

Newsletter on the Common Agricultural Policy

Weekly

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Parliamentary control over the Community's budget

1. Under the EEC Treaty (present system)

The EEC Commission lays the preliminary draft budget before the Council of Ministers. The Council provisionally approves the draft by qualified majority. The European Parliament is entitled to propose amendments, which the Council is not obliged to accept. The Council finally adopts the budget by qualified majority (i.e. at least 12 votes out of 17, weighted as follows: Germany, France and Italy: four votes each; Belgium and the Netherlands: two votes each; Luxembourg: one vote).

2. The EEC Commission's new proposal

The EEC Commission would submit the preliminary draft budget to the Council of Ministers and to the European Parliament simultaneously. The Council would provisionally approve the draft by qualified majority. The European Parliament could propose amendments only if they were supported by an absolute majority of its members.

If the Parliament's amendments were accepted by the Commission, the Council could only reject them by a 5/6 majority (i.e. if five of the Member States were in favour of rejection). If the Parliament's amendments were rejected by the Commission, the Council would be able to reject them by a 4/6 majority (i.e. four Member States) when finally adopting the budget. In other cases, the Parliament's amendments would be taken as adopted.

3. The desiderata of the European Parliament

The EEC Commission would submit the draft budget to the Parliament. The Parliament could make amendments by a two-thirds majority of the votes cast constituting an absolute majority of its members. The Council of Ministers could adopt the budget then laid before it by the Parliament by qualified majority, and would only be able to make amendments by unanimous vote. The Parliament would thus possess a right of veto.

### Community financing

#### What the Council of Ministers intends

The decision taken by the EEC Council of Ministers on 15 December 1964 concerning common cereal prices in the EEC from 1 July 1967 marked the end of an important chapter in the history of the common agricultural policy. The Council also passed a number of resolutions indicating the course to be pursued in future.

The most important of these is about the financing of the common agricultural policy. It reads:

"The Council of the European Economic Community agrees that the financial responsibility of the Community, which at present covers cereals, pigmeat, eggs, poultry, dairy produce, beef and veal, and rice, and was extended to fats and oils by the Council's Resolution of 21 October 1964, shall, in a spirit of solidarity among the Member States and without prejudice to Community rules to be determined in the future, be extended to fruit and vegetables on 1 January 1966, to growers of durum wheat on 1 July 1967, and to tobacco as soon as possible."

In another passage of this resolution, the Council agreed that as regards the application of Article 3(1) a), b) and c) of Regulation No. 25 to the products referred to in Regulations Nos. 19 to 22 (cereals, pigmeat, eggs and poultry), all eligible expenditure on refunds should be financed by the European Agricultural Guidance and Guarantee Fund as from 1 July 1967.

The Council invited the Commission "to submit, within the framework of its proposals on Regulation No. 25, proposals on the conditions for implementing Article 2 of Regulation No. 25 as from the entry into force of common prices for the various agricultural products". It also invited the Commission "to submit to it before 1 April 1965:

- (i) The report provided for in Article 4 of Regulation No. 25 on the financing of the common agricultural policy;
- (ii) Proposals relating to the financing of the common agricultural policy for the period 1965-70".

#### What the Community has financed hitherto and what it will finance in future

The Community's financial responsibility for the common agricultural policy was firmly established by the "marathon" session of the Council of Ministers that ended on 14 January 1962. In due course, the Council adopted Regulation No. 25 on the financing of the common agricultural policy, which set up the European Agricultural Guidance and Guarantee Fund (EAGGF); the conditions under which the Fund operates were laid down in an implementing regulation at the beginning of February 1963. It is important to note that the Fund forms part of the Community's budget. The Fund's resources are used to repay

costs resulting from the implementation of the common agricultural policy and expenses incurred for structural adaptations made necessary by the common market in agriculture.

Regulation No. 25 laid down specific provisions governing common financing, but only for the years 1962/63, 1963/64 and 1964/65. Before the end of the latter year decisions will have to be taken as to how the common agricultural policy is to be financed from 1965/66 onwards.

