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SECOND INTERIM REPORT

drawn up on behalf of the Committee on Development and Cooperation

on the future sugar policy of the Community with particular reference to imports of sugar from the developing countries and in the light of the Commission's Memorandum of 12 July 1973

Rapporteur: Sir Douglas DODDS-PARKER

PE 36.513/fin.

By letter of 28 September 1973 the President of the European Parliament authorized the Committee on Development and Cooperation to report on the future sugar policy of the Community with particular reference to imports of sugar from the developing countries and in the light of the Commission's Memorandum of 12 July 1973 (COM(73) 1177).

The President of the European Parliament also asked the Committee on External Economic Relations and the Committee on Agriculture for their opinion.

The Committee on Development and Cooperation appointed Sir Douglas DODDS-PARKER rapporteur at its meeting of 8 October 1973.

It discussed the proposals from the Commission and the rapporteur's motion for a resolution at its meetings of 23 October 1973 and 23 November 1973 and 24 January 1974 and decided to draw up an interim report.

Following its meeting of 24 January 1974, the Committee on Development and Cooperation adopted a motion for a resolution by 7 votes in favour, 2 against and 3 abstentions.

On 14 March 1974, before Parliament considered the said motion for a resolution attached to the DODDS-PARKER report (Doc. 376/73) and four amendments thereto, Parliament decided to refer back to the competent committees, the interim report and amendment No. 1 presented by the Committee on Agriculture.

Following consultation of the Committee on Agriculture and the Committee on External Economic Relations, the Committee on Development and Cooperation adopted, on 2 April 1974, the attached motion for a resolution and explanatory statement by nine votes in favour and three abstentions.

The following were present: Mr ACHENBACH, chairman, Mr NIELSEN, vice-chairman, Sir Douglas DODDS-PARKER, rapporteur, Mr BAAS (deputizing for Mr DURIEUX), Sir Tufton BEAMISH (deputizing for Mr James HILL), Miss FLESCH, Mr HARMEGNIES, Mr JOZEAU-MARIGNE, Sir John PEEL, Mr PREMOLI (deputizing for Mr NOLAN), Lord REAY, Mr SCHUIJT and Mr SPENALE.

C O N T E N T S

A

The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the future sugar policy of the Community with particular reference to imports of sugar from the developing countries and in the light of the Commission's Memorandum of 12 July 1973

The European Parliament,

- having regard to the proposals in the Memorandum of the Commission to the Council (COM(73) 1177),
- having regard to the moral commitment to safeguard the interests of the sugar-producing, less developed countries and the commitment contained in the accession Treaty (Protocol 22 III - Mauritius, Fiji, Jamaica, Trinidad, Barbados, Guyana, Swaziland, East Africa, Congo/Brazzaville, Malagasy) Article 118 (St. Kitts, Belize, Surinam) and the Declaration relating to trade with India,
- having regard to the negotiations with the Protocol No. 22 countries at present in progress which ought to be concluded during the first half of 1974, in order to allow ratification by Member States before the expiry of the existing Agreements,
- in view therefore of the need for the Community to establish its sugar policy, both as to the volume of imports of cane sugar from the countries mentioned above and as to the details of the new domestic arrangements to supersede the present sugar regime which is due to expire in June 1975,
- bearing in mind the inability of the Community to agree a sugar policy which contributed to the failure of the United Nations Conference to negotiate a new International Sugar Agreement with economic provisions,
- bearing in mind that in deciding its future attitude with regard to its position on the world sugar market, the EEC should be guided by the share it has in responsibility for world food supplies,
- having regard to the second interim report of the Committee on Development and Cooperation and to the opinions of the Committee on External Economic Relations and the Committee on Agriculture (Doc. 32/74),

1. Believes that the Community should guarantee access for imports of 1.4m tons of cane sugar per annum from the developing countries referred to above;

2. Considers that the price at which this quantity is imported should be such as to assure reasonable export earnings to the producer countries;

3. Considers that the proposed commitment by the Commission to guarantee access for imports of 1.4m tons from the developing countries referred to above should be matched by a commitment by these countries to supply such quantities; failure to do so by one country could be made good by additional supplies from one or more of the other developing countries involved, depending on their capacity to export;

4. Considers, however, in view on the one hand of recent developments on the world market in primary products, and on the other hand of the fact that no new World International Sugar Agreement will be reached in the immediate future, that it would be premature at this juncture to interfere with regard to the substance of the EEC's future internal sugar policy;

5. Abides by its previous view that the Community should participate in a new World Sugar Agreement.

   In the meantime, the Community should pursue a production and marketing policy that ensures Community supplies, taking into account the world market situation and points 1, 2 and 8 of this resolution.

6. Considers that exports of beet sugar from the Community should in times of surplus be limited in accordance with agreed quotas and in reference to a world price, under the terms of an International Sugar Agreement to be signed by the Community. This agreement should be signed by the producing countries in order to achieve a balanced market.

7. Considers that there should be reasonable refining margins, both for beet and cane sugar, which could be adjusted, if necessary, annually;

8. Invites the Commission to make further proposals:

   (a) regarding the need for reserve stocks;

   (b) on the provision of food aid in the form of sugar at a level geared to acknowledged requirements;

   (c) for help from the Regional Development and Social Funds for any who lose their employment in the refining of cane or beet sugar within the Community;

9. Invites its committees to continue considering these matters and to report thereon in due course;

10. Instructs its President to forward this resolution and the accompanying explanatory statement to the Council and Commission of the European Communities.

B

EXPLANATORY STATEMENT

1. Our committee has taken the initiative in presenting a report on the Commission's memorandum of July 1973 which falls under its terms of reference because of the deadlines involved.

2. The present Commonwealth Sugar Agreement is due to expire on 31.12.1974 and the Second Yaoundé Convention on 31.1.1975. The negotiations for renewing and enlarging the Association began last October. It is advisable that our committee should give its opinion in time for it to be brought to the attention of the negotiators dealing with this matter. The question of sugar carries considerable importance in the eyes of the producer countries, since the solution reached will provide an example for other primary products which are crucial in the economy of the associable countries.

The question of timing is equally important and lies at the very root of the sugar question. For example, the Community was not able to play a part in the International Sugar Agreement because it had not established its position on the Commission's memorandum of 12 July in good time. The absence of the Community, an important trading partner, was one of the factors contributing to the deadlock which the negotiations for the ISA reached on 13.10.1973. Discussion of unresolved problems must not be deferred on the pretext of a deadlock in negotiations, nor must the Community find itself once more faced with urgent deadlines without having had the time for calm reflection.

3. The Community's sugar policy will be determined by both political and economic factors, the former related to its commitments vis-a-vis developing countries stemming from the Accession Treaties, the latter linked with the Community's position in world sugar trade and the common agricultural policy. As a result, the Community will have to :

- give effect to agreements vis-a-vis producers belonging to the Commonwealth Sugar Agreement and future associable states contained in the Accession Treaties;
- decide, in the current year 1974 its position on a future world-wide sugar agreement;
- decide on the Community's new internal sugar arrangements subsequent to the 1975/76 marketing year.

4. The first decision to be taken relates to the commitments stemming from the spirit and letter of Protocol No.22 of the Accession Treaty and from the Common Declaration of Intent on the development of commercial relations with Asian Commonwealth countries. Since the Community's decision must be taken within the framework of the international agreement on the enlargement and renewal of the Association and given the time required for ratification of these agreements, the Community must adopt a final position as soon as possible but in any case within the first half of 1974. This is why our committee must decide on its position now, even before the committee on agriculture states its views.

5. The new internal sugar regime of the Community constitutes a complex and difficult subject on which this committee is not really competent to give an opinion. This does not, however, mean in the view of your rapporteur, that the committee is not competent to give an opinion on other aspects of the Commission's memorandum or that our lack of competence over the detailed proposals for the internal regime precludes us from expressing our view on the question of access to the Community's market for sugar.

