhat hazardous.

Lebanon's exports to the EEC include citrus fruits, dried fruit and vegetables, dehydrated garlic and onions, unrefined olive oil and tobacco, while its imports include meat, cereals and vegetable fats.

EGYPT: the preferential trade agreement with Egypt, signed on 18 December 1972, came into force on 1 November 1973 and will expire on 1 November 1978. As regards agricultural products, the agreement provides for tariff concessions on rice, garlic and dried onions and citrus fruits (40% reduction of the CCT).

The next agreement will also include provisions for financial aid.

Egypt's exports to the EEC include raw and manufactured cotton, rice, tobacco, citrus fruits, fresh onions and garlic.

SYRIA AND JORDAN: these countries do not yet have any trade agreement with the EEC; negotiations are due to open at the end of the year, together with those with Lebanon and Egypt. The agricultural exports of these two countries are somewhat limited: Jordan exports dried fruit and vegetables, medicinal plants and sheepskins; Jordan apparently wishes to obtain EEC concessions for tomatoes and durum wheat. Syria exports cotton and is a big producer of wheat and barley.

ISRAEL: the new Agreement, superseding that of 1970, came into force on 1 July 1975. In the agricultural sector it comprises tariff reductions for a certain number of products (oranges and mandarines 60%, lemons 40%, grapefruits 80%, etc.) and provides for guarantees (compulsory observance of reference price, hatables, tariff quotas). It makes provision for general reassessments, the first being scheduled for 1978. The joint committee set up by the agreement will be required to work out ways and means of establishing cooperation between the contracting parties to complement their trade relations.

Israel is second only to Spain as the largest exporter of citrus fruits to the Community.

MALTA: the Association Agroement with Malta, which came into force on 1 April 1971, is incomplete, since it is limited to industrial products, for which a customs union is to be instituted during the second stage of the agreement due to start on 1 April 1976. There are no provisions for agricultural products, or for any form of cooperation.

The main differences encountered during the negotiations for a new agreement were in respect of the volume of financial aid, actually quite modest, requested by Malta (30 million u.a. over five years). Agreement was recently reached on 26 million u.a. Malta also wishes to obtain considerable tariff reductions for its agricultural exports: potatoes, tomatoes, onions, flowers, strawberries, etc.

CYPRUS: following the serious crisis in Cyprus, contacts aimed at improving the Association Agreement signed on 19 December 1972 were broken off; they should be reestablished in principle after the signing of the agreements with the Maghreb countries. The present, very limited, agreement provides, as regards Cyprus' agricultural exports to the EEC, for total exemption for carob beans, a 40% duty reduction on citrus fruits, and certain special concessions for exports of 'Cyprus sherry' to the United Kingdom and Ireland. There are no provisions for financial and technical cooperation.

SPAIN: the agreement signed on 29 June 1970 was to have been extended and adapted by the negotiations now in progress; however, these negotiations have been suspended following the recent events in Spain.

The 1970 agreement was a preferential trade agreement in two stages, the first of which was due to last at least six years: the transition from the first to the second stage will be made, if it is made, by joint agreement between the two parties. As regards agricultural products, the Community has granted concessions on a considerable number of Spanish products, such as citrus fruits subject to customs duties equal to 60% of the CCT), fresh figs (30% reduction) and dried figs (70% reduction but with an annual quota of 200 tonnes), fresh grapes (50% reduction from 1 January to 31 March) and dried grapes (100%, but with an annual quota of 1,700 tonnes), seeds (50%), anchovies (50%), mushrooms, capers, carob beans, dates, avocados, coconuts, apricots, peaches, pears and apples, etc.(50% reduction).

Agricultural products represented 75.9% of all Spanish exports to the EEC in 1958, 66.4% in 1964 and 44.5% in 1971. Spain is the largest exporter of citrus fruits to the EEC (1,156,198 tonnes in 1972).

PORTUGAL: the trade agreement with Portugal, signed on 22 July 1972, is exclusively concerned with trade, and is the only agreement signed with one of the EFTA countries (except for that concluded with Iceland, which provides for concessions in the fishing sector) containing provisions for non-processed agricultural products. These provisions particularly concern tomatoes, (50% reduction in January), fresh table grapes (from 1 January to 31 March), walnuts, carob beans (50% reduction), early potatoes (33% in January and February) and strawberries (15% from October to February); there are also reductions on various types of fresh and processed fish. A new agreement would grant further concessions in the agricultural sector.