The detailed provisions regarding the financing of the common agricultural policy during and after 1965/66 must be such as to ensure a gradual transition from the present provisional arrangement, under which the common agricultural policy is financed by scaled contributions from the Member States, to a system that will assure the Community of revenues in its own right. The main questions thus concern the form that the final system of Community financing will take, and the date when it will come into force.

An answer to the first of these questions has already been given in Article 2 of Regulation No. 25:

1. The proceeds of levies on imports from non-member countries shall accrue to the Community and shall be appropriated to Community expenditure; the budget resources of the Community shall comprise such revenue together with all other revenues decided in accordance with the rules of the Treaty as well as contributions of Member States in accordance with Article 200 of the Treaty. The Council shall in due course initiate the procedure laid down in Article 201 of the Treaty to implement the above provisions.
2. Since at the single-market stage price systems will be standardized and agricultural policy will be on a Community basis, the resulting financial implications will fall on the Community. The Fund shall accordingly finance:
  - (a) Refunds on exports to non-member countries;
  - (b) Measures taken to regulate markets;
  - (c) ... The structural alterations required for the satisfactory functioning of the Common Market ...

As to the date when the final system of Community financing will come into force, this was indicated by the Council of Ministers in its Resolution of 15 December 1964 inviting the Commission to submit before 1 April 1965 proposals on arrangements to give effect to Article 2 of Regulation No. 25 "as from the entry into force of common prices for the various agricultural products".

#### The importance of a balanced solution

The new financial regulation will be the first practical consequence of the Council's decisions of 15 December 1964; it marks the beginning of a new phase in the development of the common market, since the Fund's resources - and therefore its powers of action - will increase from year to year.

At first sight it would seem that the decisions on agricultural policy taken by the Council of Ministers on 15 December 1964 will create a common market only for cereals, pigmeat, eggs, poultry, and products derived from cereals; when the common cereal prices are applied, the intra-Community levies on these products will disappear and the common market for them will have been achieved. From that moment the Community will have to meet all the expenditure of Member States on domestic market support for cereals and on refunds in respect of exports of cereals, pigmeat, eggs and poultry to non-member countries.

The present agricultural situation in the Community is, however, that one Member State, for example, produces more cereals and another more eggs and poultry, while a third produces all these products but only on a relatively small scale. On 15 December 1964 the Council therefore extended the common financial responsibility to fruit and vegetables, tobacco and durum wheat, in order to improve the financial balance between the Member States. There is another important point: production of cereals, pigmeat, eggs and poultry is subject to seasonal and structural fluctuations. The prospect of being able to draw on the common Fund could very easily lead to farmers concentrating more on these products. There would be more risk that free movement of goods and the safeguards that accompany common financing might benefit some of the Member States more than others. In order to avoid such anomalies, similar decisions will have to be taken as soon as possible on the application of common target and guide prices and the abolition of intra-Community levies and customs duties for milk and rice, cattle and calves by 1 July 1967.

Full Community financing thus demands that spirit of solidarity among the Member States to which the Council of Ministers appealed in its Resolution of 15 December 1964.

In the Council of Ministers some Member States insisted that, if agricultural produce is to move freely within the EEC from 1 July 1967, the customs union for industrial goods must also come into being on that date. Those interested in the balanced development of the Community cannot therefore confine their attention to the removal of restrictions on trade in agricultural produce. In view of the economic progress accomplished by the Community the question now suggests itself whether internal customs duties on industrial goods also should not be abolished on 1 July 1967.

Article 7 of Regulation No. 25 lays down that "before the end of the third year and in the light of the results of the general review provided for in Article 4, the Council shall,.... with a view to ensuring that progress is maintained towards the single market system, draw up rules as to the Fund's revenue which shall be valid from 1 July 1965 until the end of the transition period".

