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DOCUMENT 551/77

Report

drawn up on behalf of the Committee on External Economic Relations

on the practice of dumping and the threat posed to Europe by uncontrolled
competition

(Doc. 209/77 and Doc. 447/77)

Rapporteur: Lord BRIMELOW

PE 50.277/fin.



The President of the European Parliament referred the motion for a resolution tabled by Mr Inchauspé, on behalf of the Group of European Progressive Democrats, on the practice of dumping and the threat posed to Europe by uncontrolled competition, (Doc. 209/77) and that tabled by Mr de la Malène, on behalf of the Group of European Progressive Democrats (Doc. 447/77), to the Committee on External Economic Relations as the Committee responsible and to the Committee on Economic and Monetary Affairs, the Committee on Social Affairs and Employment and the Committee on Agriculture for their opinions on 5 July 1977 and 14 December 1977 during Plenary Session.

The Committee on External Economic Relations appointed Lord Brimelow rapporteur at its meeting of 20 September 1977.

After an exchange of views on 19 October 1977 the Committee on External Economic Relations considered the draft report at its meeting of 24 January 1978 and adopted the motion for a resolution and explanatory statement unanimously.

Present: Mr Kaspereit, chairman; Mr Martinelli, vice-chairman; Lord Brimelow, rapporteur; Mr Amadei, Mr Bersani, Lord Castle, Mr Cousté, Mr Jensen, Mr L'Estrange, Mr Nyborg, Mr Pintat, Mr Spicer, Lord St. Oswald and Mr Vandewiele.

The opinions of the Committee on Economic and Monetary Affairs, the Committee on Social Affairs and Employment and the Committee on Agriculture 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

on the practice of dumping and the threat posed to Europe by uncontrolled competition

The European Parliament,

- having regard to the motion for a resolution introduced by Mr Inchauspé on behalf of the Group of European Progressive Democrats (Doc. 209/77) at the end of the discussion about an oral question tabled by Mr Cousté on the practice of dumping (Doc. 174/77);
- having regard also to the motion for a resolution tabled by Mr de la Malène on behalf of the Group of European Progressive Democrats (Doc. 447/77) at the end of a discussion on oral questions moved by Mr Inchauspé on imports flooding the Community markets (Docs. 363/77/rev. and 364/77/rev.);
- reaffirming its acceptance of all the principles incorporated in the Treaties by which the European Communities were established;
- conscious of the Community's international and domestic responsibilities and obligations;
- recognizing the unique status of the Community as the world's largest importer and exporter and the consequent impact on international trade of any changes in the Community's trading policies;
- mindful of Article 110 of the Treaty establishing the European Economic Community, in which the Member States stated it to be their aim to contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers;
- noting with concern the increasing number of instances of market disruption within the Community in recent years;
- noting with equal concern the parallel deterioration in the trade balances of most of the Member States;
- noting with growing concern the persistence of high rates of unemployment within the Community;
- recognizing that not all the manifestations of these adverse developments can be attributed to the disruptive effects of low-cost imports, but observing that such imports have been a significant contributing factor;
- wishing to limit the deleterious consequences of market disruption within the Community;

- accepting that the Community's liberty to take corrective action is limited by its international obligations, particularly by those flowing from the General Agreement on Tariffs and Trade (GATT);
- recalling that GATT authorizes certain forms of commercial defence and lays down appropriate procedures, notably in Article VI as regards dumping and subsidization and in Article XIX as regards market disruption;
- noting with approval that the Commission is pressing for the revision of Article XIX of GATT in order to make it more effective;
- noting with approval that the Commission, acting in accordance with Article 113 of the Treaty establishing the European Economic Community, has developed increasingly effective procedures for defensive action within the limits authorized by Articles VI and XIX of GATT;
- recalling that these procedures are being used with increasing frequency, notably
 - in the textile sector, where the Community, acting within the framework of the Multifibre Agreement, had negotiated self-restraint agreements with all the major exporting countries and has unilaterally imposed import restrictions on particularly sensitive imports;
 - in other sectors, by the imposition of import restrictions, either on the initiative of the Commission or in response to justified requests by Member States;
 - in the frustration of dumping and subsidization, in that proof of injury resulting from dumping or subsidization leads to the imposition of adequate protective measures;
 - in the surveillance of the importation into the Community of particularly sensitive products such as footwear, zip fasteners, fertilizers and steel products;
- observing that in spite of the efforts which have been and are being made, many sectors of Community continue to suffer from the disruptive effects of low-cost imports;
- desiring to help the industries affected, but recognizing that any ill-considered defensive actions by an economic unit as large as the Community could all too easily touch off a world-wide escalation of protectionist measures;
- having regard to the report of the Committee on External Economic Relations and the opinions of the Committee on Economic and Monetary Affairs, the Committee on Social Affairs, Employment and Education and the Committee on Agriculture (Doc. 551 / 77);

1. Requests the Commission to continue and to reinforce, within the limits imposed by its international obligations, its judicious and vigorous efforts to protect Community industries against market disruption and trading practices such as dumping and subsidization;
2. Urges the Commission to organize the rapid acquisition of the data needed to permit prompt reaction before serious damage has been done;
3. Urges the Commission to ensure the punctitious execution of the agreements it has negotiated with foreign suppliers of textiles within the framework of the multifibre agreement. It requests the Commission to make sure that safeguards against all forms of circumvention (including abuse of the rules establishing the origin of imports) are effectively enforced;
4. Requests the governments of the Member States to cooperate with the Commission in the implementation of Chapter X of the Treaty of Paris so that the Community's steel industry may be protected against any disruptive export practices that may be pursued by third countries;
5. Supports the efforts of the Commission to establish a satisfactory basis (covering both prices and quantities) for trade in steel between the Community, the U.S.A. and Japan;
6. Urges all the Community's trading partners to respect the OECD gentleman's agreement regarding credits for shipbuilding and the understanding about the fair distribution of new orders;
7. Endorses and indeed wishes to see strengthened the Community's efforts to organise relations with state-trading countries in such a way that a fair balance of mutual advantages and obligations is achieved and that market disruption is avoided.
8. Requests the Commission to intensify its efforts to promote Community exports, particularly to countries which have a surplus in their trade with the Community, and most of all to press for new openings for Community exports to Japan, and in this connection would welcome progress towards the early establishment of a European Export Bank;

9. Suggests that in the Tokyo round of multilateral trade negotiations, the Commission should seek to achieve inter alia the following aims:
- in the field of customs duties: the progressive harmonization of tariffs by making the biggest cuts in the highest tariffs;
 - in the field of non-tariff barriers: maximum reductions;
 - in the field of safeguarding action under Article XIX: greater precision in the international rules, particularly those establishing criteria of market disruption: greater flexibility through agreement that safeguard measures may be applied selectively (i.e. circumventing the most-favoured-nation principle), subject to international supervision;
 - in the field of safeguarding action against dumping and subsidies under Article VI: eliminate the existing discrepancies between the practices of states, thereby equalizing the obligations and rights of all GATT members;
 - in the field of customs valuation: standardize practice on the basis of that now adopted by the majority of trading nations;
 - in the field of North/South relations: take the fullest possible account of the interests and needs of the developing countries, and in particular of the least developed;
10. Instructs its President to forward this resolution and the report of its committee to the governments of the Member States, to the Council and Commission of the European Communities.

