

# European Communities

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## EUROPEAN PARLIAMENT

# Working Documents

1977 - 1978

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11 May 1977

DOCUMENT 99/77

## Report

drawn up on behalf of the Committee on External Economic Relations

on the draft regulations of the Council of the European Communities

(Doc. 98/77) concluding ~~Cooperations~~ Agreements between the European  
Economic Community and

- the Arab Republic of Egypt
- the Hashemite Kingdom of Jordan
- the Syrian Arab Republic

Rapporteur: Mr J.F. PINTAT

PE 47.938/fin.



By letter of 22 February 1977 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 238 of the EEC Treaty, to deliver an opinion on the draft regulations of the Council concluding the Cooperation Agreements between the European Economic Community and:

- the Arab Republic of Egypt
- the Hashemite Kingdom of Jordan
- the Syrian Arab Republic.

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

On 18 January 1977 the Committee on External Economic Relations appointed Mr Pintat rapporteur.

It considered these draft regulations at its meeting of 26 April 1977 and at the same meeting unanimously adopted the motion for a resolution and explanatory statement.

Present: Mr Kaspereit, chairman; Mr Schmidt and Mr Martinelli, vice-chairmen; Mr Pintat, rapporteur; Mr Van Aerssen, Mr De Clercq, Mr Didier, Mr Klepsch, Mr Price, Mr Pucci and Mr Vandewiele.

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

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

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the draft regulations of the Council of the European Communities concluding Cooperation Agreements between the European Economic Community and

- the Arab Republic of Egypt
- the Hashemite Kingdom of Jordan
- the Syrian Arab Republic

The European Parliament,

- having been consulted by the Council pursuant to Article 238 of the EEC Treaty (Doc. 98/77),
- considering its resolutions of 15 March 1973<sup>1</sup> on the consequences of the enlargement of the European Community for its relations with the Mediterranean countries, and of 18 December 1975<sup>2</sup> on recent developments in the Community's Mediterranean policy.
- considering its resolution of 11 October 1976<sup>3</sup> on the Agreements concluded between the European Economic Community and the Republic of Tunisia, the People's Democratic Republic of Algeria and the Kingdom of Morocco,
- considering the Agreements between the European Economic Community and the Arab Republic of Egypt of 18 December 1972<sup>4</sup>,
- having regard to the report of the Committee on External Economic Relations and the opinions of the Political Affairs Committee, the Committee on Budgets, the Committee on Agriculture and the Committee on Development and Cooperation (Doc. 99/77),

1. Welcomes the Cooperation Agreements signed on 18 January 1977 with Egypt, Jordan and Syria, and hopes that they will mark the beginning of close and enduring cooperation between the Community and these countries;
2. Regrets, however, that the Agreements were not signed in the respective partner countries as had originally been intended;

<sup>1</sup> OJ No. C 19, 12.4.1973, p.34

<sup>2</sup> OJ No. C 7, 12.1.1976, p.36

<sup>3</sup> OJ No. C 259, 4.11.1976, p.15

<sup>4</sup> OJ No. L 251, 7.9.1973

3. Welcomes the fact that the Cooperation Agreement with Lebanon has also been signed recently;
4. Notes with satisfaction that the Community's policy regarding the countries on the Southern shores of the Mediterranean has now been put into effect;
5. Approves the content of the Agreements;
6. Draws attention to the fact that relations between the Community and those Member States of the Arab League to whom the Mediterranean policy is applicable are also influenced by the evolution of the North-South dialogue and the Euro-Arab dialogue;
7. Considers it desirable for permanent Commission delegations to be set up in the respective partner countries to see to the implementation of the policy laid down in the Cooperation Agreements;
8. Wishes to be informed from time to time of the measures taken to implement this policy;
9. Requests the Commission and the Council to ensure strict observance of
10. Declares its willingness to establish regular contacts as quickly as possible with the appropriate bodies representative of the people of Egypt, Jordan and Syria and requests the Cooperation Councils set up under the three Agreements to take all appropriate measures to this end.

EXPLANATORY STATEMENTI. BACKGROUND

1. On 18 January 1977 three Cooperation Agreements were signed in Brussels between the Community and Egypt, Jordan and Syria respectively. The negotiations had been concluded - with one reservation - during the second half of October 1976.

It had originally been intended that the signing ceremony should take place in the capitals of the three Parties in question, namely in Cairo on 5 December, in Damascus on 6 December and in Amman on 7 December, and that the signing of the Additional and Financial Protocols with Israel should take place in that country on 8 December 1976. However, the signing was postponed, the official reason being that no agreement had been reached between the Community and the other Parties concerning the period of validity of the Financial Protocols. (Your rapporteur will return to this point.) But the possibility certainly cannot be ruled out that one or several governments objected to the successive signing of the Agreements with the three Arab countries and Israel during one lightning tour by the Community's representatives. The Community was therefore faced with the choice of either postponing the date until 1977 or changing the place of signing to Brussels (because of the Ministers' overburdened agendas, it was impossible to organize a second tour before the end of the year). After it had become obvious - for technical reasons, amongst others - that no agreement could be reached for a new date in 1976, the Agreements were signed in 1977 in Brussels and not in the capitals of the other Parties.

Without wishing to criticize unduly, your rapporteur considers it regrettable that the signing ceremonies did not after all take place in Cairo, Damascus and Amman, thus departing from the valued tradition that where the Community is entering into a special relationship with a particular country or countries, the Agreements are signed in the countries concerned (for example, the Athens, Ankara, Lomé, Rabat, Tunis and Algiers Agreements).

2. The negotiating mandate which the Commission was given at the end of 1975 was originally confined to the trade aspect. Some Member States wished to impose certain conditions on financial cooperation with the countries concerned. However, Egypt, Jordan and Syria stated from the outset that they were not interested in an agreement which excluded financial cooperation, because none of the three countries saw any opportunity of noticeably expanding exports simply as a result of the

abolition or restriction of customs duties. The negotiations could not begin until the Council had declared its willingness in principle to include financial cooperation in the Agreements (early in January 1976). It was established from the outset that the mandate would contain no reference to cooperation in the field of labour, nor did the three countries insist on this. In view of the precarious employment situation in the Nine - and bearing in mind the recent agreement with Turkey in this sector - the Community's point of view in this matter is perfectly understandable.

3. In September 1976 the Commission was authorized to negotiate the Financial Protocols. Although the Community remains consistent in its policy of not permitting financial aid to be a matter for negotiation, this aspect was the principal - if not the only - stumbling block before complete agreement was reached. It was not so much the overall amount to be set aside for financial help which was at issue as the period of validity of the protocols. The Community suggested a five year period beginning on the entry into force of the agreements. The three negotiating partners, however, wanted a shorter period enabling them to take up a larger amount each year, since: (1) the overall amount was not at issue, and (2) the amounts to be committed were in principle to be distributed evenly throughout the period. The Community proposed as a compromise that the protocols should run until 31 October 1981. In view of the time required for the ratification procedure, this means in practice that their validity will be considerably shorter than five years. The three countries only endorsed this proposal after the Agreements had been initialled. This solution has our full support, especially since the same date of expiry was fixed for the Financial Protocols contained in the Agreements with the Maghreb countries.

4. The present Cooperation Agreements are one aspect of the global Mediterranean policy which the Heads of State or Governments adopted at the Paris Summit in October 1972. As Mr Cheysson said: 'the Community policy towards the countries of the Southern Mediterranean has now been laid down', at least if Lebanon is disregarded for the time being. The Cooperation Agreements with Algeria, Morocco and Tunisia were of course signed in April 1976. The Trade Agreement with Israel entered into force on 1 July 1975 and an Additional Protocol (on economic and technical cooperation) and a Financial Protocol to the Agreement with this country were signed on 8 February 1977. Apart from Lebanon, which, for obvious reasons, has unfortunately so far remained outside this development, the first phase of the 'global approach', i.e. the establishment of the policy, has now been concluded. The Community has, therefore, achieved success, and for this, the Commission, and in particular the Commissioner responsible, deserve our praise.