The Council recently decided on the amount and type of financial aid to be granted to Portugal.

YUGOSLAVIA: the non-preferential trade agreement with Yugoslavia came into force on 1 September 1973. It is somewhat limited in scope: the Community and Yugoslavia accord each other most-favoured-nation treatment as regards customs duties, and there are less restrictions on imports and exports than normally exist between the EEC and third countries. There are also provisions for reductions of the Community levy on imports into the EEC of Yugoslavian beef. Finally, the Joint Committee set up under the agreement has the task of defining ways and means of promoting the development of economic and trade cooperation.

No specific action has yet been taken on the question of cooperation, the aspect which most of all interests Yugoslavia. Development of the strictly commercial side of the agreement does not much interest that country.

#### REMARKS

- 4. It should be recalled that the Committee on Agriculture has already expressed its views on the principles on which the Community's Mediterranean policy should be founded. These principles, which are equally applicable today are recapitulated below:
- relations with these countries should be based on something more than mere trade instruments;
- it is preferable to introduce instruments promoting an intense <u>policy of cooperation</u> rather than to create a free trade area for all agricultural and industrial products;

See report by Mr ROSSI of 28.2.1973 (Doc. 302/72), with annexed opinion of Mr VETRONE on behalf of the Committee on Agriculture

- preferential measures granted to the countries of the Mediterranean basin in the agricultural sector must have clearly defined application as regards observance of <u>reference prices</u>, <u>the timetable</u>, <u>etc.</u>, and <u>development in stages</u>;
- there should be <u>coordination</u> between regional and structural policy, favouring Community agriculture threatened by the competition of Mediterranean countries, and the policy of concessions towards these countries:
- all agreements should make provision for a <u>periodical reassessment</u> in the light of the principle of reciprocity and progress made within the framework of the Community's regional policy.
- 5. Although these principles are considered by the Committee on Agriculture, to be still valid today, it seems that they are only partly respected in the negotiations now in progress, particularly in respect of trade instruments, cooperation and aid and also as regards coordination with the regional policy.

This concentration on trade instruments can be observed, in the new agreements, in the way further concessions are granted, especially in the agricultural sector, in exchange for the removal of barriers to trade in industrial products. Such policy is inadequate, firstly because the Mediterranean countries would have difficulty in increasing still further the volume of their agricultural exports, and secondly because competition between these countries, with each one hoping to win a larger share of the Community market, might well compromise the Community's endeavours to achieve an harmonious development of relations between the Community and non-Community countries of the Mediterranean, not only on a north-south basis, but also as regards relations between the Mediterranean countries themselves. Furthermore, any development of the agricultural exports of these countries would be a direct threat to the 'sensitive/Community markets, such as those in wine, fruit and vegetables, citrus fruits and olive oil.

6. Other instruments should therefore be employed, the most important ones undoubtedly being <u>economic</u>, <u>technical</u> and <u>financial</u> aid and <u>cooperation</u> with the Mediterranean countries and in the matter of <u>labour</u>.

We have already shown above how this aspect has been almost completely neglected in the agreements now in force, even in the only agreement yet concluded within the framework of the new concept of an overall Mediterranean policy, that signed with Israel. That agreement confines itself to a statement of intention, leaving the joint committee to consider all future developments.

Even in the negotiations now in progress, the insertion of such provisions gives rise to certain problems and diverging views among the Community countries. This is due either to budgetary considerations or to a desire not to discriminate against or harm other developing countries outside the Moditerranean area, or to specific political factors, such as the special ties (positive or negative) which link some Member States to individual Mediterranean countries.