EXPLANATORY STATEMENT

1. The title of the draft Resolution of Mr Inchauspé (Doc. 209/77)¹ refers only to dumping and the threat posed to Europe by uncontrolled competition; but the subject matter of the draft Resolution is broader than the title implies. It advocates a new and world-wide approach to the organization of international economic relations. In paragraph 13 it expresses opposition to "all" protectionist policies, but it suggests that the rules of free trade on which international relations have been based for thirty years should be re-defined and reformed so that freedom of trade may become an "organized" freedom. The scope of the draft Resolution is so wide that it exceeds the competence of any single committee of the European Parliament.
2. The specific proposals put forward in the draft Resolution for the achievement of "organized" freedom are contained in paragraphs 14-17. Despite the rejection in paragraph 13 of "all" protectionist policies, paragraph 14 includes a number of suggestions which have traditionally been regarded as protectionist. It also calls for a "truly" European export policy. Paragraph 15 deals with certain aspects of the Common Agricultural Policy. Its connection with the rest of the Resolution is that it is concerned with the organization of the Community market in agricultural produce, and that the theme of market "organization" runs through the whole of the draft Resolution. Paragraphs 16 and 17 relate to the organization of markets outside the Community. Their scope is much broader than the title of the Resolution; but since the organization of outside markets can influence the degree of dumping and the kind of competition which the Community has been experiencing, there is a certain unity of thought.
3. In order that the freedom of international trade may be appropriately transformed into "organized" freedom, paragraph 14 of the draft Resolution proposes that the commercial policy of the Community be based on seven rules: and paragraph 16 suggests that these rules be made the basis for a completely new mandate to the Commission for the future conduct of its negotiations in GATT.

¹ After this Report was drafted, a further motion for a resolution (Doc. 447/77) on the subject of imports flooding the Community markets was referred to the Committee. The points raised in that motion were already covered by the original draft report.

4. The seven rules mentioned in paragraph 14 of the draft Resolution are set out below, with a comment following each.

Rule (i) - the maintenance of a common external tariff ensuring an effective Community preference.

Comment: the meaning of an "effective" Community preference is not defined. A tariff preference is usually regarded as effective when it eliminates or reduces to acceptable proportions, without recourse to supplementary measures, competition from outside the area protected by the tariff preference. The Community is, on the whole, a low-tariff area. Paragraph 3 of the draft Resolution asserts that the Common Market is open to every wind that blows; and paragraph 7 implies that the liberalism of the Community is one of the causes of this. The clear implication is that the protection at present accorded by the system of Community preference is inadequate and should be increased until, under each relevant tariff heading, it affords "effective" protection.

It was the hope of those who originally drafted the General Agreement on Tariffs and Trade that the level of protection afforded by tariffs would be progressively reduced; and the Member States of the Community have undertaken, in Article 18 of the Treaty of Rome, to work for the lowering of barriers to trade. It follows that the adoption of this recommendation would involve the abandonment of the Community's traditional tariff policy and its replacement by a policy of increased tariff preferences. The international implications of the adoption of this proposal would be far-reaching. The draft Resolution neither draws attention to nor discusses these implications.

Rule (ii) - the establishment of a system of 'levies' for the products of labour-intensive industries in order to avoid 'social dumping' and rationalize trade.

Comment: The term 'social dumping' is not defined in the draft Resolution. The inclusion of the word 'social' differentiates 'social dumping' from the dumping defined in Article VI of GATT. The term 'social dumping' designates low-cost imports from countries with low labour and social costs. To cope with the market disruption caused by such imports, the protective measures authorised by GATT are not those foreseen in Article VI, which deals with dumping (precisely defined) and subsidies, but those foreseen in Article XIX, which deals with the problem of imports which "causes or threaten injury to domestic producers".

The wording of this "rule" suggests that the labour-intensive industries of the Community are entitled to special forms and degrees of protection supplementary to those provided by GATT. Specifically it recommends 'levies' without giving details of their nature.

By definition, 'levies' sufficient to put an end to 'social dumping' would put an end to Community imports of certain low-cost goods. That this interruption of trade would be tantamount to a rationalization of trade, as the wording of the draft Resolution appears to imply, is not self-evident. The Commission has negotiated voluntary restraint agreements with a number of countries in order to prevent the disruption of the Community market by low-cost imports from the countries concerned; but it has been the aim of these agreements to limit such imports, not to bring them to a complete halt. The stopping of trade and the rationalization of trade are not identical concepts.

At present, the only measures which may legitimately be taken against dumping as defined in GATT are those authorised by Article VI, by the Anti-Dumping Code negotiated within GATT in 1968, and by Commission Regulation 459/68. Measures to protect domestic producers to whom serious injury is being caused or threatened by increased imports are governed by Article XIX of GATT, and, in the case of fibres for textiles, by the Multi-Fibre Agreement. Efforts are currently being made in GATT to re-negotiate Article XIX and the Multi-Fibre Agreement in order to make safeguards against disruptive imports more effective. The re-negotiation is proving difficult.

Since Article VI of GATT does not recognise 'social dumping', 'levies' of the kind recommended in the draft Resolution could probably be successfully challenged both in GATT and in the European Court of Justice.

Rule (iii) - Automatic recourse to the safeguard clause provided for under the Treaty of Rome when imports become excessive.

Comment: This is a change of subject. The issue is no longer dumping or 'social dumping'. The suggestion is that whenever imports are deemed to have become excessive, for whatever reason, recourse to the safeguard clause of the Treaty of Rome should be automatic.

The Treaty of Rome contains no specific safeguard clause in the sense of the draft Resolution. Article 113 calls for a common commercial policy, which is to include, inter alia, measures to protect trade, "such as those to be taken in case of dumping and subsidies". This text makes no mention of an excessive level of imports as a justification of measures to protect trade. It mentions only dumping and subsidies. It is true that these are cited only as examples, and not as the sole considerations which might justify measures in protection of trade: but to suggest that an excessive level of imports should lead to automatic recourse to the safeguard clause of the Treaty of Rome would be to initiate a controversy about the interpretation of Article 113.