6. Pursuant to Protocol No. 22, part III, the Community gave the following commitments: 'The Community will have as its firm purpose the safeguarding of the interests of all the countries referred to in this Protocol whose economies depend to a considerable extent on the export of primary products, and particularly of sugar.

The question of sugar will be settled within this framework, bearing in mind with regard to exports of sugar the importance of this product for the economies of several of these countries and of the Commonwealth countries in particular'.

Moreover, the Joint Declaration of Intent on the development of trade relations with Ceylon, India, Malaysia, Pakistan and Singapore states :

'The question of exports of sugar from India to the Community after the expiry of the Commonwealth Sugar Agreement on 31 December 1974 must be settled by the Community in the light of this Declaration of Intent, taking account of the provisions which may be adopted as regards imports of sugar from the independent Commonwealth countries listed in Protocol No. 22 on relations between the European Economic Community and the Associated African and Malagasy States and also the independent developing Commonwealth countries situated in Africa, the Indian Ocean, the Pacific Ocean and the Caribbean.

7. These commitments by the Community concern countries for whom sugar production is very often vitally important. The decision to be taken is therefore related to the Community's policy on development aid. In numerical

terms, these commitments mean that the Community, as the Commission proposes, must undertake to import 1,400,000 tons from the above-mentioned countries. The tonnages currently imported from the developing countries under the Commonwealth Sugar Agreement are :

(a) Present imports from Developing Countries under the Commonwealth Sugar Agreement :

Antilles and Guyana	696,000 t
Mauritius	375,000 t
Fiji Islands	138,000 t
Eastern Africa	7,000 t
British Honduras	20,000 t
India	25,000 t
Swaziland	84,000 t
	1,345,000 t

(b) Present imports from Surinam : 4,000 t

(c) Probable imports from the AASM sugar-producers and exporters :

Madagascar	13,000 t
Congo	38,000 t
	51,000 t

(d) Total : 1,400,000 t

The above figures reflect the present level of exports from developing countries belonging to the Commonwealth Sugar Agreement to the United Kingdom, on the one hand, and exports from Surinam, Madagascar and the Congo to the Community on the other.

What is the significance of these figures in relation to the production and consumption of the enlarged Community? The sugar consumption of the enlarged EEC forecast for the 1975/76 marketing year is about 10 million tons. Since 1971/72 the countries of the Community of Nine have been able, with a production of more than 9.6 million tons, to cover their own requirements. World consumption is constantly increasing, and at a faster rate than production. For example, in 1960 it stood at 56 million tons, of which 56% was cane sugar and 44% beet sugar. Consumption was estimated at 53 million tons; stocks, at 17 million tons, represented 32 % of annual consumption. Prices were consequently very low. By 1970/71 marketing year, i.e. ten years later, a major change had occurred: consumption had increased by 43 % and production by only 31%; stocks had fallen to 24% of consumption and prices had risen by 57 %. In the last quarter of 1973 consumption, estimated at about 77 million tons, was 4 million tons greater than production; stocks were at their lowest level (sufficient to cover 70 days' consumption, in some countries only 15 days) and prices at their highest. In addition, experts estimate that world demand will rise by 20-30 million tons over the next seven to ten years. In replying to Mr Vredeling's written question of 22

March 1972, the Commission of the Communities admitted that world consumption could surpass 100 million tons by 1985.

8. Your rapporteur believes that the enlarged Community can commit itself to import 1.4 million tons of cane sugar without jeopardizing the incomes of Community sugar beet producers. This volume would be less than present total volume of imports of cane sugar into the Nine member countries. Domestic producers are at present experiencing extremely high prices due to the world shortage of sugar and in addition attention has also been drawn (see paragraph 7) to the trends in per capita world consumption of sugar up to 1970/71 and the future estimates.

9. The Commission has proposed that in the interests of the supplying countries, the Community should guarantee to import the tonnage in question. If these developing countries are to obtain a comparable degree of security of access to that which they were accorded, for example, under the Commonwealth Sugar Agreement, your rapporteur believes that the Committee on Development and Co-operation should endorse this proposal. On the other hand, it would seem indispensable that in return the future agreement should commit the contracting countries to supply the quantity of sugar in question. If one country should fail to do so, or be prevented by 'force majeure', one or more of the other contracting countries should make good the supply, according to their export capacities.

10. On the question of prices, the Commission's memorandum refers to the two yardsticks, namely: current prices under the Commonwealth Sugar Agreement and the lowest price applicable in the Community. The Commission then proposes that the sugar from the developing countries would be purchased at the c.i.f. world market price, with the proviso that this purchase price could not exceed the lowest price applicable in the Community.

The rapporteur believes that the Committee should not attempt to give an opinion on the very complex question of the price basis on which the prices should be negotiated. This is a matter which should be settled by the negotiators. It is, however, important, and the Committee should insist, that the Community should guarantee to pay producers in the countries concerned a fair and profitable price for the quantities imported.

11. A second decision must be taken on the part the Community is to play in an International Sugar Agreement.

Our committee considered that, given the Community's considerable weight as the largest exporter of white sugar on the international market, it should play a part in the future ISA and even take the initiative in resuming negotiations.

12. The Commission believes that it would be possible for the Community to accede to a new I.S.A. provided the Council decided that Community production should not, in principle, exceed internal consumption less the tonnage imported under Protocol 22, plus 800,000 metric tons to be exported to the world market. This limitation on exports would apply in normal conditions, whereas in conditions of world shortage and low stock, as at present, the Community would be able to export increased quantities.

The developing countries expect that the Community's arrangements for importing 1.4 million tons will provide a comparable degree of security of access as that which they enjoy under, for example, the Commonwealth Sugar Agreement. This means that their sugar exports should form part of the Community's requirements for domestic consumption. If their sugar were to be simply re-exported to the world market, then access to the Community would not be secure since it would not be filling a gap between supply and demand. The Committee on Development and Co-operation considers that in the future and under normal conditions of market supplies and demand the Community's domestic production would have to be determined in the light of this objective and of the guarantee to import 1.4 million tons of cane sugar.

13. In the present economic situation, to discourage Community production might increase the existing shortage on the international market and cause a sharper rise in world prices. This would be detrimental to the interests of the developing countries which are the EEC's main clients; similarly, in view of the Community's need for security of supply and the steady increase in its sugar consumption, some expansion of production seems more likely than any Malthusian development.

Equally, it would be wrong to discourage production in the developing countries that belong to the CSA or OCAM sugar agreement as they make a major contribution to the world market, and in particular, towards meeting the requirements of a number of other developing countries.

Negotiations for a future ISA should take all these facts into consideration and enable the Community to commit itself to this agreement without fear of jeopardizing the interests of its producers. Your rapporteur considers that the ISA should also involve regional agreements and cover the movement of refined as well as unrefined sugar and the creation of a buffer stock which could also be used for regulatory purposes.

14. Apart from these general problems, there is the question of refining the sugar produced in developing countries, which at the moment, is mainly refined in the Community. The exports do not recommend setting up refineries in the exporting countries, stressing the technical problems which would arise and the fact that only a small number of jobs would be created.

15. The Committee on external economic relations wonders whether it is wise to continue supporting a non-diversified economy based on sugar production in these countries, thus leaving them prone to crises. Experts have replied by stressing the highly labour-intensive nature of sugar production, the resulting effect on employment and the hitherto unsuccessful attempts to diversify the economies of these countries.

16. The capacity of refineries in the United Kingdom, in particular, must also be taken into consideration. These refineries wer set up to take imports of unrefined sugar from the Commonwealth and technically meet requirements. In addition, the U.K. refineries employ a large proportion of the labour force in regions where they are the dominant economic activity so that reducing or eliminating them would be likely to increase local unemployment. However, to reserve a certain amount for free competition between all refineries (pure and ancillary refineries), it would seem wise to establish refining quotas for specialised refineries and calculate refinery margins in the way suggested by the Commission. (See § 25 of the Sugar memorandum).