5. Of the three countries with which the present agreements have been concluded, only Egypt had any previous contractual link with the Community. This was a preferential trade agreement, concluded in 1972, which entered into force on 1 December 1973 and was to run for five years. It contained considerably fewer concessions than the present Agreement. The original agreement included a future adjustment clause which held out the prospect of more extensive cooperation.

The first agreement concluded by the Community with a Middle East country was the non-preferential trade agreement with Lebanon which was signed in 1965 and entered into force on 1 July 1968. This agreement, initially for a period of three years, has regularly been extended. A second - preferential - agreement was signed in December 1972 but has not yet been approved by the Lebanese Parliament. Had Lebanon not been ravaged by civil war, a Cooperation Agreement would also have been concluded with this Mashrek country. In 1976 the Community was unfortunately forced to restrict its activities in Lebanon to granting financial and food aid for the victims. This aid amounted to some 12 m u.a. Soon after hostilities abated, the first official discussions began with the Lebanese authorities with a view to concluding a Cooperation Agreement similar to those now under consideration. These negotiations were concluded on 16 February 1977 with the initialling of the Agreement. It is understood that it will be signed on 3 May 1977.

According to the Financial Protocol to the Cooperation Agreement with Lebanon, financial aid from the Community to that country will total 30 million u.a..

6. Since 1970 the Community has also made a contribution to overcome, the food shortage in the Mashrek countries. From 1970 to 1976 this aid totalled 132 m u.a. A considerable proportion of this aid - some 36% - was earmarked for free distribution to Palestinian refugees (through allocation of the amounts to UNWRA<sup>1</sup> and Jordan). The Community also helped to finance educational programmes for the refugees. In 1976 the food aid to these countries totalled 12% of the Community's food aid budget. The food aid was decided by unilateral decision and consequently is outside the scope of the Cooperation Agreements.

Finally, mention should be made of last year's difficulties over the outline agreement between the Community and Egypt on the supply of agricultural products; the agreement was not in fact concluded.

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<sup>1</sup> United Nations Works and Relief Agency

## II. CONTENT OF THE COOPERATION AGREEMENTS<sup>1</sup>

7. In overall terms the Agreements contain the following sections:

- objectives
- economic and technical cooperation
- financial cooperation
- trade cooperation
- institutional machinery
- general provisions<sup>2</sup>.

Apart from the trade section, the provisions of the three Agreements are virtually identical.

### Objectives

8. The Agreements are aimed at wide-ranging cooperation between the Parties, based on the desire to maintain their friendly relations. Cooperation should contribute to the economic and social development of Egypt, Jordan and Syria and help to consolidate relations between them and the Community.

This broad approach is reflected inter alia in:

- (a) the indefinite - and therefore unlimited - period of validity of the Agreements

They may be denounced at any time by either Party and the agreement ceases to apply 12 months after the date of such notification.

This provides the necessary basis for tackling development problems in the longer term. For example, only the certainty of access to the market over an unlimited period can stimulate productive investments, especially in the industrial sector - and this to a far greater extent than the Community's financial contribution to investments.

- (b) the evolutive nature of the Agreements

A general review clause is included so that the parties can, on specified dates, consider the results of the Agreements and any amendments which might be made by either side. The first such review will

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<sup>1</sup> Docs. SEC (76) 3932, SEC (76) 3933 and SEC (76) 3934 of 8 November 1976 are the basis for this analysis of the Agreements.

<sup>2</sup> In this list your rapporteur has not adhered strictly to the titles in the Agreement.

be held at the beginning of 1979; such adjustments as are necessary will then be embodied in the Agreements with effect from 1 January 1980. The subsequent review will be held five years later.

(c) the fact that the scope of the trade and technical cooperation is defined specifically. In other words, the Contracting Parties can define other cooperation areas.

9. The fourth recital in the preamble deserves attention: the partners state their resolve 'to establish a new model for relations between developed and developing States, compatible with the aspirations of the international community towards a more just and more balanced economic order'.

This in itself is an interesting statement, not simply because of its content but also because the 'global approach' to the Mediterranean countries is thereby actually included in the Community's general development policy and a clear connection established between the Mediterranean policy and other development frameworks such as the Euro-Arab dialogue and the North-South dialogue.

#### Economic and technical cooperation

10. Cooperation aims at:

- contributing to the development of the three partner countries,
- strengthening existing economic links on as broad a basis as possible for the mutual benefit of the Parties.

Cooperation is complementary to existing action by the countries in question. To attain these objectives, account will be taken of the priorities in their development programmes and, as far as possible, operations will be integrated.

Furthermore, reference will be made to the importance of regional cooperation between the partner country in question and other States. This approach enables measures to be properly coordinated and places cooperation in a broad perspective which corresponds entirely to the policy towards the Mediterranean countries. In fact it extends even further because - by 'promoting regional cooperation' - a door is opened to countries which, strictly speaking, are outside the scope of this policy.

11. Against this general background, cooperation aims at promoting in particular:

- participation by the Community in the efforts made by the partner countries to develop their production and economic infrastructure (diversification of the economic structure, industrialization, modernization of agriculture);
- the marketing and sales promotion of products exported by these countries;
- industrial cooperation (contacts between industrial policy-makers, more favourable terms for acquiring patents, etc.);
- the participation by Community operators in programmes for the exploration, production and processing of the natural resources of the partner countries and any activities which would enable these resources to be developed on the spot;
- cooperation in the fields of science, technology and the protection of the environment;
- cooperation in the fisheries sector;
- the encouragement of private investments which are in the mutual interest of both Parties;
- exchange of information on the economic and financial situation.

#### Financial cooperation

12. The Community is to participate in the financing of measures to promote the economic and social development of the three partner countries. The conditions for Community participation are laid down in the Protocol on technical and financial cooperation which is an integral part of the Agreement.

Financial aid is principally designed to develop production and the economic infrastructure of the partner countries. In practical terms this means that these resources will be utilized for the total or partial financing of suitable investment projects, including any technical preparation and training necessary.

The Financial Protocols remain valid until 31 October 1981. The amounts to be committed are in principle to be distributed as uniformly as possible over the period of application of these Protocols. The Council has nevertheless stated that it is prepared to make the funds in question available very rapidly to the partner countries.

13. A total of 270 m u.a. is set aside for financial aid (1 u.a. = \$1.11). The distribution of this amount to the three recipient

countries was fixed in the light of various factors such as the country's population and the Gross National Product per head of population<sup>1</sup>.

Financial aid is given in three different forms:

- (a) loans granted by the European Investment Bank from its own resources and subject to the terms set out in its Statute at the interest rate applied by the Bank at the time of signature of the contract;
- (b) loans on special terms granted for 40 years with an amortization period of ten years and an interest rate of 1%;
- (c) grants which may be in the form of interest rate subsidies for the loans referred to in (a) (generally with a 2% interest rebate).

The various forms of financial aid are granted to the recipient countries in accordance with the following table:

	(in m u.a. (1 u.a. = \$1.11))			
	Egypt	Jordan	Syria	Total
EIB loans	93	18	34	145
Loans on special terms	14	4	7	25
Grants	63	18	19	100
Total	170	40	60	270

14. Loans and grants are either made directly to the States or - with their agreement - to public institutions, private bodies or groups of producers. The beneficiaries are responsible for the execution, management and maintenance of the schemes. The Community will nevertheless make sure that this financial aid is used for the agreed purpose and to the best economic advantage.

Participation in tendering procedures and other procedures for the award of contracts is to be open on equal terms to all natural or legal persons of the Member States and of the three partner countries.