The safeguarding of a country's balance of payments is covered by Articles 108 and 109 of the Treaty of Rome. It seems unnecessary, however, to discuss the relevance of these articles since the subject of this part of the draft Resolution is not the safeguarding of a country's balance of payments, but the protection of labour-intensive industries threatened by excessive imports.

Safeguards against excessive imports are governed not so much by the Treaty of Rome as by Article XIX of GATT. This article does not use the words 'excessive imports', but it does deal with the contingency of "produce being imported in such increased quantities and under such conditions as to cause or threaten injury to domestic producers of like or ordinarily competitive products." This article does authorise, to the extent and for such time as may be necessary to prevent or remedy such injury, the suspension of obligations and the withdrawal or modifications of concessions: but before such action is taken notice has to be given and the parties likely to be affected by such emergency action must be given an opportunity to consult. In critical circumstances, action may precede consultation, but in that case consultation has to follow immediately. The Article also contains provisions regarding counter-action by the parties affected if consultation does not lead to agreement.

It follows that recourse to safeguards under Article XIX of GATT is not characterised by the abrupt and unilateral automaticity recommended in this part of the draft Resolution. Moreover, the application of Article XIX of GATT has been made difficult by the need to avoid discrimination between the various foreign suppliers of goods which are causing market disruption. This is one of the consequences of the "most-favoured-nation" principle. It is because of these difficulties that an effort is now being made in GATT to re-negotiate Article XIX. But within GATT the countries whose interests as exporters might be adversely affected by the re-negotiation of Article XIX are numerous. The balance of voting power in GATT has shifted with the increase in its membership. This makes it virtually certain that any attempt to circumvent Article XIX by recourse to alternative measures such as those recommended in this part of the draft Resolution would at once run into trouble.

It cannot be gainsaid that, in many Community countries, the growth of imports at a time when certain domestic industries are shrinking and dismissing workers has become a cause of deep and growing concern. The Commission is taking action to safeguard the industries affected. This action is more complex than that recommended in the draft Resolution. It shows greater regard for existing international obligations and the legitimate interests of third countries. The contrast between automaticity recommended in this part of the draft Resolution and the differentiated approach of the Commission is illustrated by the complexity of the Commission's current negotiations for the revision of the Multifibre Agreement (subsequently referred to as the MFA). The Commission is trying to revise the MFA before it expires at the end of 1977. The MFA sought to establish a balance between the disruption of markets and the desirability of expanding world trade in textiles. The hope that it would lead to an orderly expansion and progressive liberalization of trade in textiles has dimmed as the recession in textiles has deepened. From the point of view of the Community, the balance has shifted from the promotion of growth to the limitation of market disruption. According to Annex A of the MFA, market disruption is held to have occurred when actual damage, or threat of damage, to domestic producers has been caused by a sharp and substantial increase of imports of

particular products from particular sources, and when these products are offered at prices substantially below those prevailing for similar goods of comparable quality in the market of the importing country. Article 4 of the MFA allows participating countries to conclude bilateral agreements intended on the one hand to eliminate real risks of market disruption in importing countries and on the other hand to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries. The point to be noted is that under Article 4 market disruption becomes the subject of bilateral negotiations, not of automatic action. The negotiations for the revision of the MFA are proving difficult. But there is a marked contrast between the spirit in which these negotiations are being conducted by the Commission and the recommendation in the draft Resolution for automatic recourse to safeguards, with no reference either to international obligations or to regard for the interests of third countries. Nor does the draft Resolution draw attention to the fact that safeguards arbitrarily imposed may be challenged both in GATT and in the European Court of Justice, while safeguards in the field of textiles may be challenged before the Textiles Surveillance Body.

Rule (iv) - Establishment of permanent Community investigation procedures to detect cases of dumping other than those revealed merely by complaints from individuals.

Comment: The establishment by the Community of a world-wide and comprehensive system of surveillance to detect cases of dumping would involve waste of money and manpower. Present procedures probably bring to light all the cases where substantial damage is being suffered by Community producers. Complaints are being made directly to the Commission on an increasing scale.

Rule (v) - Effective supervision of the implementation of the agreements concluded between the Community and third countries, in particular through the automatic issue of licences.

Comment: That the supervision of agreements between the Community and third countries should be effective is clearly right. But that this requires an all-embracing system of import licences is not self-evident. The scale of the bureaucratic effort that would be involved, the costs that it would

create, the delays it would impose, the resentments it would inspire, the corruption to which it would probably lead - these are all matters which give food for thought. The recommendation is incompatible with the principle underlying both GATT and the Treaty of Rome that barriers to trade should be reduced and not increased. Experience has shown that at times recourse to quotas and import licences cannot be avoided (e.g. for the limitation of certain categories of textile imports). But this should be regarded as an instrument of last resort, not as a procedure suitable for general use.

Rule (vi) - The introduction in intra-Community trade of certificates of origin in order to prevent deflections of trade.

Comment: This recommendation has been prompted by abuses of the freedom of movement of goods within the Community (Article 10 of the Treaty of Rome), particularly in connection with the evasion of quotas regulating the import of certain textiles and garments into individual Member States.

The Commission and the member Governments of the Community are aware of the abuses and wish to put an end to them. Whether - and, if so, to what extent - the introduction of a system of certificates of origin would be the most effective and economical way of coping with these abuses is a question on which the Commission, in consultation with member Governments, is best placed to advise.

Rule (vii) - Pursuit of a truly European export policy.

Comment: At this point the proposed rules (and the GATT negotiating mandate which is to be based on them) turn from the control of imports to the promotion of Community exports. What constitutes a "truly" European export policy is not defined. It is known that the Group of European Progressive Democrats would like to see tariffs and non-tariff barriers in third countries brought down to the Community level.

5. Paragraph 16 of the draft Resolution of Mr Inchauspé expresses the opinion "that the negotiating mandate given to the Commission within the framework of GATT should be fully renewed on the basis defined under paragraph 14 and supplemented by the progressive introduction of a world organization of markets founded on the establishment of minimum reference prices for raw materials and food produce and rules for the storage and removal from storage of such raw materials and food products".