Conclusions

To honour the commitments it entered into in the Accession Treaties, the Community must be prepared to import 1.4 million tons of sugar from the developing countries in question, i.e. members of the CSA and the OCAM sugar agreement.

It should also meet the implicit moral obligation under Protocol No.22 and purchase these quantities of sugar from the developing countries at fair and profitable prices, under procedures to be established and on the basis of the machinery proposed by the Commission.

The Community should, moreover, take the initiative of launching an international sugar agreement really capable of bringing about a permanent adjustment in world supply and demand in a manner acceptable to both producers and consumers. This means that the ISA would have to cover not only its present members and the Community as such - and hence Member states that do not at present belong - but also the members of the regional agreements.

Finally, the Commission should supplement its memorandum and produce figures and current trends in world production and consumption, broken down by country. On the basis of these precise data, the Commission should as soon as possible draw up proposals for a new Community sugar market organization that takes account of the Community's commitments to certain developing countries, the position it may occupy within the future ISA, and developing trends in production and consumption within the Community.

Opinion of the Committee on External Economic Relations

Draftsman: Mr M. BANGEMANN

On 28 September 1973 the Committee on External Economic Relations appointed Mr BANGEMANN draftsman of the opinion.

The draft opinion was discussed by the committee at its meeting of 28 November 1973 and adopted with 3 votes against and 1 abstention.

The following were present: Mr de la Malène, chairman; Mr Boano, vice-chairman; Mr Bangemann, draftsman; Mr Baas, Sir Tufton Beamish, Mr Bourdelles, Mr Dewulf, Mr Kaspereit, Mr de Koning, Mr Lange, Lord Lothian, Sir John Peel, Mr Radoux, Mr Rossi, Mr Sandri, Mr Scholten and Mr Thiry.

I. Introduction

1. The European Community was once again left with little time to act in the negotiations on the International Sugar Agreement (ISA) as a result of the slowness of the decision-making procedures of the Member States and the Community institutions. Although the dates for the negotiations had already been known for a long time, the Commission did not submit its memorandum on the EEC's future sugar policy until 12 July 1973, i.e. after the close of the first round of talks on the ISA. By the last day of the second round the Council had still not reached agreement on a uniform Community attitude. Despite its important role as a world market partner, therefore, the EEC was not represented at the negotiating table.

2. However, the breakdown of these talks in Geneva on 13 October 1973 should not under any circumstances be allowed to lead to a further postponement of discussions on the unsolved problems until new and pressing deadlines once again give rise to a similar situation. Basically, therefore, the Committee on External Economic Relations is pleased that the committee responsible has kept this item on the agenda even though the report may not at present arouse the desired interest in Parliament.

3. The next deadlines for a Community sugar policy are 31 December 1974 (expiry of the present Commonwealth Sugar Agreement) and 31 January 1975 (expiry of the Yaoundé convention). In addition, the temporary production arrangements governing the Communities' internal sugar policy expire at the end of the financial year 1974/75. (Given the special features of the sugar market, new production arrangements must be finalized before September 1974).

II. Basic problems of the Community's future sugar policy

4. The Community's future sugar policy is decisively influenced by political and external and other economic factors, which ultimately shape internal sugar policy. The basic problems involved here require decisions in particular on:

- the future position of the EEC in the world market;
- the obligations arising out of the treaties of accession; and
- the measures to be adopted for regulating the internal Community sugar market.

(a) The future external economic position of the European Community in the world sugar market

5. Crucial to sugar policy is the question whether the Community will in future be a net exporter or a net importer in the world market. The answer will not only govern its negotiating position as regards the ISA and the Commonwealth countries but, in particular, it will also determine internal sugar policy.

The present world market situation makes a decision difficult since it is impossible to say whether the inadequacy of sugar supplies is due to conjunctural or structural causes in the production sector. This uncertainty was also the reason for the breakdown of the Geneva negotiations.

6. Since Community production meets the demand in Member States, politics play a more important role than external economic considerations in any decision for the Community to absorb part of the production from the developing countries. However, such a decision can only be justified if the Community sugar policy and the internal sugar market are flexible enough to compensate, by means of adequate storage and by production increases, any excess demand on the world market and the resultant unsatisfied demand in the Community.

(b) Obligations arising out of the treaties of accession with the three new Member States

7. Ultimately, the Community is no longer free in its decision on whether to import given quantities of sugar from the developing countries. It is obliged, in letter and spirit, by Protocol No. 22 of the Act of Accession and by the Joint Declaration of Intent on the development of trade relations with the developing countries of the Commonwealth in Asia, to take sugar exports from these countries into account.

8. Thus, Part III of Protocol No. 22 reads as follows:

> 'The Community will have as its firm purpose the safeguarding of the interests of all the countries referred to in this protocol whose economies depend to a considerable extent on the export of primary products, and particularly of sugar.
>
> The question of sugar will be settled within this framework, bearing in mind with regard to exports of sugar the importance of this product for the economies of several of these countries and of the Commonwealth countries in particular.'

Moreover, the Joint Declaration of Intent on the development of trade relations with Ceylon, India, Malaysia, Pakistan and Singapore states:

> 'The question of exports of sugar from India to the Community after the expiry of the Commonwealth Sugar Agreement on 31 December 1971 must be settled by the Community in the light of this declaration of intent, taking account of the provisions which may be adopted as regards imports of sugar from the independent Commonwealth countries listed in Protocol No. 22 on relations between the European Economic Community and the Associated African and Malagasy States and also the independent developing Commonwealth countries situated in Africa, the Indian Ocean, the Pacific Ocean and the Caribbean'.

9. It should be noted that the abovementioned obligations entered into by the Community relate mainly to countries for which sugar production is vital. The decision to assume these obligations therefore forms part of the Community's development aid policy. It should also be remembered that, within the context of the Commonwealth Sugar Agreement, Great Britain has hitherto been one of the most important importing partners of the countries concerned and will continue to play this role in the enlarged Community. Hence, as far as the original six Member States are concerned, imports will in practice be kept to a minimum.

10. As is the case with other agricultural products, the market for sugar must also be officially regulated. This means that here too extensive administrative machinery will be required. The regulation of sugar production in the Member States necessitated by the Community's position as a net importer can be achieved either by fixing a uniform price for all sugar beer production or by a quota system.

11. Current calculations show below that regulation of production at the present time would have to include a 25% reduction in prices to the existing level. The resulting cessation of production in regions less suited to beet growing would have severe negative effects both from the social point of view and from the point of view of investments in the sugar industry. In view of this and in the light of experience with the present system of market regulations, a quota system seems to be the most suitable way of controlling production and achieving the desired objective. This and other details of the internal sugar policy will be dealt with in a later section.

III. The Commission's proposals on future sugar policy

12. In its memorandum on the future sugar policy the Commission of the European Communities largely dealt with the above basic problems and submitted proposals on

- the Community's position in the negotiations on an international sugar agreement,
- the negotiations with the countries of the Commonwealth and the AASM and
- the structure of the Community's internal sugar policy.

(a) the Community's position in a new international sugar agreement

13. Although this year's talks on the ISA broke down, they will probably be re-opened in two years at the latest. This deadline and the fundamental content of the Commission's proposals, therefore, remain relevant to the Community's future sugar policy.

14. Some countries think that the present agreement is largely ineffective since the mechanisms it provides have been overtaken by developments in the world sugar market, since it fails to give the poorer countries adequate guarantees of stable revenue, and since it does not cover several important trade partners in the world market etc. The Commission therefore thinks it advisable not to seek an extension of the present agreement but to participate, in accordance with the wishes of the majority, in the negotiation of a new agreement.

15. The Commission suggests that it should enter into the new agreement as a net importer. It should be stressed that these obligations come into effect only within the framework of quotas for certain countries when a particular supply situation exists in the world market. This political decision appears reasonable in the light of the provisions of the Treaty of Accession, the Yaoundé Convention and the Community development aid policy, with the above reservation that the Community sugar policy should be flexible enough to permit timely compensation of any shortage by means of the necessary increases in production.