Furthermore, Article 201 of the EEC Treaty provides that "the Commission shall study the conditions under which financial contributions of Member States provided for in Article 200 may be replaced by other resources of the Community itself, in particular, by revenue accruing from the common customs tariff".

#### Legal problems

On 1 July 1967 all intra-Community levies and customs duties will be abolished for the chief agricultural products, which account for 75-80% of all agricultural production within the Community and 65-70% of its agricultural imports, as also the internal customs duties on industrial goods; the Community will then have to face a problem that arises for any customs union, for the place where imports arrive from non-member countries - and therefore where levies and customs duties are collected - will be less and less likely to be that at which the imported goods are consumed. The whole amount of such revenue can therefore hardly be placed to the credit of the Member State in which the port of entry is situated. Imports will in fact show an increasing tendency to shift to the ports that are most conveniently situated and have the most modern equipment.

Since the single-market stage will be attained on 1 July 1967, it would seem advisable for the revenue from levies and customs duties on imports from non-member countries to accrue to the Community in its own right from the same date.

By 1 July 1967 the conditions of Article 2(2) of Regulation No. 25 with regard to customs duties should be fulfilled, as well as those of Article 201 of the EEC Treaty and those of the ministerial decisions of 15 December 1964 which mention "the entry into force of common prices for various agricultural products".

The Commission considers it desirable, however, that - in the spirit of the Treaty and having regard to the provisions of Regulation No. 25 of January 1962 - the transition from the system under which contributions are paid to the Community budget by the Member States to the stage when the Community has its own revenue should be gradual, and that from the outset the whole of the revenue from the levies should accrue to the Community. This gradual transference must extend to:

1. All receipts from levies and customs duties, which accrue to the Community;
2. The relative burden on the individual Member States.

Among the various possible methods of achieving such a gradual transference, there is one in particular that seems to have the advantage of simplicity and clarity: the contribution that the individual Member States are to make to the Community budget in 1967 in accordance with the scales laid down in the EEC Treaty and in the decisions of the Council would be set beside the contribution that they would have made if all the receipts from the levies and customs duties imposed within the territory of the individual Member States during that same year had accrued to the Community.

During the first half of 1967, the scales laid down for Member States' financial contributions would still apply. During the second half-year the Member States would pay to the Community the agricultural levies and such part of the proceeds of customs duties as would be required to cover the contributions that the individual Member States have to make by virtue of the Treaty and Council decisions. Should the individual Member States' share of the proceeds from customs duties and levies exceed the contribution required of them by virtue of the Treaty and ministerial decisions, one fifth of the difference would accrue to the Community in 1968 and a further fifth each year; in this way all the proceeds of levies and customs duties imposed at the common external frontier would accrue to the Community after 1 January 1972, i.e. after five years.

Should this revenue be insufficient in any year to cover the expenditure of the Community, the deficit would be met by contributions from the Member States, computed according to the scale fixed for 1967.

If the Community's revenue were to exceed its normal requirements, the Council, acting on a proposal from the Commission and in accordance with established budget procedure, would decide how the available funds should be allocated for special Community tasks or redistributed among the Member States.

In 1968 and 1969, according to present estimates of the Community's requirements and of the revenue that it would obtain in this way from customs duties and levies, it is unlikely that there would be any funds available for redistribution among the Member States or for Community undertakings over and above normal commitments.

#### Parliamentary control

The creation of independent resources for the Community poses a major political problem, that of control by the European Parliament. According to present estimates, the revenues that would accrue to the Community from customs duties and levies may run to about 2 300 million units of account (dollars) in 1970, and this money would be outside the control of the national parliaments. The European Parliament must therefore be able to exercise powers of superintendence and control over the Community budget. The EEC Commission proposes that the procedure laid down in Article 203 of the Treaty should be amended accordingly.

The cost of market support, refunds on agricultural exports and other measures decided upon by the Council of Ministers as part of the common agricultural policy, will be borne entirely by the Community as from 1 July 1967. The EEC Commission will therefore submit proposals to the Council of Ministers to confer upon Community institutions powers of control over the bodies authorized to take such action in the Member States.