Comment: Negotiating mandates for GATT are detailed and lengthy documents. They do not merely set out principles. They marshal the information needed for the conduct of a complex multilateral negotiation which involves the striking of a series of bargains. Within GATT it is customary for concessions to be compensated - a matter on which the draft Resolution is silent. The principles set out in paragraph 14 of the draft Resolution would require the jettisoning of the work so far done by the Commission in the Tokyo Round and its replacement by a new approach, that is to say

- not the policy envisaged in GATT and the Treaty of Rome of reducing barriers to trade, but the creation of certain new barriers to trade;

- not the negotiation of compensated reductions in Community tariffs, but the raising of certain Community tariffs to a level at which they give "effective" preference;

- not the continuation of the trade and tariff policies of the past thirty years, but their replacement by an "organized freedom", of which no precise definition is given;

- not the expansion of world trade in the basis of comparative advantage in an international system of diminishing tariffs and non-tariff barriers, but the protection of the Community's labour-intensive industries by a new system of levies designed to end "social dumping", of which no precise definition is given;

- not the acceptance of change in the pattern of international trade when that change is based on comparative advantage, but automatic recourse to safeguards whenever imports are deemed to have become excessive;

- not the continuing delegation of responsibility for exports to the Member States of the Community and to the individual enterprises in them, but a centralized drive to create a "truly European" export policy. This policy is not defined, but when Mr Inchauspé introduced his draft Resolution in the European Parliament on 5 July last, he referred to the study days of his Group at Lyons; and from a paper discussed there, it appears that his Group would like to see parity established between the treatment given by third States to Community exports and that given by the Community to imports from third States. The implications of this concept are great. So are the difficulties which any attempt to implement it would encounter.

To give the Commission a new negotiating mandate based on these principles at this stage of the Tokyo Round would be to put a large and hungry cat into the GATT dovecote. The argumentation contained in the draft Resolution is an exiguous basis on which to propose such a radical change of policy. This in itself should counsel caution. But the desirability of caution will be even more evident if it is borne in mind that Mr Inchauspé regards his sweeping proposals as merely temporary. The draft Resolution does not say this. But Mr Inchauspé said this in the European

Parliament on 5 July. He spoke of his proposed measures as constituting "a genuine organization, not new but temporary, of European commerce", and later he spoke of the Community taking "drastic but temporary measures - since it is not a question of returning to an out-of-date protectionism". If proposals such as those recommended in the draft Resolution were to be adopted, it is in the highest degree unlikely that their impact would be either limited or temporary.

The proposal in paragraph 16 of the draft Resolution that the new approach to GATT negotiations should be supplemented by the progressive introduction of a world organization of markets is inserted inconspicuously, without supporting argumentation, and with no attempt to draw attention either to the complexity and importance of its implications or to the lessons of past experience in this field. The history of past attempts to control world markets in selected commodities has been a history of at best only partial successes, usually accompanied by unwanted side-effects. It is also a history of the need for carefully differentiated approaches to the problems presented by individual commodities, individual markets and individual social systems. Against this historical background it is difficult to regard as other than premature and over-ambitious any proposal for the comprehensive organization of world markets. A cautious, commodity-by-commodity approach would be more prudent. As for the suggestion that the world organization of markets should be "founded on the establishment of minimum reference prices for raw materials and foodstuffs", this is a highly over-simplified approach to pricing and production problems which abound in complexities and difficulties. Minimum prices can all too easily lead to the creation of unwanted surpluses. This is not to deny that the establishment of minimum prices can, in certain circumstances, play a useful role in agreements intended to encourage the production and regulate the marketing of specified commodities. The current negotiations for a new International Wheat Agreement illustrate this. But the application of such agreements can be complicated and distorted by many additional factors, of which due account has to be taken if undesired consequences are to be avoided. The approach recommended in the draft Resolution is too simple.

6. Paragraph 17 of the draft Resolution after recalling the European Parliament's support of the principles of the Lomé Agreements, describes them as constituting "a first encouraging step towards the regional organization of markets". It then expresses the opinion that "there should be greater coherence in all the agreements concluded between the Community and the rest of the world".

Comment: The regional organisation of markets was not a stated aim of the Lomé Agreements, nor would it be universally admitted that the operation of these Agreements has in fact constituted a step towards the regional organisation of markets. The interpretation which the draft Resolution seeks to place on the Lomé Agreements is over-simplified and somewhat tendentious.

That there should be greater coherence in all the agreements concluded between the Community and third countries is an opinion which can be shared by all. The Community's existing agreements with third countries, having been negotiated at different times, abound in anomalies. The Community's global approach to Mediterranean problems is a step in the right direction. But given the state of the world economy and the complexity of the Community's external relations, some muddle and untidiness is probably unavoidable.

7. The concept of "organised freedom" which underlies the whole draft Resolution has become fashionable. The French Prime Minister has spoken in favour of an "organised liberty of exchanges". The Commission too has come round to the view that, in some sectors of international trade, if a reasonable degree of stabilisation is to be achieved, a measure of limitation, control and organisation may be necessary. There is, however, a difference between the Commission's approach and ~~that~~ of the draft Resolution. That difference lies in the Commission's sense of responsibility not only towards the industries of the Community, but towards the industries which depend on the Community market. To the latter industries the adoption of some of the recommendations made in the draft Resolution - notably those relating to levies and automatic recourse to safeguards - might be severely disruptive. The outcome would be not an organised freedom of trade, but disruptive temporary interruptions of trade.

8. The more balanced and more responsible approach of the ~~Commission~~ can be well illustrated from its current attempt to negotiate a protocol for the amendment of the Multifibre Agreement (MFA). The Commission accepts that some sectors of the Community market in textiles have suffered disruption and that certain textile imports cannot continue to expand at the rates originally foreseen in the MFA. The Commission recognizes that it will have to impose certain limitations on imports and establish general surveillance in order to ensure that the limitations are observed. But in return it wishes to give the Community's foreign suppliers increased certainty as to the amounts and types of textiles they will be able to supply in the next few years. It is conscious of the fact that during the past year or so the Community's image in the Third World has suffered as a result of unilateral restrictions on textile imports imposed without prior consultation by certain Member States of the Community. It is conscious that the world recession has hit ~~some~~ of the supplier states harder than it

has hit the Community. It is conscious of the investments made in the supplier states in the expectation that the Community market would remain open to them. It is conscious that restrictions could hit some supplier states harder than others. It is conscious of special problems, such as that of the handloom weavers of India. It is trying to create a comprehensive and coherent framework which will safeguard Community manufacturers, assign stable quotas to foreign suppliers, make provision for special problems and assign equitable shares of the Community market to the various categories of suppliers. It believes that its proposals will inflict less hardship on foreign suppliers than would recourse to Article XIX of GATT - which might lead to retaliation and the consequential evils which the world economy experienced in the 1930s. Its approach is based not on unilateral and arbitrary action, but on timely consultation and the search for negotiated agreements. It does not expect that it will be easy to reach agreements - the difficulties encountered with Hong Kong have already been reported in the press. But it is confident that most suppliers will see the advantage of accepting greater certainty in return for limitations. The adoption of the proposals contained in the draft Resolution would deprive the Commission of the ability to offer certainty. A choice has to be made between the proposals contained in the draft Resolution and the Commission's approach. The opinion of the Committee on External Economic Relations is that the Commission's approach is to be preferred.

