

Opinion on the Commission proposals concerning the implementation of a Mediterranean policy for the enlarged Community

(85/C 87/06)

On 12 June 1984 the Commission of the European Communities asked the Economic and Social Committee for an opinion on Commission proposals concerning the implementation of a Mediterranean policy for the enlarged Community

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 15 January 1985 in the light of the Report by Mr Briganti.

At its 223rd plenary session, (meeting of 31 January 1985), the Economic and Social Committee adopted the following opinion with no votes against and four abstentions.

Introduction

1. The future enlargement of the Community to include Spain and Portugal means there is an urgent need to examine and redefine the European Community's policy towards non-member countries.

2. Negotiations with Spain and Portugal are causing considerable concern amongst the Mediterranean countries, who sense that their economic ties with the Community are under serious threat, particularly as regards trade.

3. Furthermore, although the Committee considers that the bilateral agreements concluded by the Community with the non-EEC Mediterranean countries have had undeniably positive effects, it none the less feels that in many areas (commercial, industrial, agricultural, financial and social) the agreements have not confirmed their promise, have only had a very limited impact, or have not been implemented.

3.1. The Committee therefore feels that acceptable conditions which allow normal operation of the bilateral agreements in question should be hammered out in agreement with the countries concerned, and particularly with the trade organizations in these countries. The Commission's exploratory talks with Mediterranean countries are crucial here.

4. The non-EEC Mediterranean countries (NMCs) taken as a unit are a very important market for the Community. If this market is to survive and develop, the NMCs must be in a position to be able to continue exporting their products to the Community.

5. The continuity of relations with the NMCs is therefore vital for the Community. This is not only because of its impact on the level of employment but also because of the repercussions on economic, poli-

tical and even social aspects, as well as on ecological and strategic issues. The citizens of all Member States are therefore involved.

6. A far-sighted Mediterranean policy should aim to reduce imbalances not only between the North and South but also within the Mediterranean basin. Its basic aim should be to utilize local human and material resources, including the utilization of such resources on the international market. Finally, it should contribute to the peace, security and stability of the Mediterranean region.

7. In examining possible repercussions of Spanish and Portuguese accession, the Community should take account of the different circumstances of NMCs and the major changes which its own CAP is currently undergoing.

The importance of trade in the Community's Mediterranean policy

8. The Committee thinks that the agreements concluded with the NMCs have not checked their growing trade deficit with the Community, which overall has roughly trebled in 10 years.

9. In 1982, EEC imports from its Mediterranean partners were worth 22 billion ECU, and exports to them totalled 29 billion ECU. If oil products are excluded, the Mediterranean trade deficit with the EEC totals 19 billion ECU and their imports from the EEC are only 33% covered by exports.

10. 40% of NMC purchases from the EEC consist of capital goods which are essential to their economic and social development. Any sudden fall in these imports (such as might be caused by a drop in export earnings on the EEC market) would ultimately only lead to ever-worsening imbalances.

11. From the EEC's point of view the Mediterranean countries are an important market outlet of benefit to all the Member States, though in different ways. The Community of Ten is still by far the number one supplier of the Mediterranean countries, the latter accounting for 10 % of the EEC's trade with the rest of the world.

12. The EEC in turn buys more than half the NMCs' exports.

13. Thus EEC-NMC trade interdependence is important for all concerned. The Economic and Social Committee recognizes, with the Commission, that this interdependence is a fundamental element of the Mediterranean policy which the Community must redefine in view of its impending enlargement.

The industrial side

14. All the agreements concluded under the Mediterranean policy are based on allowing industrial products into the EEC duty-free; this has not necessarily been on a basis of even partial reciprocity. Such actions have been one of the EEC's major concessions, designed to give essential and priority encouragement to its partners' efforts to industrialize. The main effect of this policy has been to induce several countries to concentrate too much on developing their textile exports; the textiles sector has been the main, if not the only, driving force in a whole host of development plans concerning the Mediterranean basin. This move, which has been strongly geared to the outlet provided by the EEC market, has often been financed by investments of Community origin, particularly in the form of so-called 'inward processing traffic' ⁽¹⁾.

15. Because of the particularly bad employment situation in the textile industry, the Community has since 1977 (like most of the world's industrialized countries, e.g. USA, Canada, EFTA countries) negotiated 'voluntary restraint' agreements with many Mediterranean and other low-price suppliers for certain sensitive textiles. Seen in the light of the trade objectives of the Community's Mediterranean policy, these agreements are undoubtedly a backward step and are interpreted by the EEC's trading partners as a serious attack on the spirit of the agreements which they have concluded with the Ten.