- 7. In the view of the Committee on Agriculture, however, these difficulties must clearly be overcome, for the development of the entire Mediterranean area can only be brought about by aid and cooperation. Community aid can help to facilitate the attainment of the economic development objectives set for themselves by the Mediterranean countries, such as:
- developing their still young industries;
- diversifying their present crops. It is well known that these have in some cases been imposed on the countries concerned (e.g. the vineyards in Algeria) against their own interests and needs. Instead of the crops in question, others might be economically more advantageous for these countries, which could, for example,
  - (a) concentrate on crops such as cereals and sugar, of which they are at present large importers - a fact that greatly impairs their trade balances;
  - (b) try to develop those crops (the most quoted example being <u>soya beans</u>) imported in very large quantities by the EEC from other third countries, for which the Community market would evidently represent an ideal outlet.
- 8. Nor should it be forgotten that the advantages offered by the Community to the Mediterranean countries will always be somewhat limited, in absolute terms, if they do not extend beyond tariff concessions. The following facts show why this is so:
- the worsening situation of these countries' balance of payments, being importers of industrial products, while the Community countries' balance of payments show an improvement
- the Maghreb countries already enjoy exemption from duties on the French market on account of their former ties with France; the entry into force of the new agreements (with compulsory observance of reference prices) will be a set-back for these countries;
- it is frequently more convenient and advantageous (in the case of citrus fruits, for example) for a Mediterranean country to be treated like other third countries (under the transition arrangements at present in force for the U.K., Denmark and Ireland), which is then able to export large quantities at low prices that are below the prices fixed under the EEC agreements, thereby relinquishing its rights to Community preference;

- as has already been mentioned, it would be difficult for these countries to increase the market for their agricultural products in the Community, nor would such an increase be desirable from the point of view of Community agriculture in southern regions;
- not all experience of past agreements has been positive: consider for example, the 'olive oil war' with Tunisia, the negligible results of the agreements with Lebanon, Malta etc.

All these factors demonstrate the need for tariff and trade concessions to go hand in hand with other practical measures, above all in the field of cooperation.

- 9. In this context brief mention should be made of a further problem, to which the Mediterranean countries attach very great importance and which, within the framework of overall Community concessions not only in relation to the trade sector should be given proper consideration, not least by reason of its human implications: the problem of migrant workers from the Mediterranean countries, with particular emphasis on the issue of social security. This question must be considered and solved at Community level, so that these countries may be offered a number of privileges not merely consisting, as in the past, of tariff reductions in the agricultural sector, but a balanced package of measures encompassing all aspects of relations with these countries.
- 10. The considerable volume of Community agricultural food exports to the Mediterranean countries (cerals, dairy products etc.) should also be borne in mind. It is clearly in the interests of these countries not to increase these imports on too large a scale, for any short-term price advantage would in the long-term mean less efforts being made to diversify their own production, and which would increase both their dependence on other countries and their trade deficit. The Community too should take this factor into account, and adapt its position during the negotiations accordingly.
- 11. As regards the application to these countries of preferential measures in the agricultural sector, reference should only be made at present to the Agreement with Israel, which is the sole agreement to have entered into force. This lays down precise timetables and establishes quotas for certain products and insists on observance of the reference price. The Committee on Agriculture hopes that all these guarantees will be included and, above all, correctly applied under all the new agreements.

The aforementioned agreement also provides for periodic reassessments of its operation, as was requested at the time by the Committee on Agriculture, If correctly implemented, this measure will make it possible to prevent abuses, complications and disturbances on the Community market as well as on the markets of the Mediterranean countries.

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12. As regards the possible linking of regional and structural policy with the Mediterranean policy, we have not yet got beyond the statement of principles stage. While the Mediterranean policy has made no great strides forward, regional policy, particularly to assist the areas of the Community most directly threatened by the competition of exports from Mediterranean countries, has not come much further. The latest reductions to the Community budget in this sector are clear proof of this.

We can, however, note with satisfaction that the recent compensations accorded by the Community to Italy in the citrus fruits sector, although limited, will help reduce the problems in this sector.

13. Finally, the Committee on Agriculture noted the special problem faced by Portugal, a country which, while not belonging directly to the Mediterranean area, certainly forms part of it by social and economic affinity (type of production, development, etc.). It therefore urged the Commission of the European Communities to include Portugal in the Community's overall policy towards the Mediterranean countries, with a view to extending to it the benefits of this policy.