<sup>1</sup> See Annex to this report

15. In accordance with the Agreements in financing the measures in question, the Community will take account of the possibilities of triangular cooperation. Community assistance may take the form of co-financing in conjunction with other finance institutions from the partner country, the Member States, third countries or international finance organizations.

Once again we note - as earlier with reference to the prospects for regional cooperation - that the Community is placing its relations with the Mediterranean countries in a broader framework. This provision in particular constitutes a link with the other countries of the Arab League. If the partner countries' infrastructure is improved with Community aid, then it is very possible that the oil producer countries will be more interested in investment projects in the poorer Mashrek countries<sup>1</sup>.

#### Trade cooperation

16. In the field of trade these Agreements are generally designed to promote trade, between the Community and the partner countries, taking account of their respective levels of development and of the need to ensure a better balance in their trade with the Community. This means on the one hand efforts to increase the rate of growth of the partner countries' trade and on the other to improve conditions of access for their products to the Community market. However, the liberalization of trade remains the ultimate aim of the Agreements.

The present situation of trade between the Community and the partner countries is shown in the following table:

TRADE BETWEEN THE COMMUNITY, EGYPT, JORDAN AND SYRIA (1975)				
in m EUA (1 EUA = \$1.20)				
(percentages in brackets)				
	Egypt	Jordan	Syria	Total
- EEC imports from ...	299.3 (40%)	7.7 (1%)	436.2 (59%)	743.2 (100%)
- EEC exports to ...	1,268.6 (63%)	205.5 (10%)	548.8 (27%)	2,023 (100%)
Index (1970 = 100)	383	419	600	-
- Community trade surplus	969 (76%)	197 (15%)	112 (9%)	1,278 (100%)

<sup>1</sup> For the balance of payments position, see Annex to this report

17. Industrial products make up a large part of the total exports of the three countries to the Community. It would be better here to describe them as 'non-agricultural products' because the exports are mainly raw materials. This can be seen from the following table<sup>1</sup>:

	Percentage of total exports to the Community		
	Egypt	Jordan	Syria
Non-agricultural products	76%	96%	96%
- crude petroleum	51%	-	94%
- raw cotton	14%	-	-
- phosphates	-	70%	-

18. Unlike the Maghreb countries (especially Tunisia and Morocco), agricultural exports from the Mashrek countries are relatively insignificant; 24% of Community imports from Egypt and less than 4% of imports from Jordan and Syria. Insofar as this concerns exclusively products within the scope of the common agricultural policy, these percentages are even smaller: 10% for Egypt, 2.5% for Jordan and less than 1% for Syria.

The Mashrek countries' share in total agricultural exports from third countries to the Nine amounts to no more than 0.15%.

19. The provisions applying to trade cooperation in the Agreements are based on four general principles:

- (a) complete abolition of customs duties on imports into the Community of non-agricultural products from the partner countries with effect from 1 July 1977. One temporary exception is made to this principle. Until 31 December 1979 at the latest, certain specified products are subject to a ceiling. Within the fixed annual ceiling, access to the Community is free of customs duties. If a certain product exceeds its ceiling, the Community can re-impose the duties applied in respect of third countries. The ceilings are to be raised annually by 5% - up to and including 1979.

This applies to products which are considered sensitive in the Community. Sensitivity is defined by

<sup>1</sup> For details concerning the production of raw materials, see the Annex to this report

- (a) the scale of exports of the products in question to the Community, and
- (b) the competition which Community producers have to face as a result.

The following table gives the annual ceilings:

<u>Ceilings are fixed for the following products:</u>			
	(in tonnes)		
	Egypt	Jordan	Syria
- Refined petroleum products	450,000	-	175,000
- Other woven fabrics of cotton (CCT Heading No. 55.09)	3,250	100	500
- Phosphate fertilizers	35,000	1)	1)
- Cotton yarn	7,000	1)	1)
- Aluminium	1)	1)	1)

- 1) No ceiling fixed, but the Community reserves the right to introduce one.

Annex A to each Agreement also includes some products which are wholly excluded from this regulation and to which, therefore, the abolition of customs duties is not applicable.

- (b) removal of quantitative restrictions on imports into the Community of non-agricultural products from the partner countries on the date of entry into force of the Agreements. Cotton goods from Egypt listed in Annex B to the Agreement constitute an exception to this.
- (c) a preferential regulation in respect of third countries for imports into the Community of certain agricultural products from the partner countries, with effect from the date of entry into force of the Agreements, consisting of tariff concessions for most agricultural exports (principally vegetables and fruit); these concessions range from 40 to 80% (of customs duties applied in respect of third countries). However, on the basis of a safeguard clause included in the Agreements, this provision can be modified if new rules are introduced in the common agricultural policy which make such modification necessary.



(d) there is no obligation on the partner countries to apply the principle of reciprocity in respect of imports from the Community apart from treatment on the most-favoured nation principle. Exports to the Mashrek countries amount to 1.8% of the Community's total exports.

20. As regards the trade section, the Agreements finally include a few escape clauses which permit protective measures to be taken under certain circumstances, and an anti-dumping provision.

The trade provisions enter into force on 1 July 1977 under interim agreements based on Article 113 of the EEC Treaty. There is in this case no need to await completion of the approval procedure.

#### Institutional machinery

21. A Cooperation Council is established for each of the three partner countries, consisting of representatives of the Community and the Member States and representatives of the partner country.

The Cooperation Council is to facilitate a permanent dialogue between the Contracting Parties. It is to meet once a year or whenever necessary. For the purpose of attaining the objectives set out in the Agreements, it has the power to take decisions which are binding on both Parties. It may also set up any other specialist committee to assist it.

The Cooperation Council has the following tasks:

- (a) to ensure the smooth functioning of the Agreements in the trade sector;
- (b) to lay down the general guidelines for economic, technical and financial cooperation and to seek ways and means of enabling this cooperation to be implemented;
- (c) to take measures to facilitate cooperation and contacts between the European Parliament and the representative bodies of the people of each of the partner countries.

As regards the last point, we would appreciate it if the Bureau of the European Parliament would contact the parliaments of the countries in question at an early date in order to make preparations for a meeting. In this context it should be noted that a delegation from the European Parliament visited Israel in November 1976.

22. It will also be noted that the Egyptian, Jordanian and Syrian Governments have lodged a formal request with the Council for a permanent Commission delegation to be set up in their respective countries. These delegations would have the task of facilitating the implementation of the agreements - especially in the field of economic cooperation - and administering the amounts set aside for economic cooperation.

This is an interesting proposal which deserves our full support. It is easier for a delegation to keep abreast of the conditions in the countries in question if it is on the spot rather than in Brussels, and this could therefore be a valuable source of information for the Community representatives in the Cooperation Council. It would greatly facilitate the implementation of the Agreements.

#### General provisions

23. Your rapporteur has already mentioned most of the general provisions. Under this heading he will confine himself to one problem which the European Parliament has already discussed on several occasions. This is the question of non-discrimination between the Contracting Parties, their nationals or their companies or firms. The Agreements include a number of provisions which refer to this matter directly or indirectly:

- Articles 32 (Egypt), 29 (Jordan), 30 (Syria):

'The Agreement shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security ... Such prohibitions or restrictions must not, however, constitute a means of arbitrary discrimination ...'.<sup>1</sup>

- Articles 45 (Egypt), 42 (Jordan), 43 (Syria):

'In the fields covered by the Agreement:

- the arrangements applied by Egypt (and Jordan and Syria) in respect of the Community shall not give rise to any discrimination between the Member States, their nationals, their companies or firms;
- ... (and vice versa) ...