(b) The Community's attitude to the countries of the Commonwealth and the AASM

16. As mentioned above, the Community's attitude is already basically fixed by Protocol No. 22 of the Act of Accession, by the relevant joint declaration of intent and by the obligations entered into in respect of the AASM. Hence, only quantitative supply and the practical form of the Treaty relations with the countries concerned are of interest here.

17. Although no precise quantities are mentioned in the above basic agreements, it can be calculated that with the accession of Great Britain - the main importer of sugar from the developing Commonwealth countries - 1.4 million tons of sugar will be imported into the enlarged Community if exports from the Commonwealth countries and the sugar-exporting countries of the AASM remain constant. According to the Commission proposals, 800,000 t. of sugar, which the Community itself exports, can be substracted from this amount, making the Community a net importer of 600,000 t.

18. Two more fundamental questions are of importance in addition to this quantitative problem:

- the maintenance of single-crop cultivation,
- the possible establishment of refineries in the supplying countries.

Is it advisable to continue supporting a one-sided and precarious bias towards sugar production in the countries concerned? The experts point to the labour-intensive nature of sugar production and its important role in employment policy, and to the hitherto unsuccessful attempt at diversification in these countries. In this connection, the Committee on External Economic Relations believes that the competent Community institutions should conduct their own investigations, leading perhaps to a reorientation of Community policy.

The experts are not in favour of the setting up of refineries in the supplying countries since these would create only a small number of jobs and would give rise to various technical problems. The Committee on External Economic Relations would also welcome suitable Community investigations into this matter.

19. The Commission's other proposals relate to the practical content, of Treaty relations - price determination, purchase and supply guarantees, import and processing machinery, intervention measures etc.

(c) The structure of the Community's internal sugar policy

20. The Commission's proposals include measures for maintaining a specific level of production in existing beet-growing areas, for promoting specialization, and for adapting the level of production to potential sales outlets. The latter measures are of particular interest to the Committee on External Economic Relations.

The abovementioned quota system is of crucial importance in regulating Community sugar production and gearing it to potential outlets, taking into account the Community's international obligations. Such control would be effected by fixing a maximum quota for each under; taking in addition to the basic quota. Provided there was no shortage on the world market, production in excess of the maximum quota could not be disposed of either inside or outside the Community and would consequently have to be carried over to the following marketing year. The necessary flexibility would be ensured by reviewing and, if need be, changing the maximum quotas at the end of the marketing year.

21. The flexibility of the entire Community system depends largely on this annual review of production as a whole and on the world market situation. In view of the difficulties and the time involved in obtaining the necessary data, processing this information and making forecasts on the basis of it, and in view of the slowness of the Council's decision-making procedure, the Committee on External Economic Relations is unable to share the Commission's optimistic view of the flexibility of the Community sugar policy.

Since there are no suitable alternatives, the Committee on External Economic Relations requests the Commission to build up an efficient information system which will ensure that reliable data on developments in the sugar market can be obtained and processed smoothly. Furthermore, it seems essential to keep adequate reserves for use in the event of incorrect forecasts, catastrophes, and unexpected shortages on the world market etc.

IV. Conclusions

22. The Committee on External Economic Relations draws attention to the fact that the Commission was late in drafting and forwarding its memorandum on the Community's future sugar policy and would in future like to see the European Parliament informed and consulted on such important questions at an earlier stage.

Having regard to the Commission's proposals and explanations, and with the proviso that the Community's future sugar policy should not fix the position of the Community as a net importer for all world market situations, but should aim at flexible adaptation by means of the suspension of the relevant control measures, the Committee on External Economic Relations approves in principle the present proposals on negotiating positions as regards a new ISA and vis-a-vis the Commonwealth and AASM countries, and the structure of the internal sugar policy.

Opinion of the Committee on Agriculture

Draftsman : Mr MARTENS for the opinion

By letter of 28 September 1973 the President of the European Parliament requested the Committee on Agriculture to deliver an opinion on this Memorandum.

On 25 September 1973 Mr MARTENS was appointed draftsman of the opinion.

The attached opinion was considered at the meetings of 21 and 28 February 1974 and adopted unanimously at the latter meeting with 1 abstention.

The following were present: Mr Vetrone, vice-chairman and acting chairman; Mr Martens, draftsman; Mr Berthoin (deputizing for Mr Durieux), Mr Bourdellès (deputizing for Mr Baas), Mr Brégégère (deputizing for Mr Kavanagh), Mr Brugger, Mr Della Briotta (deputizing for Mr Cifarelli), Mr Frehsee, Mr Früh, Mr Gibbons, Mr Harmegnies (deputizing for Miss Lulling), Mr Héger, Mr John Hill, Mr De Koning, Mr Lefèbvre, Mr Lemoine, Mr Ligios, Mr Nielsen (deputizing for Mr Houdet), Mrs Orth, Lord St. Oswald.

I - Preliminary remarks

1. The Committee on Agriculture wishes at the outset to draw attention to two limitations that have been taken as a basis in drafting this opinion:

- it is intended to give only an initial and general assessment of the Commission's Memorandum (in the same way as the committee responsible is putting forward only an interim report);

- the external aspects of the EEC's sugar policy cannot in fact be divorced, in either formal or material terms, from its internal aspects.

The Committee on Agriculture is nonetheless refraining, in this instance, from offering any opinion on the internal aspects, in respect of which it hopes - as soon as definite proposals have been submitted for the final organization of the sugar market (due to come into force in time for the 1975/76 marketing year) - to be laying a separate report before Parliament in the capacity of committee responsible.

This comment is of course in no way negated by the fact that reference is sometimes, necessarily, made to the internal aspects in order to support conclusions on the aspects at present being considered.

II - External aspects of the EEC's sugar policy

2. Since the accessions of 1973, the Community's external sugar policy falls under three heads:

(a) trade with the associated ('Yaoundé') developing countries and with those ('Commonwealth') developing countries eligible for association;

(b) trade with other third countries;

In both instances these will involve either sugar-exporting or sugar-importing countries;

(c) the International Sugar Agreement (ISA).

As far as procedures are concerned, the situation has undergone certain changes since the Memorandum was drafted:

- negotiations were opened in the autumn of 1973 with the Associated and associable States on the renewal of the Second Yaoundé Convention, due to expire on 31 January 1975, and on the Commonwealth Sugar Agreement, which expires at virtually the same time (31 December 1974).

- negotiations on a renewal of the ISA of 1968 were broken off at the end

of October 1973 without any result having been achieved, so that at the moment there is no organization of the market at world level, apart from certain administrative provisions; all there is is the intention of resuming negotiations in 1975.

III - Trade with the developing countries

3. Imports into the United Kingdom from the Commonwealth developing countries referred to in Protocol No. 22 to the Act of Accession (i.e. all the Commonwealth countries party to the 1951 Sugar Agreement, with the exception of Australia and Rhodesia) amount to about 1.35 million metric tons (expressed in terms of white sugar).

Imports from the AASM and OCT countries (Madagascar, Congo-Brazzaville and Surinam)[1] total about 55,000 tons[2].

The overall figure is thus in the region of 1.4 million tons[3].

4. The nub of the Memorandum is contained in the proposal to guarantee the taking-up of these 1.4 million tons or so at fixed prices, which would have to be offset by guaranteed exports from the EEC to the world market - within the framework of the ISA - of 800,000 tons[4] (Memorandum, para. 30). In other words the EEC would, on balance, take a net import of 600,000 tons.

IV - Trade with other third countries and the ISA

5. All that needs to be said under this heading in the present connection is that it is regulated by means of levies and repayments.

It must be remembered that the world market situation has changed in such a way that since the end of November 1973 exports from the EEC have had to be cut back by instituting an export levy of around

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[1] To these must be added Mauritius, now associated with the EEC, whose total exports in 1972 came to about 200,000 tons. The 1972 exports of Madagascar, Congo-Brazzaville and Surinam were 40,000 tons, 10,000 tons and nil, respectively.