9. Similarly, the Committee on External Economic Relations prefers the cautiousness and balance of the Commission's approach in the other delicate negotiations in which it is engaged - e.g. footwear, zip fasteners, fertilizers, ball bearings, steel products, shipbuilding, the revision of Article XIX of GATT, non-tariff barriers, trade with state-trading countries, trade with Japan, etc. The Committee on External Economic Relations accepts that the post-1973 world recession calls for many adjustments in world trade; but it considers that the Commission's fair-minded and responsible approach is more likely to yield acceptable results than the specific measures recommended in the draft Resolution and the jettisoning of the whole free-trade policy of the past thirty years.

10. In coming to this conclusion, the Committee on External Economic Relations has been influenced by two main considerations. The first is the responsibility which flows from the enormous weight of the Community in international trade and from its obligations under international agreements. It would be all too easy for the Community to undermine respect for the relevant international agreements and to touch off a world-wide escalation of protectionist measures. The second is concern for the Community's export industries. Neither of these considerations figures in the draft Resolution.

11. Article 15 of the Draft Resolution, which refers to the Common Agricultural Policy, does not lie within the competence of the Committee on External Economic Relations. The opinion of the Committee on Agriculture is attached as Annex I.

12. The rest of the draft Resolution is concerned with analysis rather than with recommendations for action. Paragraph 1 of the draft Resolution states that the Common Market is a Community based on three principles. This is not so. The principles are more numerous. They are to be found in Part I of the Treaty of Rome (Articles 1 to 8). It would be undesirable for the European Parliament to endorse a text which seeks to pick and choose amongst the principles which have been accepted in their entirety by each Member State.

13. Paragraph 2 of the draft Resolution expresses opposition to the transformation of the Community into a mere free trade zone. No exception need be taken to this. The Community is already more than a mere free trade zone, and its transformation into such a zone is not contemplated.

14. Paragraph 3 of the draft Resolution notes that the Common Market is now vulnerable on all sides (the original French text says more vividly that it is open to every wind that blows). This is only a partial truth. Many of the Community's industries are highly competitive and protective measures against Community exports have been taken or are contemplated in a number of countries. The Community authorities have to take a balanced view of the whole economic picture. They have to care for the maintenance of employment in the Community's export industries as well as in the industries which are unable to meet the competition of low-cost imports.

15. Paragraph 4 of the draft Resolution deplores the fact that certain imports are not controlled and by implication attributes unemployment and de-industrialisation in the Community to such imports. This again is only a partial truth. Some imports in sensitive sectors are already limited by voluntary restraint agreements, others by quotas. The draft Resolution makes no acknowledgement of the work which has been done and is still being done by the Community authorities in these fields. Nor does the draft Resolution recognise that the de-industrialisation and rising unemployment stem in part from causes other than low-cost imports into the Community.

16. Paragraph 5 of the draft Resolution attributes current difficulties to two distinct causes; first, the inadequacy of common commercial and industrial policies; and second, the absence of the world organisation of markets for which the EEC is said to have been calling since the Kennedy round of 1967. There is, of course, an element of truth in the allegation that the difficulties which have arisen since 1973 have exposed inadequacies

in the Community's commercial and industrial policies, but a fair judgement would have to take account of the domestic , international and institutional constraints which have limited both the comprehensive-ness and effectiveness of the Community's policies. Much of what needs to be done depends on national policies and financing rather than on the Community. And is it true that since the Kennedy round the EEC has been calling for a world organisation of markets? Is not this statement a misrepresentation of the Community's policies in GATT? To appeal in GATT for a world organisation of markets would be to get nowhere. GATT talks are not platforms for the launching of appeals. They are negotiations for the striking of bargains. Moreover, the aim of GATT talks is not the organisation of world markets but the reduction of barriers to trade. It is true that the current negotiations for the revision of Article XIX of GATT are an attempt to gain agreement to more effective measures for the prevention of market disruption. But from the revision of Article XIX to the establishment of a world-wide organisation of markets the step is a big one. It has not yet been made Community policy.

17. Paragraph 6 of the draft Resolution considers that the present situation is having a direct and disastrous effect on the social, financial and economic balance in Europe. This is true of certain areas and certain sectors of industry. But on balance it paints too black a picture of the state of the Community.

18. Paragraph 7 of the draft Resolution sees one of the main causes of present difficulties in the contrast between the alleged liberalism of the Community, the protectionism and crypto-protectionism of certain industrialised countries and the exploitation of the sub-proletariat in certain developing countries. There is some truth in this. But no mention is made of the disruption of world trade which would follow if the Community were to become protectionist, nor is any attempt made to analyze whether such a change in Community policy would, on balance, be advantageous or disadvantageous. The draft Resolution disavows protectionism while recommending certain protectionist policies. The outside world would not be deceived by such a play on words. The governments of third countries are well aware that the current policies of the Community are not entirely liberal. They are also aware of the pressures for protectionism which have been developing within the Community. They expect the Community to negotiate increased protection for certain Community industries. But they would be appalled if the Community were to lurch into massive protectionism. Tact and care will be needed in pursuit of the Community's objectives.

19. Paragraph 8 of the draft Resolution protests at the abuse of sub-contracting practices by certain manufacturers, notably the multi-national companies, which are alleged to be importing unemployment into Europe. This is a fashionable theme, and it has some foundation in fact. But it has not been established that the multi-nationals account for more than a minority share of the imports which are causing market disruption in the Community.

20. Paragraph 9 of the draft Resolution emphasises that the basic sectors of Europe's economy are being severely disrupted by the anarchy in extra-Community trade. This is an exaggeration. The sectors which are suffering severe market disruption are important, but they are only a part of the Community's complex and highly developed economy.

21. Paragraph 10 of the draft Resolution makes the allegation of disruption more precise. It mentions the textile, iron and steel and footwear industries as being victims of "social dumping", the deflection of trade and monetary disorders. It also comments that Community preference is all too often neglected in the agricultural sector. Agricultural questions are dealt with in Annex I. The problems of the textile, iron and steel and footwear industries are already the subject of action by the Commission (and it will be seen from paragraph 9 above that the Commission is active in other fields as well). But not all the difficulties are due to dumping, deflection of trade and monetary disorders. Some of the Community's difficulties are due simply to the greater efficiency of some suppliers in third countries. Action, if it is not to give rise to protests, retaliation and challenge, has to be based on correct diagnosis. The European Court needs to be convinced that protective actions are completely justified.