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<sup>1</sup> This provision is taken directly from the Treaty of Rome (Article 36 of the EEC Treaty)

24. With reference to these two provisions, an exchange of letters reading as follows is annexed to each Agreement:

'Exchange of letters on Articles 32 and 45 of the Agreement'

Sir,

I have the honour to inform you of the following declaration by my Government on Articles 32 and 45 of the Agreement<sup>1</sup>:

'The Arab Republic of Egypt hereby declares that in applying Articles 32 and 45 of the Agreement its undertakings do not require it to repeal laws and regulations in force insofar as they remain necessary for the protection of its essential security interests. The ARE will see to it that such laws and regulations are applied in such a way as to ensure compliance with Article 43(1) of the Agreement'<sup>2</sup>.

Please accept, Sir, the assurance of my highest consideration.

(sgd)

Head of the Egyptian delegation

Sir,

In your letter of today's date you communicate to me a declaration by your Government on Articles 32 and 45 of the Agreement.

I have the honour to inform you of the following declaration by the European Economic Community on Articles 32 and 45 of the Agreement:

- '1. The European Economic Community notes the declaration by the Arab Republic of Egypt.
2. The European Economic Community expects the principles set out in the Agreement, including those in Articles 32 and 45 of the Agreement, to be put into full application.

The European Economic Community considers in particular that the application of the principle of non-discrimination should ensure the correct and smooth application of the Agreement'.

Please accept, Sir, the assurance of my highest consideration.

(sgd)

Head of the delegation of the  
European Economic Community'

<sup>1</sup> For greater simplicity, only the exchange of letters with Egypt has been quoted. The other two texts are identical.

<sup>2</sup> The text of Articles 43(Egypt), 40(Jordan), 41(Syria) reads:  
'1. The Contracting Parties shall take any general or specific measures required to fulfil their obligations under the Agreement. They shall see to it that the objectives set out in the Agreement are attained.  
2. ....'

25. The European Parliament has already expressed its anxiety over unilateral declarations on the lines of this exchange of letters, for example in its resolution of 10 May 1973 on the trade agreement with Egypt, paragraph 3 of which read:

'3. The European Parliament ... considers that the unilateral declaration by the Community concerning the application of the principle of non-discrimination does not fully compensate the corresponding unilateral declaration by the Arab Republic of Egypt'.<sup>1</sup>

The unilateral declaration by the Arab countries in question stems of course from the boycott which the Arab League has imposed on Israel.

Your rapporteur will confine himself here to reiterating the point of view which he already expressed in his report on the Agreements with the Maghreb countries, namely that he would appreciate an assurance from the Commission that there will be no discrimination against the Member States of the Community, their nationals, their companies or firms in any way which is incompatible with the content of these Agreements.

He would further add that in his opinion the unilateral declaration by the partner countries is entirely superfluous from a legal point of view.

Articles 44 (Egypt), 41 (Jordan) and 42 (Syria) provide an adequate guarantee against any threat to the security of the countries in question. The text of these provisions reads as follows:

'Nothing in the Agreement shall prevent a Contracting Party from taking any measures:

- (a) which it considers necessary to prevent the disclosure of information contrary to its essential security interests;
- (b) ....
- (c) ....'

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<sup>1</sup> OJ No. C 37, 4.6.1973

### III. SIGNIFICANCE OF THE COOPERATION AGREEMENTS

26. Now that the Agreements with three of the four Mashrek states have been concluded, the Community has contractual cooperation links with nine of the twenty countries belonging to the Arab League<sup>1</sup>. Apart from the six Mashrek and Maghreb countries, there are also links with Mauritania, Somalia and Sudan which are signatories to the Convention of Lomé.

68% of the total Arab population live in these nine countries. They take 50% of Community exports to this area and are also among the poorer countries in the League. In 1975, the trade deficit of these nine Arab countries with the nine of the Community amounted to almost 3,000 million dollars, the three Mashrek countries accounting for 1,200 million dollars of this<sup>2</sup>. This contrasts sharply with the surplus of the 20 countries of the Arab League with the Community which in this period amounted to almost 10,000 million dollars. The Arab World now takes 13% of our exports and is thus the Community's largest customer (the US takes 11%). The Community accounts for approximately half the total imports and exports of the Arab countries and is thus by far their largest trade partner.

27. The three Mashrek countries in question, whose industrial development is not yet very advanced - this is reflected in the considerable proportion of raw materials in their exports - need investment and therefore capital. These Cooperation Agreements and the Financial Protocols are a first step in this direction. But apart from the possibility of industrial development in the partner countries - one of the Agreements' objectives - the Agreements in fact offer much more.

They form the basis for stable and enduring cooperation between the Community and the Mashrek states. The - not exhaustive - list of the areas in which cooperation is possible illustrates this. As we have seen, our relations with the Mashrek and the Maghreb countries are characterized by a wide-ranging approach: the Agreements are not limited in time, and the general review clauses enable cooperation to be extended and intensified at a later stage. This is the second objective.

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<sup>1</sup> The following 20 countries belong to the Arab League: Egypt, Syria, Lebanon, Jordan, Iraq, Saudi Arabia, Kuwait, Bahrein, Qatar, the United Arab Emirates, Oman, South Yemen, North Yemen, Somalia, Sudan, Mauritania, Morocco, Algeria, Tunisia and Libya.

<sup>2</sup> See table on page 14

28. There is, however, a third objective which is not stated as such in the Agreements, but transpires from the various provisions.

This is the promotion of cooperation between all the countries in the Mediterranean area and/or the Arab world. Account must for example be taken of the desirability of promoting regional cooperation between the partner countries and other states for the attainment of the objectives set out in the Agreements. Account should also be taken of the possibilities of 'triangular cooperation' in granting financial aid.

What does this mean?

29. In the first place it means that the Community's Mediterranean policy is more than the sum of a number of identical bilateral agreements with the countries of the southern Mediterranean. The Community considers these countries as belonging to the same region and therefore aims at multilateral cooperation in this area. This is in fact the intention of the 'global approach'.

30. Secondly, it means that the global approach is not confined strictly to the countries bordering on the Mediterranean. The Agreements constitute - as we have already said - a clear link between the partner countries in question, and the States of the Arab League. This establishes an implicit connection between the general Mediterranean policy and the Euro-Arab dialogue of which the second session was held in Tunis from 10 to 12 February.

31. Thirdly, this approach gives the Community the opportunity of making an - admittedly modest - contribution to a solution of the conflict in the Middle East. The Community's policy must, wherever possible, aim at the joint solution of practical problems which affect all these countries. Present political circumstances are relatively favourable for this, in view of the possible prospect of an Arab-Israeli conference in Geneva. That such a prospect is not entirely impossible is illustrated by the fact that 15 Mediterranean countries recently reached agreement within the framework of the UNEF<sup>1</sup> on the methods with which the first phase of the 'Blue Plan' - a project aiming at combating pollution of the Mediterranean - should be implemented. Both Israel and Arab countries were among these 15 States.

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<sup>1</sup> United Nations Environment Programme.

32. The Community will therefore have to concentrate on coordinating wherever possible the projects and programmes developed in the various Cooperation Councils. For this reason, it is not desirable that these bodies should in future operate entirely independently of each other. The representatives of the Community and the Member States in the various Cooperation Councils, will, from time to time, need to consider closely the policy as it applies to the Mediterranean countries with whom Cooperation Agreements have been concluded.

33. The signing of the present Cooperation Agreements is a milestone on the road towards the realization of the Mediterranean policy. We said this at the beginning of this report. What we must now do is transform the policy lines into concrete measures. The Cooperation Councils have a decisive part to play in this. Their task would be facilitated if the Community decided to set up permanent Commission delegations in the countries in question. Your committee wishes once again to underline the importance of this step.

In this context, the Committee on External Economic Relations would like to be kept informed of the progress made towards the implementation of the policy set out in the Agreements. Moreover, it feels that Parliament should be consulted on any future review of the Agreements.