[2] Memorandum, statistical annex.

[3] As Mauritius is listed in Annex VI to the Act of Accession, its sugar exports are included in the 1.35 million tons from the Commonwealth countries.

[4] These figures are derived from (i) an internal production of about 9.2 million tons plus (ii) the guaranteed import of 1.4 million tons, together corresponding to (iii) a forecast internal consumption of 9.8 million tons (Memorandum, para. 14).

30 u.a./100 kg[1].

6. As regards fresh discussion on a new ISA in 1975, it will be enough in this opinion to refer to the general conclusions. These will naturally need to be specified more precisely when the time comes, once a better picture of long-term developments on the world market has been obtained.

V - Conclusions

7. The Committee on Agriculture considers it would be wise, in offering this opinion, to adopt a 'wait-and-see' attitude.

In coming to this conclusion it is persuaded first of all by recent unexpected developments on the world market, the duration of which is still quite impossible to predict. It may certainly be conceded that a world market policy should not be governed by minor fluctuations in the overall sugar supply; and it may further be pointed out that the ISA covers only one half of the total trade in the world (about 20 million tons a year), i.e. only the surpluses from the traditional (contractual) trading pattern[2].

It does seem, however, that at the moment all the primary product markets - including that in foodstuffs - are passing through a transitional phase that cannot be described in terms of minor fluctuations[3].

8. The Committee on Agriculture also draws attention to the figures for internal consumption quoted in the Memorandum. These indicate an upward trend which, though admittedly not spectacular, is quite steady and amounts to at least some 100,000 tons a year. At all events the Commission is forecasting exactly the same annual increase up to 1976. This increase is in fact covered by the productivity increase.

9. As stated in para. 29 of the Memorandum, world production was substantially in excess of production in 1969/70, although from 1970/71 this turned into a shortfall which resulted in most of the stocks being used up. This situation stems from a rise in consumption greater than that in production. Unless prices have an inhibiting effect world consumption is expected to increase by 3% a year, and the question then would be whether production would be able to keep pace.

[1] Regulation 3150/73, OJ No. L 321 of 22 November 1973

[2] Delivered under the US Sugar Act, the Commonwealth Sugar Agreement, the bilateral Cuba-USSR Agreement, the OCAM Sugar Agreement, etc., three-quarters of the world's sugar production of about 80 million tons is consumed where it is produced.

[3] cf. also the temporary export levy on cereals in the EEC

In other words, we shall have to wait and see what level world prices will reach in the near future.

10. In this connection the Committee on Agriculture comes, at all events, to the conclusion that the statistics put forward in the Memorandum and those used at the Sugar Conference must be described as very scanty.

Whilst recognizing that in its Memorandum the Commission sets out merely to show how internal production might have to be limited if the need arises, and is not suggesting that this is already called for at the present time, the committee is not convinced that this is the right time to consider whether, over the next few years, the EEC should become a net exporter or a net importer on the world market.

11. The real question is perhaps rather what responsiblity it must assume for the world sugar (food) supply. Here one thinks on the one hand of those developing countries with which the EEC has special ties (which should preferably be matched by a responsibility on the part of other developed nations towards the remaining developing countries), and on the other of fulfilling this responsibility in the form of financial aid or in kind (capital investment in refining on the spot, diversification, stabilization of prices, etc.); these aspects should gradually be worked out in greater detail.

12. The Committee on Agriculture therefore feels at this stage that the commitments under Protocol No. 22 to the Act of Accession (towards the countries listed in Annex VI to that Act) ought effectively to be carried out. The same is true of commitments towards the AASM and OCT countries.

It is therefore in general agreement with the scheme set out in paras. 21 to 27 of the Memorandum with regard to import (price) arrangements, the proposals on refining and those on possible compensation payments if export earnings fail to reach the reference level.

The committee believes, finally, that the Community should be prepared to continue the provision of food aid in the form of sugar on an undiminished scale and, if necessary, to step up such aid[1].

13. The committee cannot, however, accept without reservation the arguments put forward in para. 22 of the Memorandum in connection with the undertakings to supply sugar to be given by the Commonwealth and Yaoundé countries.

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[1] Regulation 1475/72 (OJ No. L 157/72) et seq.

Though recognizing that the EEC will be able, even in the near future, to cover internal consumption from its own production, the committee wonders whether in planning the balanced situation which lies at the core of this Memorandum on sugar too much reliance has not been placed on the absolute assurance of a constant supply of the 1.4 million tons mentioned in para. 30; even a measure of collective responsibility for these supplies on the part of the developing countries in question would, in the Committee's view, seem to offer an insufficient guarantee in certain circumstances (such as the price situation on the world market) that the Community will actually receive its supply[1]. And in the last analysis it is still uncertain whether all the sugar-exporting countries of the Commonwealth would be willing to subscribe to the proposed arrangement. Yet so long as no new International Sugar Agreement has been concluded, and the status of the EEC as a net importer or exporter has not been legally decided, developments which may affect the stability of these sugar supplies remain an unknown quantity.

14. Summing up, the Committee on Agriculture asks the committee responsible to include in its motion for a resolution passages that might be worded as follows:

(i) Considers it important that the EEC, in deciding its future attitude with regard to its position on the world sugar market, should be guided principally by the share it has in world responsibility for world food supplies;

(ii) Considers however, in view on the one hand of recent developments on the world market in primary products, including foodstuffs, and on the other hand of the fact that no new World International Sugar Agreement will be reached in the immediate future, that it would be wrong at this juncture to interfere with regard to the substance of the EEC's future internal sugar policy;

(iii) Maintains the standpoint previously expressed by Parliament that the Community ought to take part in a new International Sugar Agreement, although wishing at this stage to reserve its position on whether (and if so, to what extent) the Community should eventually be a net importer or a net exporter vis-à-vis the world market;

(iv) Considers that, if the Community is to achieve the highest possible degree of stability in its supplies and the prices paid

[1] cf. Guyana's restrictions on exports to the UK at the end of January 1974.

for them, it is at this moment both wrong and undesirable to base the balancing of the Community's sugar situation on an absolutely fixed import of 1.4 million tons from the developing countries with which the Community has special ties;

(v) Declares already at this stage, however, that the Community ought fully to accept the consequences of its commitments towards the sugar-exporting developing countries of the Commonwealth as well as towards the Yaoundé countries;

(vi) Urges, furthermore, that the Community should continue, and if necessary expand, the provision of food aid in the form of sugar.

(vii) Considers that, if the production of sugar cane increases in countries where it forms the main source of income, these countries must be helped to refine the sugar locally, instead of increasing the manufacturing potential in the industrialized countries.

European Communities

EUROPEAN PARLIAMENT

Working Documents

1974-1975

16 April 1974

DOCUMENT 33/74

Report

drawn up on behalf of the Committee on Agriculture

on the Proposal from the Commission of the European Communities to the Council (Doc. 242/73) for a regulation laying down conditions for granting national aid under the common structural policy for seafishing

Rapporteur: Mr John HILL

PE 35.521/fin.

By letter of 16 November 1973 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation laying down conditions for granting national aid under the common structural policy for seafishing.

The President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible.

The Committee on Agriculture appointed Mr John HILL rapporteur on 5 December 1973.

It considered this proposal at its meetings of 28 February/1 March 1974 and 28/29 March 1974.

At its meeting of 28/29 March 1974 the Committee unanimously adopted the motion for a resolution.

The following were present : Mr HOUDET, chairman; Mr LABAN and Mr VETRONE, vice-chairmen; Mr John HILL, rapporteur; Mr BRUGGER, Mr DELLA BRIOTTA, Mr FRÜH, Mr GIBBONS, Mr LIGIOS, Mr LIOGIER, Mrs ORTH, Mr SCOTT-HOPKINS.