16. In view of this, the Committee approves the need, underlined by the Commission:

- to reaffirm the principle of preferential opening of the EEC market to Mediterranean industrial

⁽¹⁾ That is, 'outward processing' from the point of view of the Community.

products as the essential foundation of agreements between the Community and Mediterranean countries,

- to re-establish thereby the confidence and trust of the partner countries and investors (particularly those from the Community) in these agreements, especially at the prospect of the EEC's forthcoming enlargement,
- to provide as far as possible for a gradual return to the normal scheme laid down in the agreements covering the textiles sector, provided there is no dumping, and
- to set up in the future effective procedures for constant consultation with the partner countries to prevent other crises arising in certain sensitive sectors.

17. Beyond trade concerns, the Committee is insistent upon the importance of industrial cooperation (see below) as a vehicle for developing the economies of NMCs.

The agricultural side

18. Community enlargement may drastically upset some Mediterranean countries' trade with the Community, as Community preference will favour products from the new Member States.

19. The Committee thinks that something must be done to avoid in the near future a sudden reduction in the exports of the Mediterranean countries, which have a crying need for the foreign exchange which such exports earn.

20. The Community should extend the benefits of the common agricultural policy gradually to the new Member States, and the latter should gradually take on the burdens of the CAP. They should also at the same time accept the Community's obligations towards non-EEC countries, especially the developing countries and, among them, the Mediterranean countries.

21. Consequently, as a matter of principle, the Committee approves the Commission's proposals to guarantee the products concerned a possibility shortly of real access to the EEC market. If this makes it necessary to change the mechanisms for protecting the Community's agricultural market and to fix ceilings, this should be done in consultation with the partner countries and the interested parties.

22. However, the EEC should take care not to fulfil its obligations towards its ailing partners at the expense of farmers in the south of the Community, who are also facing serious problems. The Community should show its commitment by ensuring that each Member State takes its fair share of the responsibility.

23. The Committee believes that the Commission should draw up specific proposals as soon as possible designed to:

- establish what repercussions imports from NMCs would have on the production targets of the enlarged Community,
- evaluate the cost of the operation both to the Guarantee Section of the EAGGF and to development policy.

The Committee's approval is qualified by the comments which follow.

24. The Committee has doubts about the effectiveness of the proposed scheme for fruit and vegetables. The indexing of the reference price, which has been in effect since November 1983, may actually hamper access of Mediterranean products to Community markets and lead within a short period of time to a drop in exports from NMCs. Whatever happens, the average level of exports over the previous five years will be calculated on this new basis, and will lead to a drop in the Community's commitments.

24.1. The Committee thinks it would be preferable to help the sectors and regions affected by introducing a production diversification subsidy scheme, by seeking greater seasonal complementarity of supply between the Mediterranean partner countries in order to achieve more disciplined production in the light of the internal market's requirements.

25. The Committee approves the Commission's approach to wine, which consists of using its Mediterranean policy to promote higher quality in this sector. But it would stress that the measures proposed by the Commission (gradual replacement of table wine exports in bulk by quality wines in bottles) may not provide adequate compensation for NMCs affected by enlargement. It therefore proposes considering the possibility of helping the wine sector not only with bottling but also with marketing in non-EEC countries (producers, cooperatives, retailing). In addition, measures similar to those proposed above for fruit and vegetables may be necessary.

26. For the Community of Ten, olive oil is already a major problem, which will get even worse after enlargement. It will be very difficult to find Community customers for the additional production which will result from enlargement, even if the EEC's frontiers are closed to non-EEC imports (which is obviously inconceivable).

26.1. The Committee therefore approves the concessions proposed in this sector by the Commission, which is suggesting tapering a guarantee to purchase the amounts traditionally exported by Tunisia to the

Community, accompanied by aid for Tunisia's domestic consumption and consumption in the EEC.

26.2. The Committee therefore stresses the need for industrial cooperation measures to increase real incomes in the NMCs and stimulate local consumption of olive oil, which would easily fit in with local habits.

26.3. The Committee feels that eventually olive oil should be covered by a genuine production and marketing policy (identification of markets, including those in non-EEC countries, selling) run by the Community and encompassing an agreed proportion of non-EEC production. Each of the non-EEC countries concerned should be given an annual production quota subjected to disciplines worked out in joint consultations with the Community.

26.4. The Committee wishes to stress the environmental role played by olive growing in some areas of the NMCs, where it is an effective and irreplaceable barrier against desertification.