22. Paragraph 11 of the draft Resolution deplores the fact that several voluntary restraint agreements between the Community and third countries are not being applied. No details are given. The Commission is aware of its responsibility to make sure that agreements are honoured, and it should be encouraged to seek whatever powers may be necessary to make its surveillance effective. The vigour of its current negotiations for the revision of Multifibre Agreement shows that it is not content to be a passive observer of the ill effects of agreements, the operation of which has been made harmful by changed circumstances.

23. Paragraph 12 points out that labour-intensive industries with high social costs are particularly vulnerable. This has been a subject of particular concern to the European Progressive Democrats. The industries they have in mind - textiles, hosiery, clothing, footwear, leather trades etc. - are often of great local importance and are highly vulnerable to

price competition. The luxury end of these trades may not amount to a basic sector of the Community's economy, but its importance can hardly be challenged. The draft Resolution is right to draw attention to the problems of these trades.

24. Paragraph 18 of the draft Resolution expresses the opinion that the present situation is exceptionally serious and might favour a return to national measures in each Member State and jeopardize the construction of Europe if urgent and basic decisions are not taken by the Community. This paragraph fails to pay due tribute to the scale and vigour of the effort being made by the Commission.

25. Paragraph 19 of the draft Resolution is a rhetorical peroration. It asserts that Europe will not be able to withstand the persistence of intolerably high levels of unemployment. It suggests that continuing anarchy in extra-Community trade may well compromise the further enlargement of the Community and call into question the political structure of our society. There is an element of exaggeration in this. If the level of unemployment within the Community remains unacceptably high, that is certainly not from lack of attention either in the Community institutions or in the Member States. It is proving a singularly intractable problem; but its social and political consequences have not as yet justified the fears expressed at the beginning of the post-1973 recession. Moreover, though there may be some truth in the contention that the anarchy and difficulty of extra-Community trade in conditions of world recession makes the Community a particularly attractive export market for third countries, it is not within the power of the Community to impose order on trade conducted entirely outside its borders. It is, however, within the power of the Community to impose, when desirable, certain controls on the trade which crosses its borders; and there is no reason to think that the Community would be willing to see the political system of its Member States undermined by failure to take appropriate measures. This paragraph of the draft Resolution is unduly alarmist.

26. The draft Resolution is open to criticism as regards both its analysis and its recommendations. The Committee on External Economic Relations considers that the problems to which the Group of European Progressive Democrats have drawn attention call for a resolution of a rather different kind. They have therefore drafted an alternative Motion for a Resolution and submit it to the European Parliament herewith.

MOTION FOR A RESOLUTION (Doc. 209/77)

tabled by Mr INCHAUSPE

on behalf of the Group of European Progressive Democrats
with request for an immediate vote pursuant to Rule 47 (5)
of the Rules of Procedure

to wind up the debate on the oral question (Doc. 174/77)

on the practice of dumping and the threat posed to Europe
by uncontrolled competition.

The European Parliament,

1. Points out that the Common Market is a Community based on three principles: the free movement of goods, persons and capital, the Community preference and financial solidarity;
2. Points out also that it is opposed to calling these principles into question and to any development towards a free trade zone;
3. Notes that the Common Market is now vulnerable on all sides;
4. Deplores the uncontrolled imports from third countries which cause unemployment and lead to 'de-industrialization' in Europe;
5. Considers that this disturbing situation is caused by the inadequacy of common commercial and industrial policies and in particular the absence of the world organization of markets which the EEC has been calling for since 1967 (Kennedy Round);
6. Considers that this situation is having a direct and disastrous effect on social, financial and economic balance in Europe;
7. Believes that one of the main causes of this situation is the contrast between the liberalism of the Community, the protectionism and indeed crypto-protectionism of certain industrialized countries and the exploitation of the sub-proletariat in certain developing countries;
8. Protests at the abuse of sub-contracting practices by certain manufacturers, notably the multi-national companies, which is importing unemployment into Europe;
9. Stresses that the basic sectors of Europe's economy are being severely disrupted by the anarchy in extra-Community trade;

10. Points out in particular that the textile, iron and steel and footwear industries in Europe are the victims of 'social dumping', the deflection of trade and monetary disorders and that the Community preference is all too often neglected in the agricultural sector;
11. Deplores the fact that several voluntary restriction agreements between the Community and a number of third countries are not being applied;
12. Points out that the labour-intensive industries in which social costs account for the major part of the manufacturing cost are more vulnerable from this point of view than other industries;
13. Is opposed to all protectionist policies but considers that the rules of free trade on which international relations have been based in the last thirty years should be redefined and modified so that freedom of trade becomes an organized freedom;
14. Asks, therefore, that the Community's commercial policy should be based on the following rules:
 - the maintenance of a common external tariff ensuring an effective Community preference;
 - the establishment of a system of 'levies' for the products of labour-intensive industries in order to avoid 'social dumping' and rationalize trade;
 - automatic recourse to the safeguard clause provided for under the Treaty of Rome when imports become excessive;
 - establishment of permanent Community investigation procedures to detect cases of dumping other than those revealed merely by complaints from individuals;
 - effective supervision of the implementation of agreements concluded between the Community and third countries, in particular through the automatic issue of licences;
 - the introduction in intra-Community trade of certificates of origin in order to prevent deflections of trade;
 - pursuit of a true European export policy;
15. Proposes, as regards the common agricultural policy, that compensatory amount should be gradually abolished in order to restore unity to the markets and that vigorous measures should be taken with a view to ensuring that reference prices are respected and to calling a halt to the excessively large number of derogations from Community customs legislation;

16. Believes that the negotiating mandate given to the Commission within the framework of GATT should be fully renewed on the basis defined under paragraph 14 and supplemented by the progressive introduction of a world organization of the markets founded on the establishment of minimum reference prices for raw materials and food products and rules for the storage and removal from storage of such raw materials and food products;
17. Recalls its support of the principles of the Lomé agreements, which constitute a first encouraging step towards a regional organization of the markets, but believes that there should be greater coherence in all the agreements concluded between the Community and the rest of the world;
18. Believes that the present situation is exceptionally serious and might favour a return to national measures in each Member State and jeopardize the construction of Europe if urgent and basic decisions are not taken by the Community;
19. Formally draws the attention of the Community's Institutions to the fact that Europe will not be able to withstand the persistence of intolerably high levels of unemployment and that continuing anarchy in extra-Community trade may well compromise the further enlargement of the Community and call into question the political structure of our society.