C O N T E N T S

A

The Committee on Agriculture 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 proposal from the Commission of the European Communities to the Council for a regulation laying down the conditions for granting national aid under the common structural policy for seafishing

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (1),
- having been consulted by the Council pursuant to Article 43(2) of the EEC Treaty (Doc. 242/73);
- having regard to the report of the Committee on Agriculture (Doc. 33/74);
- aware that a strong fishing sector , embracing the fleets of the Member States, is necessary to safeguard the standard of living of the fishing population and to protect the interests of the consumer;
- recalling the past desire of the Committee on Agriculture, as expressed in 1968 in the report drawn up by Mr KRIEDEMANN,[2] to see the Commission's structural policy for the fishing industry give greater encouragement to the development of producer organizations;
- believing that the common rules here proposed for the implementation of the provisions of Article 9 of the Regulation (EEC) No. 2141/70 on a common structural policy for the fishing industry raise questions of broad policy;

1. Approves the Commission's proposals, and awaits provisions for the further development of a true common structural policy in the fishing industry;
2. Welcomes the decision of the Commission to encourage producer organizations by means of special derogations from the proposed common financial rules;
3. Recognises the necessity to safeguard the interests of unfavoured regions in the process of aid harmonization;
4. Believes that proposals to develop a structural policy on seafishing in the Community, and in particular common rules to govern aids to the fishing industry should be framed in terms of the international competition faced by the Community producer, as well as in terms of harmonization of levels of aid granted by Member States;

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1 O.J. No. C 110, 13.12.1973, p. 50

2 O.J. No. C 116, 8.11.1968, p. 12

5. Requests that further consideration be given to the definition of producer organizations as referred to in Article 7 of this proposed regulation;

6. Considers that it would be advisable to establish a ceiling on permitted aids for processing and marketing under Article 3(c), as well as a percentage limitation, in order that aid should be directed to the smaller groupings rather than the very large producer;

7. Believes that a ceiling should be established on aids to compensate for losses incurred in the search for new fishing grounds;

8. Instructs its President to forward this resolution and the report of the committee to the Council and the Commission of the European Communities.

B

EXPLANATORY STATEMENT

1. Regulation (EEC) No. 2141/70 of 20 October 1970 laid down a common structural policy for the fishing industry.

   Article 9, paragraph 2, of that regulation, stated that common rules fixing the conditions for grants of financial aid from Member States for the restructuring of the fishing industry should be laid down.[1]

   The purpose of this proposed regulation is to give effect to that provision. (It does not seek to establish a system of Community grants.)

2. The types of fishing covered by this proposed regulation, given in Article 2 (1) of Regulation 1939/72, are as follows :
   1. Local inshore fishing (average time out: less than 2 days)
   2. Offshore fishing (average time out from 2 to less than 9 days)
   3. High-sea fishing (average time out: from 9 to less than 22 days)
   4. Deep-sea fishing (average time out: 22 days and over)
   5. Specialized fishing.

3. Regulation (EEC) No. 2141/70 defined the appropriate measures to be authorized for this policy of furthering the rational development of the seafishing industry, as follows :

   - increased productivity through restructuring of fishing fleets;
   - adaptation of production and marketing installations;
   - the improvement of the living standards and conditions of those in the fishing industry.

4. The present proposals are framed so as to limit distortions to free competition caused by differences in levels of aid granted by national governments. The main purpose of this proposed regulation is to fix the maximum amounts of aid in the form of capital subsidies which may be granted by Member States for the restructuring of the seafishing industry.

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[1] The date limit originally established, 1 June 1971, for the fixing of these conditions was put back to allow the three new Member States to participate in their formulation.

However, the requirements of certain regions where the structural conditions are particularly unfavourable with regard to the activities in fisheries and the desirability of encouraging producers' organizations are taken into consideration in the form of limited derogations from the general limitations.

5. The common rules included in this proposed regulation contain, in addition, certain selective technical and economic provisions.

Limitations on Grants of National Financial Aid

6. One of the main purposes of the proposed regulation is to prevent distortion of competition caused by grants of financial aid by Member States to their fishing sector.

This harmonization of national aid programmes is to be achieved by defining the operations for which aid may be granted (Articles 2 - 7), the form of aid allowed (Article 1.2) and the amounts of aid permitted (Articles 5 - 10).

7. Aid may be granted for the following operations :

- the restructuring of fishing fleets (the purchase and fitting out of new fishing vessels, and their modernization or decommissioning, as well as the construction or improvement of fish breeding plants);
- the search for new fishing grounds (compensation for search losses, research costs or stocking installations);
- the adaption of production and marketing (for sorting, preparing, chilling and freezing, processing and storing catches on board and on shore, for the exploitation of fishery by-products on board and research on fish technology);
- the improvement of the standard of living of the fishing population by means of vocational training.

8. The forms of aid permitted are : capital subsidies, loans at reduced rates of interest, interest rate subsidies or loan and interest guarantees.

9. The maximum amounts of aid permitted have been established by category in the following manner :

(A) For measures concerned with the restructuring of fishing fleets given in Article 2 of the proposed regulation :

(a) the purchase and fitting out of new fishing vessels

(b) the modernization of fishing vessels

(c) the decommissioning of fishing vessels

(d) the construction, equipment or modernization of installations for the breeding of fish or shellfish in salt or brackish water

aid, expressed in terms of capital subsidies, may not exceed an amount equal to :

- 18% of actual costs for vessels equipped for various methods of fishing
- 15% for vessels engaged exclusively in trawling, seining or tunny fishing

except aids relating to operations coming under Article 2 (A) (d) which may not exceed 10% of the actual costs.

(B) Aid relating to operations specified in Article 3, the search for new fishing grounds and new methods of fishing, may not exceed 15%.

The Fishing Industry in the Communities

10. This fishing industry provides a valuable complement to the other agricultural sectors, both as a source of high protein food and as fish meal fertilizer. At a time when food prices have undergone an exceptionally sharp increase, and other forms of fertilizers (such as phosphates) are becoming increasingly in short supply, the possibilities offered by the fishing sector have taken on added importance.

Per capita consumption of all types of fish in the Six increased from 10.8 kg in 1960 to 11.6 in 1970; the increase in the frozen and prepared products sector was even more notable.

11. On the other hand, the balance between supply and demand has been deteriorating as consumption overtakes production. One result has been a decrease in the self-sufficiency of the Community of Six in fish, from 95% in 1960 to 75% in 1970 :[1]

[1] The Agricultural Situation in the EEC for 1972, Volume II, part II, pp. 160-164.

EEC (Six) 1000 tons		
	Imports	Exports
1966	285	52
1970	337	50

12. The increasing demand for fish is reflected in the increasing use of the long range multi-purpose vessel and the zones in which fish is caught. By far the greater proportion of fish is caught in the North East Atlantic,[1] with vessels going further, remaining longer at sea and carrying out much of the processing at sea. The process of adjustment of the fleets of the Community to the demands of the market, however, is long and costly.

13. There are three main types of fishing : commercial, self-employed and inshore. The distribution of these different types of fishing between the Member States of the Communities is very unequal. In Ireland, for example, the fishing fleet is regarded exclusively as inshore (with only two vesels over 90 feet, one 91 and the other 93). While inshore fishing is of importance to the British fishing population, the commercial fishing sector is highly developed.

    Again, West Germany and France produce approximately the same amount of fish, yet in Germany this is done with a modern fleet and in France with a fleet of small ships, barely modernized. The same applies to Italy.

14. It is in this context of the Community's requirements of the fishing sector, the financial resources demanded by adjustment to the modern situation and the present state of the Community's fleets that the Common rules proposed to cover national financial aids should be considered.

Existing Financial Aids to the Fishing Industry

15. There are two principal types of financial subsidies to be covered by the proposed regulation :

[1] See Annex II.

(a) direct capital grants : The existing financial aids to the fishing industry vary considerably. The differences in the structure of the national fleets is partly (in addition to the geographical and historical factors) a reflection of this fact.