27. As regards the cost to the enlarged Community of the proposed emergency measures to favour traditional NMC agricultural exports to the EEC, the Committee would point out that NMC exports are very small compared with total EEC production. But the Commission should assess the cost of the proposed measures very carefully, and decide how long they should be kept in force to achieve maximum efficiency in organizing agricultural production in NMCs affected by enlargement, without making them dependent on an artificial defence system.

The social side

28. Following the legitimate concerns expressed by the partner countries as regards their emigrant citizens living and working in the EEC, the Committee wishes to stress the importance of the contribution made to the development of certain EEC countries by non-EEC workers, especially those from the NMCs.

29. The Committee disapproves of all forms of discrimination and racism, and agrees with the Commission that the Council itself should condemn them.

30. The Committee regrets that eight years after the conclusion of cooperation agreements between the EEC and the three Maghreb countries, the chapter on cooperation in the field of labour matters has not yet been implemented. It calls upon the Council of Ministers to agree as soon as possible to the cooperation councils provided for in these agreements adopting provisions to ensure the implementation of the texts concluded in 1976, particularly those on social security.

31. Referring to its opinion of 25 October 1984 on migrant workers⁽¹⁾, and despite obvious difficulties, the Committee supports the Commission's proposals that bilateral measures which have been planned or undertaken should be coordinated at EEC level, so that cooperation in this area can be geared towards integrating the immigrant population more fully into the economic and social fabric of the host country, in the case of those immigrants who wish to remain there, and towards helping those workers who wish to go home to overcome obstacles connected with their return. Any policy of compulsory and systematic repatriation must be ruled out.

31.1. The Committee thinks that the experiments in certain Member States on the education and integration of migrant workers should be continued and extended.

31.2. The Committee would particularly like to stress point 3.3 in the opinion of 25 October on the possibilities of reintegration; it wants such reintegration to be carried out in close cooperation with job development policies in the countries of origin.

32. The Community, and more especially the Social Fund, should work together with the countries of origin and the host countries of the Community to provide substantial subsidies for the training programmes arranged for the workers in question, whether such workers wish to be integrated in the Community or are planning to take up productive employment in their country of origin. The role of smaller firms and cooperatives should be emphasized here.

33. As regards the NMC development aid programme, the Committee urges both EEC and non-EEC countries to undertake to abide by the conventions of the ILO (especially Conventions Nos 97 and 143). It particularly emphasizes the importance of:

- non-discrimination between workers on the basis of origin, nationality, race, religion or political convictions,
- respect for the right to set up union organizations,
- recognition of the right of union organizations to conclude agreements on working conditions,
- safety at work, security of employment (social security, etc.).

- observance of minimum labour laws agreed under the auspices of the ILO, and respect for human rights, and
- joint measures to combat illegal employment, clandestine migration and manpower trafficking.

Cooperation with Mediterranean countries

34. The serious economic and social imbalances between the Mediterranean countries as well as between regions of the Mediterranean countries indicate the need for cooperation and for policies that will make it possible to redress such imbalances or at least lessen them and make them tolerable. Such cooperation policies will have to be pursued not only by the EEC Member States, but also by those NMCs which are the most advanced and have greater material and human resources. The EEC will therefore need to promote South-South cooperation on a Mediterranean scale.

35. A growing economic complementarity of the NMCs — in addition to their economic complementarity with the EEC — is a genuine and effective force for peace and stability in the region.

Scientific and technological cooperation

36. The Committee fully agrees with the Commission proposals that the priority areas of scientific and technical cooperation should be medicine, energy, the environment, information and training. Nevertheless, the Committee believes that special attention should be focused on the search for 'original' technologies specially adapted to the particular conditions prevailing in the Mediterranean regions (climate, natural environment, social structure). The Mediterranean regions of the enlarged Community (Southern Italy, Spain, Greece, etc.) could clearly play an important strategic role here by being the 'principal laboratories' for creating and trying out such new technologies.

36.1. Some Mediterranean countries possess technologies adapted to their own circumstances. The Community could help them to find practical applications.

Agricultural cooperation

37. Initiatives designed to achieve a higher level of self-sufficiency in food should be encouraged. Such initiatives would be helped if agro-food firms, especially those from the Community, were willing to invest in NMCs, supplying technologies geared to local needs.

⁽¹⁾ OJ No C 343, 24. 12. 1984.

Industrial cooperation

38. The Committee would highlight the importance of industrial cooperation for four main reasons :

- (a) it allows minerals and basic agricultural products to be used on the spot ;
- (b) it compensates for jobs lost in agriculture, subsequent to rationalization, by creating new jobs in the secondary sector ;
- (c) it promotes industrial development geared more to the needs of the internal markets of NMCs, thereby ensuring that the latter are not over-dependent on export markets, particularly in the EEC ;
- (d) it consolidates the growing complementarity between the countries in question and their traditional suppliers of industrial products.