MOTION FOR A RESOLUTION DOCUMENT 447/77

tabled by Mr de la MALENE, Mr BOUQUEREL, Mr BROSNAN, Mr BRUGHA, Mr COINTAT, Mr COUSTE, Mr HERBERT, Mr HUNAUT, Mr INCHAUSPE, Mr JENSEN, Mr KASPEREIT, Mr KRIEG, Mr LIOGIER, Mr NOLAN, Mr NYBORG, Mr POWER, Mr RIVIEREZ, Mr TERRENOIRE and Mr YEATS, on behalf of the Group of European Progressive Democrats

with a request that a vote be taken immediately pursuant to Rule 47(5) of the Rules of Procedure at the end of the debate on the oral question (Doc. 364/77)

on imports flooding the Community markets

The European Parliament,

1. Expresses once again great anxiety at the continuing deterioration of the situation of Community industries such as the iron and steel, ship-building, footwear and textile industries and the consequent serious threat to employment in the future;
2. Points out that this deterioration is largely due to the disproportionate volume of imports from certain third countries at prices considerably below those in force in the Community or recommended or fixed by the Commission;
3. Firmly supports the Commission's recent proposals for restricting such imports, which seriously disturb Community markets;
4. Reminds the Commission and the Council that, failing energetic and immediate Community action, the increasing threat to employment in Community undertakings will make national safeguard measures inevitable in certain Member States;
5. Instructs its President to forward this resolution to the Council and Commission.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

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

Brussels, 19 October 1977

Dear Mr Chairman,

At its meeting of 18 and 19 October 1977, the Committee on Economic and Monetary Affairs took note of the motion for a resolution tabled by Mr Inchauspé on the practice of dumping and the threat posed to Europe by uncontrolled competition¹ (Doc. 209/77).

The Committee on Economic and Monetary Affairs has to approach these questions from different angles and within its terms of reference. Generally speaking, it considers the application of Community rules of competition which explicitly refer to dumping in the light of the Commission's annual reports; it also investigates the situation in industrial sectors such as iron and steel, shipbuilding and, currently, textiles, as well as sectoral structural policy. Lastly, it concerns itself with the economic situation in the Community or in the world, which cannot fail to be affected whenever free trade is threatened.

Thus, the Committee on Economic and Monetary Affairs never fails to deplore the excesses mentioned in this resolution ~~whenever~~ it has the opportunity to do so and to call upon the Community institutions to take the trade policy measures needed to protect the vital economic interests of the Community and to seek, within the relevant international bodies, to define the measures which will remedy the anarchic situation in extra-Community trade.

I should be grateful if you would consider this letter as the unanimous opinion of our committee on the motion for a resolution tabled by Mr Inchauspé (Doc. 209/77)¹.

Yours sincerely,

Ernest GLINNE

¹ Present: Mr Glinne, chairman; Lord Ardwick, Mr Cousté, Mr Delmotte (deputizing for Mr Van der Meek), Mr Evans (deputizing for Mr Haase), Mr Fletcher-Cooke (deputizing for Mr Jakobsen), Mr Lange, Mr Müller-Hermann, Mr Normanton, Mr Ripamonti and Mr Van der Mei

OPINION OF THE COMMITTEE ON SOCIAL AFFAIRS, EMPLOYMENT AND EDUCATION

Draftsman: Mr K. WAWRZIK

At its meeting of 20 October 1977 the Committee on Social Affairs, Employment and Education appointed Mr WAWRZIK draftsman.

It considered the draft opinion at its meetings of 22.11.1977 and 24 January 1978 and adopted it unanimously.

Present: Mr van der Gun, chairman; Mr Galuzzi and Mrs Dunwoody, vice-chairmen; Mr Wawrzik, draftsman; Mrs Cassanmagnago Cerretti, Mr Dinesen, Mr Lezzi, Mr Meintz, Lord Murray of Gravesend, Mr Pisoni and Mr Pistillo.

The draftsman will present the explanatory statement orally.

The Committee on Social Affairs, Employment and Education

1. Agrees with paragraph 1 of the present motion for a resolution that the three cornerstones of the Common Market are:
 - the free movement of goods, persons and capital,
 - the Community preference and
 - financial solidarity;
2. Confirms the misgivings voiced in the motion for a resolution by Mr INCHAUSPE, that long-term unemployment will engender major social tensions in the Community, thereby posing an incalculable threat to the existence of democratic society;
3. Urges, in the light of the changed circumstances in the balance of the world economy brought about by the creation of new production capacity both in the developing countries and in the state-trading countries of the Eastern Bloc, that the Community institutions draw up and implement a structural policy which will ensure both a return to, and the maintenance of, full employment;
4. Sympathizes with the call for restrictions in the form of limits on import growth rates, in view of the critical situation in the textiles and iron and steel industries for example, with its devastating effect on employment in these sectors, but can only accept such measures if their term and scope are strictly limited;
5. Stresses that full employment will not be attained through protectionism but that, instead, the development of appropriate Community structures will only be encouraged through the provision of aid to the industries concerned to enable them to adapt to changing markets.
6. Notes that purely protectionist subsidies to industries under threat in the Community are no solution to the precarious overall employment situation, but merely disguise the real economic problems, leaving them unsolved and allowing them to spread to regions and industries which are not yet endangered;
7. Continues to reject the use of state subsidies to support unfair competition, and calls once again for such aid to be used to facilitate necessary structural changes and thereby to help safeguard jobs and earnings;
8. Insists that the Community take steps to bar products from its markets which clearly owe their cheapness to the exploitation of labour;

9. Calls on the European institutions, in cooperation with the International Labour Organization, to draw up binding minimum standards of social security for all workers;
10. Calls on trade unions to pursue an international policy which seeks to prevent dumping prices based on low wages combined with an absence of social security, with a view to showing international solidarity and giving everyone an opportunity of development;
11. Urges the Commission to carry out regular surveys on the extent of dumping and its effects on employment and the social situation in the Community, and to submit reports on its findings;
12. Calls on the Commission to draw up a plan which reconciles the fight against dumping practices with consumer interests and the requirements of development policy;
13. Takes the view, however, that existing legislation at national and international level (GATT, Treaties of Rome) provides adequate penalties for any infringements, if the relevant provisions are systematically applied;
14. Recommends the Committee on External Economic Relations, for the reasons set out above, not to adopt the motion for a resolution tabled by Mr INCHAUSPE.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr G. LIGIOS

On 1 December 1977 the Committee on Agriculture appointed Mr LIGIOS draftsman.

It considered the draft opinion at its meeting of 2/3 March 1978 and adopted it by 14 votes in favour with 5 abstentions.