The differences are much more evident when one examines the maximum subsidies and interest subsidies accorded (as a percentage of the total costs of a particular project). The following picture emerges :

	National projects	Regional projects
Belgium	10%	-
Denmark	0	(20%)
France	15%	-
Germany	20%	25%
Ireland	40%	-
Italy	20%	-
Netherlands	20%	-
United Kingdom	30%	75%

(b) subsidized interest rates (in which the subsidized element is expressed as the difference between the level of the market rate of interest and the level of the subsidized rate of interest, multiplied by the number of years over which the loan is to be covered).

Most Member States have schemes which act to subsidize interest rates, but these schemes vary greatly in terms of their importance, the amounts covered (either defined in terms of a percentage of the loan or as a fixed ceiling) and interest rates (which vary from 2 - 9%).

16. Harmonization of these different schemes must obviously seek to bring the maximum aids permitted within defined ceilings which are not so low as to inhibit restructuring nor too high to render the attempt at harmonization meaningless.

17. Any figures must needs be arbitrary, in a field where even experts disagree, further developments in the international law of the sea are awaited and the requirements of the different fleets of Member States vary greatly.

One way the Commission proposes to overcome their difficulties is by the derogations for particularly unfavoured regions.

Regional Derogations

18. There are two main derogations from the Common rules proposed to cover permitted financial aids. The first of these concerns those regions where the structural conditions are particularly unfavourable with regard to the fishing industry. In such regions, the maximum amounts of aid may be increased, but not by more than seven points.

19. The rules for the application of the provisions relating to the special conditions for the special regions are given in Article 16 of Regulation (EEC) No. 2722/72.

This Article provides that matters shall be referred to the Standing Committee for the Fishing Industry either by its Chairman or at the request of a Member State. The opinion of the Committee shall be adopted by a 12 vote majority, the votes of the Member States being weighted as laid down in Article 148(2) of the Treaty.[1] If the measures proposed by the Commission conflict with the opinion of the Committee, the Council may adopt a different decision according to the voting procedure laid down in Article 43(2) of the Treaty.[2]

20. These provisions provide a framework for the process by which decisions are to be taken but do little to elucidate the basis on which they are to be reached. The Standing Committee on the Fishing Industry will deliberate on the basis of criteria yet to be decided. Here is one provision which might allow for a watering down of the Commission's attempts to limit future national aids within a meaningful range. The establishment of the regions to benefit from special derogations is a task essentially political in nature and should be undertaken at the outset by the appropriate political bodies. This is especially true given that the proposed derogations for unfavoured regions are at best minimal and will in most likelihood be gradually extended.

21. Moreover, the problem is not merely political; it is equally technical. The fishing population is not concentrated into compact regions, but dispersed in ports along the coasts. And this is especially true of that section of the fishing population most in need of aid for structural reform, namely the self-employed. The 'regions', in fact, may be coasts of many hundreds of kilometres in length, such as North West Britain, Brittany or Southern Italy. Ireland wishes to claim its entire area as an unfavoured region for fishing.

22. The problem, of course, is one of finding the appropriate balance : limiting the regions where derogations are to be made but taking the necessary special regional needs into account in this process of harmonization.

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[1] As follows : Belgium 5, Denmark 3, Germany 10, France 10, Ireland 3, Italy 10, Luxembourg 2, Netherlands 5 and United Kingdom 10. 41 votes in favour are required from at least six members.

[2] The Council may, on a proposal from the Commission and after consul-

Here it should be noted that for the modern, multi-purpose vessels, geographical mobility is increased : greater emphasis on structural reform will reduce the necessity for regional derogations.

Derogations for Producer Groups

23. The second derogation from the Common rules covering financial aids is that for producer groups. Article 7 of the proposed regulation lays down that operations to restructure fishing fleets or other production means and to adapt marketing and production, under Article 2(A) (a), (b) or (d) or Article 3, when undertaken by producers who are members of a recognised organization within the meaning of regulation 2142/70 may receive an increase in aid up to five points.

The producer organizations referred to are any recognised organization or association of such organizations, established on producers' own initiative for the purpose of taking such measures as will ensure that fishing is carried out along rational lines and that conditions for the sale of their products are improved.[1]

The Role of Producer Groups

24. The fishing industry has made considerable progress in the vertical integration of production and processing. Yet such progress requires considerable capital resources in a sector where the artisan element remains strong, especially in certain countries such as France, Ireland and Italy.

25. The future is linked with the 'global' company able to integrate production, processing and marketing. Large units, developed organizations and research programmes are required, which, in turn, demand considerable financial resources. One result has been that the European market, in which the United Kingdom and Germany play a major role, has become dominated by the larger international companies, such as Unilever and Findus (Nestlé).

In order to reduce the dominance of the larger companies arising from these financial demands and so improve the standard of living and future economic viability of the smaller scale fisherman, as well as protecting the interests of the consumer, a number of countries, and in particular Denmark and Sweden, have encouraged producers' cooperatives as a balancing force.

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[1] As laid down in Regulation (EEC) 2142/70, as amended by Regulation (EEC) 170/71 and Regulation (EEC) 1939/72.

These demands for measures to strengthen producers' groups is a recognition of the fact that the larger international companies have already established their own 'common market' which threatens to limit competition.

26. In 1968 the Committee on Agriculture in the Kriedemann Report,[1] as well as the Economic and Social Committee,[2] in its consideration of the Commission's proposals for a common structural policy for the sea-fishing industry, insisted upon the importance of encouraging the development of producer groups by means of special aids. In accepting the present proposed derogations for producer groups, the Committee on Agriculture seeks to reaffirm the importance of a line of policy it has advocated in the past.

The Scope of a Structural Policy in the Fishing Sector

27. This line of argument can be carried much further, and while we are here concerned with Common rules for the implementation of policy measures already adopted, these proposed rules, as the Committee on Agriculture has noted in the past, do raise wider questions on that structural policy.

28. The Committee on Agriculture, in the Kriedemann Report, insisted upon the necessity for a structural policy in the fishing sector to go beyond a mere coordination of national measures, so that a true common policy should be achieved based on some common financial responsibility for common measures.

The Economic and Social Committee gave further precision to this line of thought in declaring that proposals for the coordination of structural policy should be drawn up so as to constitute a transitional stage to a real common structural policy. Measures, based on common criteria, would need to be elaborated.

While recognising the problems involved in developing policy in this area - complicated by the uncertainties engendered by the forthcoming conference on the law of the sea - it is to be regretted that a true common structural policy for the fishing industry does not exist, except in the special area of salt cod-fishing,[3] and that the present proposals do little to further the competence of the Community. This is especially true if one refers to the absence of Community based criteria for the establishment of the regions to benefit from special derogations from the common rules.

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1 O.J. No. C 116, 1968, p. 12

2 O.J. No. C 116, 1968, p. 13-14

3 Reg. (EEC) No. 2722/73, O.J. No. L 291/72

Further Safeguards

29. In addition to these broader questions of policy orientation, there are a number of points to be raised, and in particular those which relate to safeguards to prevent abuse of the presently proposed measures.

30. Under Article 7 of the proposed regulation, producers who are members of a recognised producers' organization may have their percentages fixed in Article 5 and 6 increased by 5 points. The definition of producers' organizations, given in Regulation (EEC) No. 2142/70 as amended by Regulation (EEC) No. 170/71 and Regulation (EEC) No. 1939/72, is not very restrictive: requirements for recognition as a producers' organization are limited to little more than common marketing rules and a sufficient economic activity. This might provide a loophole for the exploitation of these proposed regulations.

Article 5(1) of Regulation No. 2142/70 reads as follows:

1. For the purpose of this Regulation, 'producers' organization' means any recognised organization or association of such organizations, established on producers' own initiative for the purpose of taking such measures as will ensure that fishing is carried out along rational lines and that conditions for the sale of their products are improved.