As a result of the development of European integration that will follow from the ministerial decisions of 15 December 1964, the customs union will be complete not only for industrial products but also for the most important agricultural products on 1 July 1967, and Community undertakings - in particular the common agricultural policy - will be financed by independent Community revenues obtained from levies and customs duties.

Financing in the transition years 1965/66 and 1966/67

The remaining question is how financing is to be arranged in the two years that remain before the transition period comes to an end, i.e. in 1965/66 and 1966/67. All eligible expenditure of member countries, i.e. on market support and refunds on exports, will be borne by the Fund as to four-sixths in 1965/66, and five-sixths in 1966/67. On 15 December 1964 the Council of Ministers decided that Italy's contribution to the financing of the common agricultural policy in 1965/66 and 1966/67 should be limited to 18% and 22% respectively, and that Belgium's contributions to the Fund should be fixed in such a manner that they would not be affected by the application of the above ceilings in respect of Italy but remain at their former level.

Since the Council, by its irreversible decision of 15 December 1964 fixed definitively the scale of contributions to the financing of the common agricultural policy that are to be made by Italy and Belgium/Luxembourg in 1965/66 and 1966/67, all that remains to be done now is to apportion the additional financial requirements fairly between Germany, France and the Netherlands. The percentages will be as follows:

	<u>1965/66</u>	<u>1966/67</u>
Germany	32.35	30.59
France	32.35	30.59
Italy	18	22
Belgium	7.96	7.96
Netherlands	9.12	8.64
Luxembourg	0.22	0.22

The contributions of Germany, France and the Netherlands together amount to about 70% of the total. The remaining 30% will be apportioned among the remaining countries according to the scale laid down in Article 200(1) of the EEC Treaty.

The date when the Council will have to decide on how the agricultural policy is to be financed subsequently will depend on the necessary continuity being maintained and on the early establishment of common prices for milk, beef and rice, without which the Community cannot negotiate in the Kennedy round in GATT on the basis of the Community's margin of support.



The Commission's first proposals for harmonizing plant-pest control

The Commission recently submitted to the Council of Ministers a draft directive on measures to prevent the introduction into Member States of plant pests (i.e. animal and vegetable pests, including insects, bacteria, fungi and viruses). This is the Commission's first proposal for the harmonization of Member States' regulations on plant-pest control applicable to imports.

At present Member States' laws, regulations and administrative rules in this sector still differ greatly, although several international organizations have for a long time been working to bring them into line, particularly the UN Food and Agriculture Organization (FAO), under whose auspices the International Plant Protection Convention was concluded on 6 December 1951, and the European and Mediterranean Plant Protection Organization (EPPO).

The European Economic Community differs from the above organization, to which its Member States also belong, in that its aim is to create a common market within which all frontier controls will gradually be abolished. It is therefore essential that the Member States' legislation should be harmonized as soon as possible.

In particular, such harmonization must provide adequate protection for Member States against the introduction of pests from other Member States and from non-member countries. As the common market develops, it will therefore become necessary also to harmonize the existing measures of direct pest control within the Member States. Work on this has already begun.

The Commission's proposal is based on Article 43 of the Treaty of Rome, for plant protection is one of the most important ways by which agricultural productivity can be increased.

The detailed provisions of the Commission's draft are as follows:

1. Listing of:

- (a) All pests the introduction of which into Member States - and therefore into the Community - must be prevented by every possible means (Annex I of the draft directive);
- (b) All pests the introduction of which must be prevented at least when they are found on certain specified plants and plant products (Annex II).

Member States will be required to prohibit the entry of the pests listed in Annex I under any circumstances, i.e. in crops or on objects of any kind, and of those listed in Annex II at least when found on certain goods, as for example cherry-fruit flies on cherries.

Both annexes give lists of pests that are dangerous only to certain countries of the Community. Member States will be free to decide, when plants carrying such pests have been imported into their territory, whether quarantine measures should be imposed in the same way as for pests that are a danger to all the Member States.