#### CONCLUSIONS :

The Committee on Agriculture,

- 1. Greatly regrets the delays and contradictions that have characterized the conduct of negotiations with the countries of the Mediterranean basin, these being obstacles that may call in question the entire concept of the Mediterranean policy;
- 2. Expresses the wish that Portugal too, if it so wishes, should play a part in shaping Mediterranean policy, with a view to further developing its relations with the Community;
- 3. Reaffirms the principles it has expressed in the past as regards the agricultural implications of this policy, and in particular the belief that relations with the countries concerned must be based on something more than mere trade instruments such as tariff reductions;
- 4. Considers, therefore, that in order to ensure that the conclusion of agreements with the Community may clearly benefit the Mediterranean countries, concessions in the agricultural and industrial sectors should be reinforced by a package of other measures, particularly in the field of financial, technical and economic aid; and in the matter of labour:
- 5. Considers, therefore, that aid and cooperation should be offered to the countries of the Mediterranean basin with a view to assisting them to diversify their domestic production, particularly in products suitable for export to the Community;

- 6. Emphasizes the need for all future agreements to contain precise safeguard measures (observance of prices, quotas, timetables) and provision for periodic reassessments of the results achieved in administering these agreements, so as to eliminate any obstacles or disturbances in that respect.
- 7. Considers it necessary, however, that agreements with the Mediterranean countries should be offset by measures within the framework of regional and structural policy to favour the Southern regions of the Community which are most affected by this policy.

#### OPINION OF THE ASSOCIATIONS COMMITTEE

Draftsman : Mr L. FELLERMAIER

On 18 June 1975 the Associations Committee appointed Mr Fellermaier draftsman.

It considered the draft opinion at its meeting of 23 October 1975 and adopted it unanimously.

Present: Mr Schuijt, chairman; Mr Hansen, vice-chairman; Mr Barnett, Mr Boano, Mrs Carettoni Romagnoli, Mr Concas, Mr Corrie, Mr D'Angelosante (deputizing for Mr Lemoine), Mr Dunne, Mr Durand (deputizing for Mr Bourdelles), Mr Girardin, Mr Giraud, Mr Glinne, Mr Hughes, Mrs Kellett-Bowman (deputizing for Mr Jakobsen), Mr Klepsch, Mr Laudrin (deputizing for Mr Rivierez), Mr Pianta (deputizing for Mr De Clercq), Mr Schwörer(deputizing for Mr Jahn) and Mr Vetrone.

Mr Romualdi also attended the meeting as an observer.

1. The Associations Committee is responsible 'for all relations with all associated Mediterranean countries'  $^{1}$ .

Consequently, it is extremely interested in the efforts made by the Community since October 1972, when the Commission submitted to the Council a communication on all relations between the Community and the Mediterranean countries, to work out an overall and coherent approach to relations with the other countries of the Mediterranean basin.

2. Until then, relations had consisted of separately concluded bilateral agreements with an increasing number of Mediterranean countries. This lack of an overall approach meant that some countries benefited more than others, although this was not necessarily the Community's intention.

The following types of agreements have been concluded with the Mediterranean countries, in order of their importance:

- Association Agreements with Greece and Turkey,
- Malta and Cyprus,
- Morocco and Tunisia;
- preferential trade agreements with Spain, Israel, Egypt and Lebanon;
- non-preferential trade agreement with Yugoslavia.
- 3. According to the Commission, the overall Mediterranean policy should not be designed to standardize the content of the agreements proposed to all the Mediterranean countries. Despite a certain similarity in their climates and economic structures, the size of the populations and degree of development of these countries differ considerably.

All these agreements, however, should have the following three characteristics: liberalization of trade in the industrial sector, tariff concessions in the agricultural sector, and the introduction of a policy of cooperation, the extent of the various concessions and financial aid given under the terms of this policy being determined by the degree of development and wealth of the country concerned.

- 4. This overall approach does not involve Greece or Turkey, since the development of their relations with the Community is assured by the provisions of the Association Agreements of Athens and Ankara and the various supplementary protocols.
- 5. The introduction of the overall Mediterranean policy has met with considerable difficulties, especially as a result of disagreement both inside and outside the Community on the extent of the concessions to be granted to

See Resolution of the European Parliament of 10 March 1975 - OJ No. C 76, 7.4.1975

the Mediterranean countries. The only negotiations to be successfully completed were those with the state of Israel, in the spring of 1975: the new Agreement came into force on 1 July 1975.

Negotiations with the three Maghreb countries, Spain and Malta, which opened in the autumn of 1973, have not been completed owing to disagreement on the extent of Community concessions in the agricultural and financial sectors. Negotiations with the four Arab countries of the Middle East (Egypt, Syria, Lebanon and Jordan) have not yet begun.

6. Despite these difficulties it is worth considering the consequences of the introduction of the overall Mediterranean policy on the associated countries.