34. Your rapporteur would not wish to conclude his report without raising a question of fundamental significance. To what extent will it be possible in future to continue pursuing a general policy towards the Mediterranean countries? In other words, will the 'global approach' not be transformed gradually into a Community policy towards the whole Arab world and Israel, as the Euro-Arab dialogue develops further? We must bear in mind that political relations between the Community and the countries on the northern shores of the Mediterranean (Spain, Portugal, Greece, Turkey, Cyprus, Malta, Yugoslavia) have an essentially different character - and, moreover, are different from each other - than those between the Community and the countries on the southern shores, the Maghreb, the Mashrek and Israel. The general Mediterranean policy, as it has been constituted until now, is limited to the southern area. It is of course possible that the Community may conclude similar agreements with Spain and Portugal within the framework of the 'global approach'. But this does not mean that the Community's relationship with these two European countries should develop in a totally different direction - in the light of possible future applications for accession. Moreover, the Agreements under consideration in this report lay down an undeniable link with the countries of the Arab League. That is why your rapporteur has raised this question. At this stage he would not claim to be able to answer it.

ANNEX

BASIC FACTS							
	EGYPT		JORDAN		SYRIA		
	36.4		2.5		7.1 (1974)		
	55%		39%		49%		
	8,820		870		2,800		
	250		340		400		
- Foreign public debts at 31.12.1974 (US \$000,000)	3,120		564		769		
- Debt servicing in dollars of exports of goods and services	32%		4.9%		4.9%		
	BALANCE OF PAYMENTS (US \$ 000,000)						
	EGYPT		JORDAN		SYRIA		
	1974	1975	1974	1975	1974	1975	
	- exports	1,674	1,569	155	153	777	930
	- imports	-3,491	-4,497	-484	-729	-1,114	-1,540
	- <u>trade balance</u>	-1,817	-2,928	-329	-576	-337	-610
	- services	186	449	69	198	45	- 3
	- transfers	1,305	1,079	270	438	457	706
	- <u>Current account</u>	- 326	-1,400	10	60	165	93
	- capital transactions	- 156 (1)	+ 171 (1)	12	99	- 8	- 15
	-	+ 345 (2)	- 53 (2)				
	- development of reserves	- 137	-1,281	22	159	157	78

Source : IMF and IBRD

(1) medium and long-term capital

(2) short-term bank loans

Raw material production

EGYPT : crude oil : 15.8 million tonnes (1975)

  present refining capacity : 5 million tonnes

SYRIA : crude oil : 9.5 million tonnes (1975)

  refining capacity : 2.7 million tonnes

  phosphates : 850,000 tonnes (1975)

JORDAN: phosphates : 2 million tonnes (1975).



O P I N I O N  
of the Political Affairs Committee

Letter of 14 February 1977 from Mr E. COLOMBO, chairman of the Political Affairs Committee, to Mr G. KASPEREIT, chairman of the Committee on External Economic Relations

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Dear Mr Chairman,

At its meeting of 14 February<sup>1</sup> the Political Affairs Committee discussed the conclusion of negotiations on cooperation agreements between the Community and the Arab Republic of Egypt, the Hashemite Kingdom of Jordan and the Arab Republic of Syria.

Our committee has been asked to provide an opinion for your committee on this matter and has instructed me to forward to you the following comments.

The Political Affairs Committee considers that the signing of these agreements will make a decisive contribution to the overall Mediterranean policy and pave the way for extensive cooperation between the Community and the Mediterranean states.

These agreements should be considered in the context of the Euro-Arab dialogue negotiations. In this respect, the Community must reaffirm the political role which it can and must play in the eastern Mediterranean, on the basis of its special, non-discriminatory relations with the states involved in the Arab-Israeli conflict.

The committee stressed the political aspect of these agreements arising from their similarity with those negotiated with Israel. The Community consequently has direct responsibility in further negotiations aimed at finding a just settlement of the conflict, and must respect and apply the principle of non-discrimination in the area.

The Political Affairs Committee welcomed the principle of establishing parliamentary relations between the Community and the Arab Republic of Egypt, the Hashemite Kingdom of Jordan and the Arab Republic of Syria, believing that appropriate contacts between the European Parliament and the parliaments of these states would help to interest their peoples in the joint cooperation effort.

Finally, with reference to the situation in the Lebanon, the Political Affairs Committee expressed the hope that negotiations aimed at concluding a similar agreement with that country would be completed at an early date, so as to mitigate in particular the effects of the civil war.

Yours sincerely,  
(sgd) Emilio COLOMBO

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<sup>1</sup> Present: Mr COLOMBO, chairman; Mr JOHNSTON, vice-chairman; Mr LENIHAN, vice-chairman; Mr MITCHELL, rapporteur; Mr AMADEI, Mr BERKHOUWER, Mr Alfred BERTRAND, Mr BLUMENFELD, Lord CASTLE, Mr COVELLI, Mr FAURE, Mr GRANELLI, Mr JAHN, Sir Peter KIRK, Mr KLEPSCH, Mr PATIJN, Mr PRESCOTT, Lord REAY, Mr SEEFELD, Mr SIEGLERSCHMIDT, Mr SPINELLI (deputizing for Mr AMENDOLA) and Mr ZAGARI.

O P I N I O N

of the Committee on Budgets

Draftsman: Mr C. RIPAMONTI

On 30 March 1977 the Committee on Budgets appointed Mr RIPAMONTI draftsman.

It considered the draft opinion at its meeting on the same day and adopted it unanimously.

Present: Mr Aigner, acting chairman; Mr Ripamonti, draftsman; Mr van Aerssen, Mr Albertini, Lord Bessborough, Lord Bruce of Donington, Mr Caillavet, Mr Dalyell, Mr F. Hansen, Mr Klinker (deputizing for Mr Früh), Mr Kofoed, Mr Mascagni, Mr van der Mei (deputizing for Mr Martens), Mr Schreiber, Mr Shaw, Mr Spinelli and Mr Wurtz.

## INTRODUCTION

1. The documents referred to the Committee on Budgets for an opinion are three draft Council regulations concluding agreements between the European Economic Community and Egypt, Syria and Jordan.

2. These agreements were signed on 18 January 1977 and, pursuant to Article 238 of the Treaty which deals with association agreements, Parliament is required to deliver its opinion before the Council can formally conclude the agreements. It should be noted, however, that some of the provisions of these agreements (particularly in the area of trade) will come into operation in advance, in virtue of interim agreements concluded between the EEC and the three Mashreq countries.

## COOPERATION AGREEMENTS

3. The Community has already had a link with Egypt in the form of a 5-year trade agreement concluded in December 1972 providing for the gradual establishment of a free-trade area. On the other hand, no such agreement existed between the Community and either Syria or Jordan.

4. The three new agreements are virtually identical and very comprehensive in nature, envisaging as they do cooperation in the economic, technical, financial, commercial and social fields; the concessions are unilateral and, notably, make no provision for reverse preference in favour of the Community. Finally, they are concluded for an indefinite period and can be denounced by either party merely by notification of the other contracting party.

## 'MEDITERRANEAN POLICY' AND ITS FINANCIAL IMPLICATIONS

5. The agreements with the Mashreq countries follow other agreements, almost identical in form, already concluded with the countries of the Maghreb and Malta; subsequently agreements of a similar type (at least so far as the financial aspect is concerned) are to be negotiated and concluded with the other 'Mediterranean' countries.

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

OVERALL FINANCIAL IMPACT OF THE MEDITERRANEAN POLICY<sup>1</sup>

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

<sup>1</sup> in EUA million for periods of 3 to 5 years

<sup>2</sup> Algeria, Tunisia, Morocco

<sup>3</sup> Egypt, Syria, Jordan

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

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

9. In view of this, it is clearly impossible to assess the real financial implications of the Mediterranean agreements, for lack of information on the real amount of the assistance offered, including the effect of tariff reduction. Failure to perform this calculation leaves a gap which could, in a sense, be seen as a grave dereliction of financial responsibility by both the Council and the Commission.