These measures, which shall be designed in particular to promote implementation of fishing plans, concentration of supply and regularization of prices, shall require members:

- to dispose of their total output of the product or products by reason of which they have become members through the organization: the organization may decide that this requirement can be waived if products are disposed of in accordance with common rules established in advance;

- to apply, with regard to production and marketing, rules which have been adopted by the organization with the particular aim of improving product quality and adapting the volume of supply to market requirements.[1]

Article 2(1) of Regulation No. 170/71 reads as follows:

1. Producers' organizations must, in so far as the product or products for which they apply for recognition are concerned, comply with the conditions laid down in Article 5(1) of Regulation (EEC) No. 2142/70 and with the following requirements:

(a) they must show that they are sufficiently active economically;

[1] O.J. No. L236/70, p. 1

(b) they must not discriminate between Community producers or groups of producers within an economic area, particularly on grounds of nationality or place of establishment;

(c) they must have the necessary legal status under national legislation;

(d) they must include in their rules:

- the obligation to keep separate accounts for the activities for which recognition is granted;

- provisions to ensure that members wishing to leave the organization are free to do so provided that they notify the organization of their intention at least one year in advance.[1]

31. Similar considerations apply to Article 3 of the proposed regulation concerning aids for processing and marketing. If the purpose is to encourage true cooperatives rather than to help the larger companies, it would seem advisable to establish a ceiling on permitted aids for processing and marketing.

32. Again, under Article 2.B.b it is necessary to ensure that aids to compensate for losses in the search for new fishing grounds or for technical, scientific or oceanographic research in respect of fishing should not provide a loophole by which aid is given to non-viable fishing activities. A ceiling would seem to be required here as well.

33. Other aids granted by Member States, especially those designed to compensate the fishing sector against increased costs due to the oil crisis, are covered by Article 92 of the EEC Treaty.

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[1] O.J. No. L23 /71, p. 11

CONCLUSIONS :

34. These present proposals are concerned principally in introducing common rules to govern financial aids to the fishing industry as laid down in Article 9, Regulation (EEC) No. 2141/70 of 20 October 1970.

35. While it may be true that these measures are concerned in implementing a policy already established, they raise, nevertheless, questions of broad policy as well as points of a more technical nature.

36. Firstly, the decision of the Commission to follow a policy long advocated in the Committee on Agriculture, of encouraging producer organizations through special financial provision, is to be welcomed.

37. Again, the necessity to safeguard the interests of unfavoured regions in the process of aid harmonization is to be recognised.

38. On the other hand, the need for a longer term policy to develop a true common structural policy for the fishing industry is not to be overlooked. The complete absence of such a viewpoint, and in particular the omission of any reference to a common financial responsibility for structural policy or Community criteria in establishing the unfavoured regions, is to be regretted.

There exists a danger in any proposal for the harmonization of national legislation, that the principal result will be simply to bring increasing uniformity between the national systems without the development of a global policy to meet the real needs of the Community and the interests of the sections of the population affected. What is required, rather, is for overall principles to be enunciated which will allow for a progressive and rational development of a structural policy for the fishing industry.

39. This general conclusion is brought into evidence by two omissions from the Commission's proposals which might lead one to think that certain aspects of the Commission's proposals need to be reconsidered.

The first of these is the complete absence of any reference to the interests of the consumer.

The second concerns the context in which these proposals are framed : the need to harmonize the aids granted to the fishing industry, but without any reference to the competition faced by the Community producer from the fishing fleets of Third Countries. Can it be considered completely wise to limit aid granted to fish producers of the Community when foreign fleets are taking larger and larger catches from waters around the Community's coasts?

It would appear that the Commission's present proposals have been framed entirely with reference to the internal demands of aid harmonization and without consideration having been given to the position of the Community vis-à-vis competing third countries. The very considerable financial demands imposed by such a wider international competition will have to be borne in mind.

40. On the other hand, it would seem to be unwise to develop firm policy directions until the position of third countries fishing in waters off the Community's shores, or traditionally the grounds of Community fishermen, has been defined by the Third Conference of the law of the sea which is to take place shortly.

Such considerations cast doubt as to the wisdom of proposing measures to harmonize and limit aid granted to the fishing industry at this present moment.[1]

41. Beyond these considerations, certain of the proposals presented contain very broad provisions which might allow loopholes for abuse and should be re-examined, and in particular :

- given the fact that under Article 7 of the proposed regulation, producers who are members of a recognised producers' organization may have their percentages fixed in Articles 5 and 6 increased by 5 points, the definition of producers' organizations, given in Regulation (EEC) No. 2142/70 as amended by Regulation (EEC) No. 170/71 and Regulation (EEC) No. 1939/72, is not sufficiently restrictive;[2]
- similarly with reference to Article 3 of the proposed regulations concerning aids for processing and marketing, if the purpose is to encourage true cooperatives rather than to help the larger companies, it would seem advisable to establish a ceiling on permitted aids for processing and marketing;

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[1] One is talking here, of course, of a possible evolution in the competitive position of the Community fishing industry vis-à-vis third country competitors, and in particular by the extension of territorial waters and zones of control, rather than of legal limitations on the competence of the Community to develop a particular regime. At the Third Conference of the law of the Sea, the Community will have the possibility of following the line adopted in 1964 and given form in Article 10 of the Treaty of London, which stipulates that 'no disposition of the (present) Treaty can form an obstacle to the maintenance or the establishment of a special regime for fishing between the members of the Community.

[2] See paragraph 23, supra.

- again, under Article 2.B.b, to ensure that aids to compensate for losses in the search for new fishing grounds or for technical, scientific or oceanographic research in respect of fishing should not provide a loophole by which aid is given to non-viable fishing activities, a ceiling would seem to be required.

42. Subject to these reservations, the Committee on Agriculture approves the Commission's proposals, and awaits provisions for the further development of a common structural policy for the fishing industry as previously requested by the Committee on Agriculture.

Landings of fish by country (1000 metric tons)

	1968	1969	1970	1971
Belgium	68.2	58.7	53.4	60.2
Denmark	1,466.8	1,275.4	1,222.5	1,400.9
France	803.1	770.5	764.4	741.7
Germany	682.3	651.6	621.9	507.6
Ireland	53.1	66.5	78.9	74.0
Italy	363.8	370.9	386.7	391.2
Netherlands	323.3	323.2	300.7	321.2
United Kingdom	1,041.2	1,083.0	999.0	1,107.3
Japan	8,670.2	8,613.4	9,314.6	9,894.5
Norway	2,855.7	2.490.7	2,980.4	3.074,9
USSR	6,052.1	6,498.4	7,252.2	7,336.7

(Source F.A.O. Yearbook of Fishery Statistics Vol. 32)

Annex II

Landing of fish by zone in which caught and by country (1971)

	Inland	ATLANTIC NW	ATLANTIC NE	ATLANTIC Central	ATLANTIC SW	ATLANTIC SE	Mediterranean & Black Sea	Others
Belgium			60.2			13.7		
Denmark	12.9	0.6	1,387.4					
France		50.8	592.1	47.7			49.9	1.2
Germany	15.0		135.4		357.2			
Ireland			74.0					
Italy	18.7			66.6			305.9	
Netherlands	3.0		318.2					
United Kingdom		7.6	1,099.7					
	49.6	59.0	3,677.0	114.3	357.2	13.7	355.8	1.2
Japan		51.5	0.3	119.4	3.1	115.6		2,554.0
Norway		34.4	2,837.7	262.8				
USSR		1,021.5	1,377.5	801.0	26.2	438.6	263.7	3,408.2

Annex III

F I S H

	Imports	Exports (1971)
Belgium/Luxembourg	48.0	24.1
Denmark	125.8	204.5
France	122.8	26.8
Germany	216.1	61.2
Ireland	3.9	13.3
Italy	122.2	29.4
Netherlands	44.8	98.0
United Kingdom	96.8	78.5
Iceland	0.0	151.4
Norway	34.4	150.2
USSR	22.0	261.0

Annex IV

Production of frozen Fish Fillets (1971) 1000 metric tonnes.

Denmark	40.0
France	13.7 (1967)
Germany	84.0
Ireland	0.6
Netherlands	7.6
United Kingdom	94.2
Iceland	74.3
Norway	111.3 (1970)
USSR	60.7