Article 238 of the EEC Treaty, although it provides for the conclusion by the Community of agreements establishing an association with third countries, does not give any legal definition of the concept of association. The Treaty merely states that an association is characterized by reciprocal rights and obligations, common action and special procedures.

Such agreements are concluded by the Council after consulting the Assembly.

7. As stated above, the Community has up to now concluded Association Agreements with six countries of the Mediterranean basin: Greece, Turkey, Malta, Cyprus, Morocco and Tunisia.

However, the scope of these Agreements varies considerably.

The Agreements concluded in 1970 with Morocco and Tunisia, which have just been extended, in the hope of a positive outcome to the current negotiations with these countries as part of the overall policy, until 31 December 1975 at the latest, differ only very slightly from the preferential trade agreements concluded by the Community under the terms of Article 113 of the Treaty.

Only the Associations concluded with Greece and Turkey - and to a lesser extent those with Cyprus and Malta - differ significantly in their objectives and content from simple trade agreements. For the purpose of this opinion, therefore, we will restrict ourselves to consideration of the effects on these countries of the introduction of an overall Mediterranean policy.

8. The Association Agreements concluded with Greece and Turkey at the beginning of the 1960's, when the Community had not yet entered into preferential agreements with other Mediterranean countries, provide for the accession of these countries to full membership of the Community, after a long-term process of evolution. In June 1975 Greece formally applied for membership on the basis of Article 237 of the EEC Treaty.

The Association Agreements with Malta and Cyprus do not provide for the accession of these countries to the Community, but merely the setting up of a customs union between the two parties and contacts at parliamentary level.

9. All these associations are designed to create privileged and increasingly closer relations between countries wishing, at some stage in the future, to join in a single customs union or a single Community.

The question arises, therefore, whether the extension of Community links to the other Mediterranean countries, through the introduction of preferential trade agreements, will not unduly harm the interests of the associated countries.

Our partners in the EEC/Turkey Joint Parliamentary Committee believe that this will be the case.

- 10. According to the Turkish representatives (and this view is shared, although to a lesser extent, by the representatives of the other associated countries), the preferences granted by the Community to their country, a prospective full member of the EEC, now have little or no importance, after the granting of concessions by the Community to the other Mediterranean countries (as part of the overall policy) and, more generally, all developing countries, by the implementation of the Community's generalized preferences scheme.
- 11. They consider that, as a result of all these concessions, more than fourfifths of their country's exports do not benefit from tariff preferences in comparison with the exports of the other trading partners of the EEC. Subsidiary preferences are insufficient to enable Turkey to increase its exports to the EEC.

According to the Turkish representatives, this situation is incompatible with either the letter or the spirit of the Association Agreement, which grants their country a special status that cannot be enjoyed by third countries.

- 12. The European members of the Joint Parliamentary Committee appreciated the concern shown by their Turkish colleagues. They also expressed the view that the preferences granted to the associated countries in general, and Turkey in particular, should be safeguarded. With this aim in view, full use should be made of the provision in the additional protocol for regular reviews of the preferences in question.
- 13. Faced with these problems, the Associations Committee for its part, while agreeing in principle with the objectives of the Community's overall Mediterranean policy, feels that they should not conflict with the interests of those countries linked with the Community by an Association Agreement and aspiring to full membership.

It therefore requests the Commission to study the effects of the introduction of this policy on the interests of the associated Mediterranean

countries, and submit their results to the European Parliament, for consideration by the committees concerned.

- 14. The committee also invites the Commission and the Council to examine all the possibilities offered by the Association Agreements and annexed texts (in particular the Additional Protocol to the EEC/Turkey Association Agreement), with a view to granting further concessions with regard to the agricultural exports of the Community's associated partners.
- 15. The implementation of the overall Mediterranean policy is one of the Community's main objectives. But it can only be achieved by striking a delicate balance between the conflicting interests of, firstly, producers in the southern regions of the Community and Mediterranean third countries and, secondly, associated countries wishing to join the Community and the other Mediterranean third countries.

The Associations Committee, therefore, whilst welcoming the introduction of a Community policy in this region of the world, which is of such political importance, calls on the Commission and the Council to take into account, in pursuing that policy, the interests of those countries that have been associated with us longer than any other, and which will one day become our partners within the Community.

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