## THE FINANCIAL PROTOCOLS

10. Each of the three agreements considered here contains a financial protocol identical in every way to the model already examined by the Committee on Budgets when it was consulted on the Malta and Maghreb agreements. The main provisions of those protocols are contained in their Article 2 which lays down the overall amount of financial aid and its distribution under two distinct headings:

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

11. The total amount of this aid is 270 m u.a. broken down as follows:

	Egypt	Syria	Jordan	
EIB	93	34	18	
Special loans	14	7	4	
Outright grants (non-repayable grants; interest subsidies)	63	19	18	
<u>TOTAL</u>	<u>170</u>	<u>60</u>	<u>40</u>	<u>= 270</u>
=====	===	===	===	===

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

12. This amount of 270 m u.a. is to be spread, as in the case of Malta and the Maghreb, over a period of 5 years, commencing on 31 October 1976, the date of the conclusion of the agreements. The full amount will therefore have been transferred by 31 October 1981, whatever the date of entry into force of the agreements.

## THE BUDGETIZATION OF THE AIDS

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

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

budgets but from the Community budget<sup>1</sup>; the request was repeated in the opinion of the agreement with the Maghreb countries. Parliament, in fact, considered that the question of budgetization should be settled before the agreements could come into force<sup>2</sup>.

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

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

16. It might, however, be useful to recommend the committee responsible to include in its draft resolution a paragraph similar to that contained in Parliament's opinion on the agreements with the Maghreb countries<sup>2</sup>.

#### CONSULTATION OF PARLIAMENT ON THE FINANCIAL IMPLICATIONS OF THE COOPERATION AGREEMENTS

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

18. It appears that both the overall amount of the aids envisaged for the Mediterranean cooperation programme and the amounts earmarked for each State concerned are in fact fixed before the negotiations have even begun. The Council, in cooperation with the EIB<sup>3</sup> - had laid down as early as April 1976

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

<sup>2</sup> Paragraph 11 of Parliament's resolution (OJ C 259/16, 4.11.1976) reads: 'Calls for the conciliation procedure with the Council to be opened in respect of the budgetization of aid and special loans for the three Maghreb countries before the cooperation Agreements are brought into effect'.

<sup>3</sup> It would even seem that the amount of budgetary aid was determined by reference to the amount of EIB loans - the latter having been decided independently by the Board of Governors of the Bank.

the total amount of the loans and grants for the Mediterranean countries; in the following months the Council determined the amount for each of the countries or groups of countries<sup>1</sup>.

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

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

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

#### RATIFICATION OF COMMUNITY COOPERATION AGREEMENTS

22. Cooperation agreements are concluded in pursuance of Article 238 of the Treaty which stipulates that:

'These agreements shall be concluded by the Council, acting unanimously after consulting the Assembly'.

In contrast to the provisions of Articles 236 and 237, here there is no formal requirement of ratification by the States and it may be questioned whether it is legally necessary.

23. The ratification requirement in any event is deprived of much of its importance by the fact that some provisions of the agreements - particularly the tariff concessions - are normally put into effect prior to the completion of the ratification procedures - which are usually complex and lengthy<sup>2</sup>.

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

<sup>2</sup> The cooperation agreement signed with Malta on 23 April 1976 has still not been ratified.

24. It appears that only the financial protocols are not implemented in advance - though, in fact, clauses of the type described in point 12 above can circumvent any delays resulting from late ratification. Given that the aids stipulated in the agreements are authorized not under national budgets but under the Community's budget, there seems to be no particular need for ratification of the protocols.

25. This is why, and particularly in view of the new situation arising from the budgetization of cooperation aid, it would perhaps be advisable for Parliament to instruct its appropriate committee to consider the legitimacy of the ratification procedure for cooperation agreements.

#### CONCLUSIONS

26. The Committee on Budgets welcomes the conclusion of agreements with the Mashreq countries as extending the scope of cooperation between the Community and countries of the Mediterranean area. Within the terms of reference, the Committee on Budgets:

1. requests the Commission and the Council to make reliable estimates of the budgetary costs entailed in the tariff concessions contained in the cooperation agreements and to communicate them to Parliament;
2. subject to this reservation, takes note of the overall financial amount fixed by the cooperation agreements already concluded by the Community with the Mashreq countries;
3. considers it essential to achieve effective budgetization, by the 1978 financial year, of the appropriations relating to cooperation agreements, and requests that provision be made for possible consultation on this matter before such agreements come into effect;
4. considers that consultation of Parliament on the financial implications of these agreements - in particular on the budgetized loans and aids - should take place before operative decisions are taken by the Council, that is, in most cases, before the opening of negotiations;
5. asks that the question of the legitimacy, under Community law, of the requirement of the ratification by the Member States of cooperation agreements, and particularly of the financial protocols attached to them, should be referred to the Legal Affairs Committee.



27. In pursuance of Rule 44(3) of the Rules of Procedure, the Committee on Budgets requests the Committee on External Economic Relations, as the committee responsible, to take account of the above conclusions in its report and the motion for a resolution, or, alternatively, to state in its report the reasons for its possible disagreement with the Committee on Budgets' opinion.

O P I N I O N

of the Committee on Agriculture

Draftsman: Mr F. PISONI

On 15-16 February 1977 the Committee on Agriculture appointed Mr F. PISONI draftsman.

It considered the draft opinion at its meeting of 26-27 April and adopted it by 9 votes to none with 4 abstentions.

Present: Mr Houdet, chairman; Mr Laban, vice-chairman; Mr Pisoni, draftsman; Mr Albertini, Mr Corrie, Mrs Dunwoody, Mr Früh, Mr Guerlin, Mr O. Hansen, Mr Howell, Mr Hughes, Mr Kofoed and Mr De Koning.

## I. The situation of the three countries

1. The Arab Republic of Egypt alone drew up an agreement with the Community in 1972, which came into force on 1 November 1973. The two other countries, Syria and Jordan, which, like Egypt, signed a cooperation agreement with the Community on 18 January 1977, had previously had no contractual ties with the Community.

2. Before going into the merits of the agreements as regards agricultural products it would be appropriate to point out that exports of such products from these three countries to the Community are, in contrast to those from the Maghreb countries, of little importance and irregular.

According to details supplied by the Commission in 1975, the agricultural products listed in Annex II to the Treaty account for only 5% of all exports from the three countries to the Community.

3. Of the three countries, Egypt is the main exporter of agricultural products; yet in 1975, of a total of 300 million u.a. worth of exports to the Nine, only 8.5% (25.5 million u.a.) were agricultural products whereas exports of crude oil accounted for 51% and refined petroleum products for 18%.

Egypt has traditionally exported rice, oranges, onions, potatoes and sugar as well as raw cotton, which is not considered as an agricultural product by the Community, but its exports are tending to fall mainly because of sluggish production coupled with a rise in domestic demand.

For the same reasons Egypt is a net importer of agricultural products: in 1975 the volume of its purchases from the Nine was ten times greater than its sales.

Syria, which does considerable trade with the Community (accounting for a total of 28% of Syria's exports from 1970 to 1974 and 29% of its imports in the same period) exports only a tiny proportion of agricultural products to the Nine: 3.380 million u.a., representing 0.8% of its total exports (436.224 million u.a. in 1975).

Oil (95% of Syria's exports to the Community in 1975) and raw materials (3.7% of Syria's exports to the Community in 1975) account for most of its exports.

As far as agriculture is concerned, Syria exports to the Community mainly animal feedingstuffs (oilcakes etc.), products of animal origin (guts, bladders and stomachs), liquorice roots, some fruit and vegetables and tobacco. It imports bran and flour, milk and butter.

Of the three countries, Jordan has the smallest volume of exports to the Community (only 2.5 million u.a. in 1974 and 7.7 million in 1975) of which only 2.5% (195,000 u.a.) were agricultural exports, mainly fruit and vegetables and dried leguminous products.