38.1. In the field of both production and marketing, the Committee insists on the importance of creating joint ventures between Community firms and Mediterranean firms, particularly smaller firms and cooperatives. NMCs must contribute to this by improving the investment climate for EEC firms.

38.2. The Community Member States could encourage the creation of joint ventures by harmonizing their rules on the different NMCs and by endeavouring to overcome any political barriers.

Multilateral cooperation

39. The Committee shares the Commission's view that regular concerted action should be taken by the economic operators concerned in order to avoid surplus production at uncompetitive prices, particularly of 'sensitive' industrial and agricultural products. However, if the ultimate objective is the intensive utilization of potential natural and human resources in the Mediterranean countries, then action should be taken on the supply side (by improving the production of Mediterranean products) and on demand (by

increasing consumption and the number of outlets on EEC and non-EEC markets).

Financial cooperation

40. The Committee notes that the Commission's proposals reflect the EEC's current financial difficulties. EEC company investment in NMCs — especially in areas such as the food industry, medical-pharmaceutical equipment, the utilization of natural resources and the exploitation of tourist potential, which are all of strategic importance from the point of view of development cooperation — could also play a highly positive role for the economies and living standards of the peoples in question. It would also provide a bulwark against increasing competition from US and Japanese multinationals in NMC markets.

Conclusion

41. The Economic and Social Committee feels that the interdependence of the EEC and Mediterranean economies requires the Community to take a stand and to make rapid decisions in order to make both Spain and Portugal members and also consolidate trade and other forms of cooperation with the Mediterranean countries. It should do this by drawing up legislation aimed at guaranteeing the partner countries the export outlets needed for their development and for the continued purchase of Community goods. The cost of such a policy should be borne by the Community, so that it is not just farmers, and more particularly farmers in Mediterranean regions, who have to carry the cost. The relevant legislative framework should be framed in consultation with Spain and Portugal before the current enlargement negotiations are completed. This should in no way hold up the negotiations.

42. Finally, the Committee would like to be able to come back to relations with NMCs in conjunction with enlargement in order to analyze in detail the particular problems which face certain countries, the entire Mediterranean region and the European Community.

Done at Brussels, 31 January 1985.

*The Chairman
of the Economic and Social Committee*

Gerd MUHR

APPENDIX

to the opinion of the Economic and Social Committee

Rejected amendment

The following proposed amendment to the opinion of the Section for External Relations, which was tabled in accordance with the Rules of Procedure, was rejected by the Committee during the proceedings.

Insert a new point 40, worded as follows:

'To avoid awakening false hopes among the Mediterranean countries as to the scope of such legislation, the Committee insists that the attention of the negotiating parties must immediately be drawn to the fact that the Community is bound by a number of constraints in addition to those arising out of the impending accession of Spain and Portugal. These constraints are conditioned by the common agricultural policy, especially as regards Mediterranean products, as well as by such factors as budgetary discipline, limited financial resources and trade obligations to non-member countries.'

Voting:

For: 4, Against: 49, Abstentions: 24.

Opinion on the proposal for a Sixteenth Council Directive on the harmonization of the laws of the Member States relating to turnover taxes — common system of value added tax: common scheme for certain goods on which value added tax has been finally paid and which are imported by a final consumer in one Member State from another Member State

(85/C 87/07)

On 7 August 1984 the Council decided to consult the Economic and Social Committee, under Article 100 of the Treaty establishing the European Economic Community, on the abovementioned proposal.

The Section for Economic and Financial Questions, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 22 January 1985 in the light of the report by Mr Della Croce.

At its 223rd plenary session (meeting of 30 January 1985) the Economic and Social Committee adopted the following opinion with no votes against and one abstention:

1. General comments

The Commission's proposal for a Sixteenth VAT Directive is part of its programme to harmonize VAT systems.

The proposal is a follow-up to the Sixth VAT Directive and the relevant rulings of the Court of Justice.

By abolishing double taxation the proposal for a Sixteenth Directive improves the position of indivi-

duals who acquire used goods in another Member State or who move house from one Member State to another.

The proposal is welcomed by the Committee. It will undoubtedly help to facilitate intra-Community trade and the movement of persons between Member States. The Committee would ask the Commission to continue its work with a view to making subsequent improvements in the proposed Directive on the basis of the experience acquired.