Present: Mr Houdet, chairman; Mr Ligios, vice-chairman and draftsman; Mr Hughes, vice-chairman; Mr Albertini, Mr Andersen, Mr Brégégère, Mr Dewulf, Mrs Dunwoody, Mr Früh, Mr Howell, Mr Klinker, Mr Kofoed, Mr Lemp, Mr L'Estrange, Mr Mitchell, Mr Ney, Mr Pisoni, Mr Tolman and Mr Veronesi (deputizing for Mr Lemoine).

1. In July 1977 Mr INCHAUSPE tabled a motion for a resolution on behalf of the Group of European Progressive Democrats on the practice of dumping and the threat posed to Europe by uncontrolled competition (Doc. 209/77). The motion was not debated immediately during the plenary sitting but referred to the Committee on External Economic Relations as the committee responsible and to other committees for their opinions including the Committee on Agriculture which was to examine in particular paragraph 15.

2. This paragraph, on which our committee has to give its opinion, reads as follows:

'Proposes, as regards the common agricultural policy, that compensatory amounts should be gradually abolished in order to restore unity to the markets and that vigorous measures should be taken with a view to ensuring that reference prices are respected and to calling a halt to the excessively large number of derogations from Community customs legislation'.

There are thus three main points:

- (a) monetary compensatory amounts and their gradual abolition;
- (b) the respecting of reference prices;
- (c) derogations from Community customs legislation.

(a) Monetary Compensatory amounts

3. It is difficult to understand what motives prompted the authors of the motion for a resolution to include the m.c.a.'s applied to intra-Community trade in a text which deals with the problems of dumping and uncontrolled competition by third countries, as is made absolutely clear in paragraph 4. Another rather curious fact is that, in the author's view, the abolition of m.c.a.'s would help to restore the unity of the market. It is however common knowledge that they were created for the very purpose of guaranteeing the unity of agricultural prices throughout the Community after the monetary storms, which have buffeted Europe in recent years with revaluations, devaluations and fluctuations of various European currencies, had produced considerable differences in the level of agricultural prices expressed in these currencies.

4. Be that as it may, the real problem posed by the m.c.a.'s (leaving aside their enormous cost for the Community budget) is that of distortions of competition between Community countries, i.e. between those with strong currencies whose agricultural exports are being subsidized on the one hand, and those with weak currencies whose exports are being penalized. Another distortion is created between products subject to the regime for agricultural

imports and those which are not, not to mention the repercussions on agricultural products in countries with weak currencies, and on consumers in those with strong currencies.

5. The impassioned debate currently being held within all Community bodies following the submission of various proposals and documents by the Commission, shows, if proof were needed, how strongly the necessity is felt for a solution on this subject which is acceptable to all, and how much progress still has to be made. The Committee on Agriculture, in its motion for a resolution on the common agricultural prices for 1978, requested that m.c.a.'s be abolished within two to three years, since they seriously distort agricultural trade between the Member States.

(b) Reference prices

6. The reference price system - which in theory is designed to protect certain Community products, such as fruit and vegetables and wine, from abnormally low priced imports from third countries, with countervailing levies being applied in cases of non-observance - is arousing much criticism and urgent applications are being made to the Commission for it to be amended and tightened up.

7. Your committee has already had occasion to examine the problems posed by the reference price system during the debate on the 'effects of the Mediterranean policy on Community agriculture'¹. It would recall that the main defects of this system are: its lack of flexibility; the fact that countervailing levies are not automatic in the case of non-observance; the unnecessarily complex nature of the system; the often unjustifiably low level of these prices which are fixed in advance for the whole marketing year; the relative ease with which evasion can be practised by technical expedients even without using fraudulent methods such as fictitious prices or under-invoicing of goods. Continental products such as cereal products, beef and veal or dairy products, are protected in a much more rigid way thanks to the levies applied at frontiers.

8. Thus there is indeed a widespread feeling of dissatisfaction among the Community's southern producers with the inefficiency of this machinery, and a reform is therefore needed.

(c) Derogations from Community customs legislation

9. The Committee on Agriculture has also had the opportunity to deal with this matter several times during consideration of the many preferential and association agreements concluded by the Community with almost all the countries of the Mediterranean basin with the exception of Libya and Albania. All of

¹ See Doc. 467/77, paragraphs 46 and 47 of the explanatory statement.

these agreements provide for customs concessions for exports into the Community of the typical agricultural products of these countries (citrus fruits, olive oil, fruit and vegetables etc.), generally subject to the reference price system or certain time restrictions. In exchange for these reduced customs duties, the Community benefits in general from facilities given to its industrial products and agricultural products of which these countries have a shortage (cereals, sugar, dairy products). At the moment, in the framework of the 'overall approach' of the Mediterranean policy drawn up at Community level, new elements are being introduced into the 'package' such as increased financial, technical and economic aid to these countries.

10. It is clear that the problem of tariff reductions is closely linked with respect for the reference price as mentioned above or with possible minimum prices imposed on certain products such as tomato purée and sardines. Indeed it is not possible, without distorting the Community's whole Mediterranean policy and emptying the agreements of all meaning, to abolish the tariff concessions granted to the agricultural products of these Mediterranean countries, not least because the Community is not self-sufficient in these products. Moreover, if they were abolished, there would inevitably be an obligation on the Community to give financial or some other kind of compensation and it might lead to politically dangerous reactions from those countries affected. Consequently, the only effective way for the Community to protect its own products and southern agriculture is to introduce and enforce effective legislation at the frontiers in order to prevent imports of agricultural products entering at abnormally low prices. With this guarantee, even tariff reductions would lose their potential danger.

11. The possible enlargement of the Community to include the three candidate countries of Greece, Portugal and Spain will probably bring new problems for Mediterranean third countries linked by agreements to the Community. The enlarged Community will become largely self-sufficient in some products of which supplies are currently drawn from the markets of third countries such as the Maghreb countries or Israel. This might create difficulties and oblige the Community to compensate these third countries adversely affected by enlargement. This problem should also be taken into account during the accession negotiations.

Conclusion

12. The Committee on Agriculture:

- (a) recognizes the existence of the problems raised in paragraph 15 of the motion for a resolution concerning the importation of agricultural products at abnormally low prices from third countries;

- (b) does not consider however that the solution is to increase Community protectionism, for example by restoring customs duties which are at present reduced in accordance with the agreements concluded with various Mediterranean countries;
- (c) considers however that an improvement and more efficient control of the reference price system is feasible, as is its extension - or the putting into effect of other systems such as minimum prices - to products more seriously threatened by competitors having the advantage of low wage costs;
- (d) recalls finally that the difficulties are likely to increase in the agricultural sector following the enlargement of the Community, both in the Community itself and in third countries currently supplying it with agricultural products, and therefore invites the Community authorities to endeavour to find satisfactory solutions during the accession negotiations before enlargement takes effect.