## II. The three cooperation agreements

### (a) Egypt

4. Compared with the 1972 agreement, the new agreement with Egypt brings some considerable improvements in the area of agricultural products. The following is a comparison of the rates of tariff reductions:

	<u>1972</u>	<u>1977</u>
frozen shrimps	25%	50% (whether fresh or frozen)
citrus fruits	40%	(oranges 60% (mandarins 60% (lemons 40% (grapefruit and limes 80%
onions	50%(1.2./30.4)	60%(1.2./30.4)
garlic	50%(1.2./31.5)	50%(1.2./31.5)
peppers	30%(15.11/30.4)	40%(15.11./30.4)
dried dates	50%	80%
watermelons	40%	50%(1.4./15.6)
dried leguminous vegetables	50%	80%
various culinary or medicinal herbs	50%	80%
new potatoes	-	40%(1.1./31.3)
beans	-	60%(1.11./30.4)
tomatoes	-	60%(1.12./31.3)
table grapes	-	60%(1.12./30.4)

For dried onions and garlic, the tariffs applicable remain at 15% and 14% respectively.

In the case of rice the reduction in the levy in the form of economic benefit through an export tax applied in Egypt applies to an unchanged quota of 32,000 tonnes. Levy reductions apply similarly to bran, sharps etc.

5. The agreement with Egypt, like those concluded with the other two countries, contains the clause incorporated in the previous agreements with the Maghreb countries, that if the Community changes the regulations in force under the common agricultural policy, it may modify the arrangements laid down in the agreements, taking into account the interests of the countries involved.

(b) Jordan

6. The main reductions in duty rates concern:

- beans (1.11./30.4.)	60%
- broad beans	40%
- carrots (1.1./31.3.)	40%
- onions (1.2./30.4.)	50%
- garlic (1.2./31.5.)	50%
- tomatoes (1.12./31.3.)	60%
- peppers (15.11./30.4.)	40%
- aubergines (15.1./30.4.)	60%
- courgettes (1.12./last day of February)	60%
- oranges and mandarins	60%
- lemons	40%
- grapefruit and limes	80%
- watermelons (1.4./15.6.)	50%
- dried leguminous vegetables	80%

(c) Syria

7. Reductions apply to a more restricted number of products than for Jordan. In fact they include only onions and garlic, watermelons, dried apricots (60%), dried vegetables some seeds and other medicines and insecticides.

### III. Observations

8. It can be concluded from the above that the concessions made to the three countries in the agricultural sphere are of very limited importance since, in contrast to the Maghreb countries for example, climatic and geographical conditions prevent them from offering a wide range of products such as citrus and other fruits, wine, olive oil and vegetables, so that they are unable to compete for a substantial share of the Community market.

Of far greater importance in the three agreements are the clauses concerning industrial products and financial cooperation. The latter involves a total amount for the three countries of 270 m u.a. in the form of loans from the EIB, special loans and non-refundable aid. Besides these financial measures a scheme for economic and technical cooperation has been worked out with the aim of developing, among other things, production, the economic infrastructure, marketing and sales promotion in the three countries, thus encouraging their overall economic development.

9. The Committee on Agriculture wishes to stress the positive aspect of the three agreements: they go beyond relations based almost exclusively on concessions in the trade and agricultural sectors to include the economic, financial and technical fields. Only this 'global approach' is likely to guarantee good prospects of success for the Community's Mediterranean policy and, at the same time, avoid jeopardizing in the long run the Mediterranean regions of the Community, which are exposed to increasing competition from the other Mediterranean countries with which cooperation agreements have been concluded.

10. The limited extent of the concessions in the agricultural sector has meant that on this occasion the risk, previously encountered, of having to grant the same concessions to other Mediterranean countries producing similar goods has been avoided. Each new stage in the Community's commercial policy towards these countries inevitably involves the taking of compensatory measures in favour of other countries in the same area and an upward adjustment of tariff concessions to avoid discrimination. A short-sighted, piecemeal policy might lead to the gradual but total elimination of agriculture in the Southern regions of the Community, if it is not backed by a comprehensive strategy which takes into account the short and long-term implications for the Community economy of any new concession and of the ultimate cumulative effect of such concessions.

11. It is also important to have a clear vision of the policy on exports of agricultural products from the Community to these countries. The setbacks and the ultimate failure of the plan drawn up by Commissioner Lardinois will be well remembered for its agreements to supply Egypt over a number of years with agricultural products, notably cereals, powdered milk, cheese, sugar, frozen beef and veal and compound feedingstuffs<sup>1</sup>. Because of differences within the Community and the hostility of some of the Member States, the outline agreement for these supplies never got off the ground. And yet it could have formed another vital aspect of cooperation with this Mediterranean country and possibly provided a model for other, similar contracts.

The advantage of planning Community production and granting effective price guarantees to purchasing countries would easily have compensated for any disadvantages arising from such contracts. Moreover, in the long run this would have permitted a further reduction in the burden of tariff and trade concessions that cooperation agreements as a whole represent - a burden borne essentially by the Southern regions of the Community - thus helping to shift the emphasis towards more substantial benefits which the Mediterranean countries can derive from the agreements.

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<sup>1</sup> See COM(75) 684 fin.

## Conclusions

12. Finally, the Committee on Agriculture would emphasize that the concessions in the agricultural sector granted by the three new agreements with Egypt, Syria and Jordan, are likely to have little effect on either the development of their trade with the Community, and therefore their agricultural exports, or on the potential competition of such exports with similar products from the Southern regions of the Community.

It would also like to point out the need for a further effort by the Community to help three countries that, for geographical and political reasons, are among the least favoured in the Mediterranean area. Such aid should principally find expression in the rapid implementation of the technical and financial cooperation provided for in the agreements, and possibly in long-term contracts for supplies of agricultural produce which could equally come under the heading of food aid, notwithstanding the previous attempt made in this respect.

13. The committee further considers that, when negotiating or renewing the various cooperation agreements with the Mediterranean countries, and especially when considering applications for accession, the Community should always bear in mind the need for an overall approach whose basis would be twofold: concessions in the agricultural and trade sector (reduction of duty rates, preferential treatment, etc.) must be integrated in each separate agreement to reduce possible negative effects on rival Community production, by placing greater emphasis on cooperation and aid; secondly, and more generally, the agreements should form part of an overall view which takes account of their implications at Community level and for third countries (the cumulative effect of concessions, possible requests for compensation put forward by other countries, etc.)

OPINION

of the Committee on Development and Cooperation

Draftsman: Mr M. FIORET

On 18 January 1977 the Committee on Development and Cooperation appointed Mr FIORET draftsman.

It considered the draft opinion at its meeting of 25 January 1977 and adopted it unanimously.

Present: Miss Flesch, chairman; Mrs Walz, Mr Sandri, vice-chairmen; Mr Fioret, draftsman; Miss Boothroyd, Mr Broeksz, Mr Deschamps, Mr Espersen, Mr Flämig, Sir Geoffrey de Freitas, Mr Laudrin, Mr Lezzi, Mr Ligios, Lord Reay, Lord St. Oswald, Mr Vernaschi and Lord Walston.



## BACKGROUND

1. The negotiations between the European Economic Community and the Arab Republic of Egypt, the Hashemite Kingdom of Jordan and the Syrian Arab Republic for the conclusion of Cooperation Agreements ended on 15, 28 and 29 October 1976 respectively. The only outstanding point concerned the contents of Article 2(1) of the financial protocols as regards the duration of these. Following requests by the Egyptian, Jordanian and Syrian delegations for the Community to reconsider its position on this matter, the Commission proposed to the Council that the date of expiry of the financial protocols with the three countries be fixed as 31 October 1981, that is the same date of expiry as the financial protocols concluded with the three Maghreb countries, which represents a duration of four years and ten months from the date of signature of the Agreements.