2. Effective protection against the introduction of noxious agents cannot always be achieved by banning imports of contaminated plants and plant products, for it is often not possible to detect them at the time of entry. This is the case, for example, with virus diseases that only become apparent as the plant grows.

For such diseases, the directive requires a special official inspection of crops or cultivated land in the country of origin of certain specified plants (Annex IV).

Such action is, however, inadequate when a particular disease has become so widespread in one country that official inspection on the spot cannot afford the necessary safeguards, as in the case of some plants of the prunus genus that are attacked by charka disease in certain countries. In such cases (Annex III) there will be a general ban on imports.

3. In future, where trade between Member States is concerned, plant-pest control will be effected mainly by inspection before export. At present, such inspection is generally carried out in connection with the issue of the phytosanitary certificate introduced by the International Plant Protection Convention, of which all the EEC Member States are signatories. Issue of this certificate will in future be compulsory (Annex VII), and if plant health inspection within the various Member States is not already functioning satisfactorily, it will be intensified. The Commission considers, however, that it will in principle be sufficient if systematic inspection is in future only carried out before plants or plant products are imported into another Member State.

The systematic inspection of imports from other Member States that takes place at present in most of the Community countries will gradually be brought to an end.

This cannot be done rapidly because an atmosphere of mutual confidence must first be created; the gradual abolition of inspection of imports of plants and plant products will begin within two years of the date by which Member States will be required to incorporate the other provisions of the directive into their legislation. After the end of that period, Member States will still be permitted to carry out occasional sample plant health inspections in order to check that the Community system is working properly. As time goes on and mutual confidence grows, such inspections will be less frequent and will eventually be abolished completely, as has already been done between some Member States. Inspection will, however, be permitted in all cases where there is reason to suspect contamination - for example, if phytosanitary examination in an exporting country is not being done with sufficient care.

4. Trade will be further simplified by the introduction of a re-consignment certificate of plant health (Annex VII), which will make it unnecessary for a new phytosanitary certificate to be issued for goods in transit.
5. A list is given of all the plant protection measures that a Member State can still take when goods are imported from other Member States.
6. In a number of cases in which there is no danger of the spread of pests, Member States will be permitted to waive certain provisions that would otherwise be binding. This will also apply to the provisions of the exporting countries if the importing countries decide to waive certain provisions, such as the attaching of a phytosanitary certificate.
7. Member States will be expected to demand at least a phytosanitary certificate accompanying imports from non-member countries, and will themselves carry out systematic inspections of plants, plant products and soil imported from non-member countries in cases where, in intra-Community trade, these have to be inspected by the exporting country (Annex V).
8. Although the aim of the directive is to introduce a uniform system of plant-pest control in intra-Community trade as soon as possible, the Member States must, however, remain free to take immediate safeguard measures when there is imminent danger of pests entering their territory. In such cases the Member State concerned will be entitled to adopt measures other than those provided for in the directive, and to take action against pests not mentioned in the directive. This clause will, however, only authorize temporary safeguard measures until such time as the Council of Ministers or the Commission decides upon Community arrangements.
9. The directive will not apply to stocks of plant products, as the Member States are still far from agreement on this point. The problem here is largely that of protecting cereals, dried pulses and residues of oil extraction, which are subject to attack by various beetles. Provisionally some Member States will still be able to invoke Article 36 of the Treaty of Rome to prohibit or restrict imports of the above plant products when they are contaminated by pests.
10. Member States will be required to bring their laws, regulations and administrative instructions into line with the directive within two years of its promulgation. They will have a further two years in which to discontinue systematic inspection of plants and plant products imported from other Member States (see point 3 above).

The Commission's draft is the fruit of many years' work with government experts of the Member States; interested organizations that deal with agriculture and food production at Community level have also been consulted. No fundamental objections were raised by these organizations, but some countries still have reservations regarding some of the provisions, and these will have to be overcome in the Council of Ministers.