2. This proposal was agreed by the Council of Ministers at its meeting in December and in turn put to the three Mashreq countries. The three countries decided to carry out a joint signature which in fact took place on 18 January 1977 in Brussels.

## CONTEXT OF THE AGREEMENT

3. In 1972 the Community set itself a "global Mediterranean policy" which was based on the fact that the European Community and the Mediterranean countries, being neighbours, have interests in common - such as security, commerce, energy, and workers - which enable them to arrive at a partnership based on equality and excluding dependence. The intention of the "global approach" was to transform the higgledy-piggledy agreements into a policy applicable to all interested countries in the Mediterranean area by which the partner countries' level of development would decide the contents of the new agreements to be reached. In essence, the Mediterranean policy involves on the one hand trade cooperation, notably by the introduction of free access for industrial products and privileged access for agricultural products, while on the other hand it comprises technical and financial cooperation, as well as (in some cases) social and institutional provisions.

4. The EEC now has links with Algeria, Morocco and Tunisia through the Maghreb Agreements; Mauritania, Somalia and Sudan through the Lomé Convention; Israel through a recent agreement, and now Egypt, Jordan and Syria through the Mashreq Agreements. Initial contact has also been made between the EEC and the fourth Mashreq country, the Lebanon, which has hitherto not participated in discussions because of internal difficulties.

5. The Agreement with Egypt replaces the simple commercial agreement of 1972. In the case of Jordan and Syria the signing of these Agreements is the first contractual link between the EEC and these countries.

6. The Maghreb and Mashreq Agreements are extensions of the "Lomé policy", although there are certain differences. For example the Agreements are negotiated individually and there is no provision for a Stabex system. Further, the terms for Maghreb and Mashreq exports to the EEC are less generous than the provisions of the Lomé Convention under which 99.3% of ACP products enjoy free access to the EEC market. The amount of technical and financial aid is also less, but in considering these points it should be borne in mind that these countries are at a more advanced stage of development. (It should also be remembered that the countries are already benefiting from substantial benefits under the Generalised System of Preferences.)

7. On the other hand the Agreements are for an indefinite period (with the exception of the financial protocols) and provision is made for the Agreements to be reviewed. It is clearly essential that the European Parliament should be consulted at the time of this review.

8. There are also differences between the Maghreb and Mashreq Agreements themselves. For example the agricultural and industrial concessions to the Mashreq countries differ from those under Maghreb. The amount of aid received by Egypt, for example, is greater than that received by Algeria. There are also no provisions concerning emigrant workers in the Mashreq Agreements. These differences reflect the economic and social differences of the partner countries themselves; the Community has at all times to beware that to accord equal treatment does not mean according identical treatment.

9. The Agreement with Israel under the 'global approach' which was signed on 11 May 1975 and came into force on 1 July 1975 envisages a free trade zone. Agreement has now been reached on the two additional protocols, concerning economic and financial cooperation, which ensures balanced equal treatment to that country, at least in the sense that it will have access to EIB loans (Israel has not asked for special conditions such as are granted in the form of interest subsidies to developing countries). Hence the Community is signing similar Agreements both with Israel and her Arab neighbours, which in itself is an achievement of no little importance.

## CONTENT OF THE AGREEMENTS

10. The Agreements between all three Mashreq countries are basically similar. The salient points are as follows:

### (a) Economic, Technical and Financial Cooperation

11. In the context of priorities set by the countries themselves, but having regard to the overall integration of different operations, and in view of the importance of regional cooperation, the Agreements set out to promote economic development, specifically by means of efforts in the field of commercial promotion including the exchange of economic information, industrial cooperation, scientific and technological co-operation, especially for the transformation of raw materials, cooperation in the fisheries sector and encouragement of private investment.

### (b) Trade cooperation

12. In industrial products, the Agreements provide for reductions of duty of 80% from 1 January 1977 and 100% from 1 July 1977. However, ceilings will be introduced for certain sensitive products (such as petroleum products, phosphatic fertilisers, and cotton products) which will be raised by 5% each year and removed at the end of 1979. The Community also reserves the right to impose ceilings on certain products for each of the countries (for example on phosphates and aluminium for Egypt, and, in addition, on mineral or chemical fertilisers, phosphates and certain woven fabrics of cotton for Syria and Jordan). The Community also reserves the right to modify arrangements applicable to petroleum products upon adoption of a common definition of origin for petroleum products, or upon the adoption of decisions under a common commercial policy, or the establishment of a common energy policy.

13. In agricultural products the Agreements provide for reductions of duty of 40 - 80%, starting from 1 January 1977.

### (c) Common provisions

14. Under this heading, the countries concerned agree to grant most-favoured-nation treatment to Community products and to abide by a non-discrimination clause, on which however the Mashreq states made some reservations on the grounds of political or security considerations. The Community view, however, is that these reservations will not affect the full and complete application of the Agreements.

### (d) General and financial provisions

15. The Agreements each provide for a Cooperation Council to be established, composed of representatives of the Community and representatives of the Mashreq state concerned. Meetings of the Cooperation Council, whose task is to deal with all aspects of the functioning of the Agreement, are to be held at least once a year under an alternating presidency. In this connection it is also stated that the Cooperation Council shall take any appropriate

measures to facilitate the necessary cooperation and contacts between the European parliamentary assembly and the respective parliamentary bodies of the Mashreq countries. The three Mashreq countries have representative assemblies, and there would appear to be considerable value in both sides establishing regular meetings between the European Parliament and the Parliaments of the countries concerned. Experience gained under the Lomé Convention would appear to bear out this view.

#### Protocol on Technical and Financial Cooperation

16. The amount and type of financial aid is as follows (in European units of account):

(a) loans from the European Investment Bank: which will generally be combined with 2% maximum interest rate subsidies.

Egypt 93 m e.u.a., Jordan 18 m e.u.a., Syria 34 m e.u.a. 145 m e.u.a.

(b) loans on special terms:

Egypt 14 m e.u.a., Jordan 4 m e.u.a., Syria 7 m e.u.a. 25 m e.u.a.

(c) grants:

Egypt 63 m e.u.a., Jordan 18 m e.u.a., Syria 19 m e.u.a. 100 m e.u.a.

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Egypt 170 m e.u.a. Jordan 40 m e.u.a. Syria 60 m e.u.a. 270 m e.u.a.

These funds will be used for:

- capital projects in the fields of production and economic infrastructure
- technical cooperation as a preliminary or complement to capital projects
- technical cooperation in the field of training

Of the total to be provided (270 m e.u.a.) 145 m is provided by the EIB and 125 m e.u.a. from the Community budget. In view of this, it would be desirable if the Cooperation Council would make available an annual report to the European Parliament, which is responsible for the control of Community expenditure, on the results of the financial cooperation.

#### CONCLUSIONS

##### The Committee on Development and Cooperation:

- emphasizing the importance of relations between the Community and the Mashreq states in the context of:
- the need for all Mediterranean countries to achieve a comparable level of development in order to ensure prosperity and lasting peace in the region as a whole;

- the development of complementary and close relations between the Community and all Mediterranean countries in order to ensure greater balance in trading relations;

1. Welcomes the signature of the Cooperation Agreements with three Mashreq countries, Egypt, Jordan and Syria, and hopes that negotiations for the conclusion of an Agreement with the fourth country, Lebanon, will be concluded as soon as circumstances allow;
2. Believes that the Agreements represent an extension of the Communities' balanced approach to the Mediterranean countries, whilst allowing for different economic and social circumstances amongst the partner countries;
3. Stresses the importance of establishing preliminary contacts between the European Parliament and the parliamentary bodies of the Mashreq countries concerned, and calls upon the Cooperation Council to provide means of establishing these contacts;
4. Believes that the Cooperation Council should be requested to make an annual report available to the European Parliament on the progress of financial and technical cooperation, and in particular that the European Parliament should be consulted on the occasion of the review of the results of the Agreements which is provided for the beginning of 1979.

