European Communities

EUROPEAN PARLIAMENT

Working Documents

1975-1976

25 September 1975

DOCUMENT 261/75

Report

drawn up on behalf of the Committee on External Economic Relations

on the proposals from the Commission of the European Communities to the Council (Doc. 169/75) for

I. a regulation opening, allocating and providing for the administration of Community tariff quotas for port wines falling within sub-heading ex 22.05 of the Common Customs Tariff, originating in Portugal (1976)

II. a regulation opening, allocating and providing for the administration of a Community tariff quota for Madeira wines falling within sub-heading ex 22.05 of the Common Customs Tariff, originating in Portugal (1976)

III. a regulation opening, allocating and providing for the administration of a Community tariff quota for Setubal muscatel wines falling within sub-heading ex 22.05 of the Common Customs Tariff, originating in Portugal (1976)

Rapporteur: Mr E. A. KLEPSCH

PE 41.382/fin.

English Edition

By letter of 26 June 1975 the President of the Council consulted the European Parliament, pursuant to Article 43 of the EEC Treaty, on the proposals from the Commission of the European Communities to the Council for three regulations opening, allocating and providing for the administration of Community tariff quotas for port, Madeira and Setubal muscatel wines, falling within sub-heading ex 22.05 of the Common Customs Tariff, originating in Portugal.

At the sitting of 7 July 1975 the President referred these proposals to the Committee on External Economic Relations as the committee responsible and to the Committee on Agriculture for its opinion.

The Committee on External Economic Relations appointed Mr Klepsch rapporteur. At its meeting of 17 September 1975 it considered the proposals for regulations and unanimously adopted the motion for a resolution and the accompanying explanatory statement.

Present: Mr Kaspereit, chairman and acting rapporteur; Mr Scott-Hopkins, Mr Bermani and Mr Boano, vice-chairmen; Mr Bayerl, Mr Bersani, Mr Brégégère, Lord Castle, Mr de Clercq, Mr Dunne, Mr Dykes, Mr Emile Muller, Mr Nyborg, Mr Radoux, Mr Schulz, Mr Spicer, Mr Thornley and Mr Vetrone.

The opinion of the Committee on Agriculture is attached to this report.

<u>C O N T E N T S</u>

A

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

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposals from the Commission of the European Communities to the Council for

I. a regulation opening, allocating and providing for the administration of Community tariff quotas for port wines falling within sub-heading ex 22.05 of the Common Customs Tariff, originating in Portugal (1976)

II. a regulation opening, allocating and providing for the administration of a Community tariff quota for Madeira wines falling within sub-heading ex 22.05 of the Common Customs Tariff originating in Portugal (1976)

III. a regulation opening, allocating and providing for the administration of a Community tariff quota for Setubal muscatel wines falling within sub-heading ex 22.05 of the Common Customs Tariff, originating in Portugal (1976)

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council[1],
- having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 169/75),
- having regard to the report of the Committee on External Economic Relations and the opinion of the Committee on Agriculture (Doc. 261/75),

1. Approves the Commission's proposals;
2. Recalls the assurance given at the plenary sitting of 14 October 1974 by the Commissioner responsible, to the effect that the Commission would take the necessary steps as quickly as possible to provide a better statistical basis for these regulations, so that the quotas could be allocated among the Member States with greater accuracy.

[1] OJ No. C 146, 1.7.1975, p.4

B.

EXPLANATORY STATEMENT

1. The proposals from the Commission of the European Communities relate to three regulations opening, allocating and providing for the administration of Community tariff quotas for port, Madeira and Setubal muscatel wines, falling within sub-heading ex 22.05 of the Common Customs Tariff, originating in Portugal.

2. The first proposal concerns port wine, for which the customs duties will be reduced by 60% up to an annual quota of 20,000 hl, and by 50% up to an annual quota of 285,000 hl.

The second proposal for a regulation concerns Madeira wines, for which the customs duties will be reduced by 30% up to a total annual quota of 15,000 hl.

The third proposal concerns Setubal muscatel wines, for which the reduction in customs duties is 30% up to an annual quota of 3,000 hl.

These figures are exactly the same as those in last year's three proposals.

3. The opening of community tariff quotas for the wines mentioned in these proposals for regulations is provided for in Article 4 of Protocol 8 to the Agreement between the European Economic Community and the Portuguese Republic.

4. These proposals for regulations as usual provide for the division of the quota amounts into two instalments, the first (90% of the total quota, as in the last year's three proposals) being allocated among the Member States and the second forming the reserve.

The allocation of the first instalment is based on statistics for the three preceding years and forecasts for the period in question.

The European Community does not have detailed statistics. The Member States' quota shares have therefore been calculated on the basis of the most recent statistics for Portuguese exports from 1971 to 1973.

This lack of detailed statistics might lead to miscalculations in the allocation of quota shares to the individual Member States.

To avoid obstacles to the rapid and practical implementation of the proposals for regulations, detailed statistics should be compiled as soon as possible.

Your committee recalls in this connection the statement by the Commissioner responsible, at the plenary sitting of 14 October 1974, that the Commission would take the necessary steps as quickly as possible to provide a better statistical basis for these regulations[1].

5. In Article 5 of the three proposals there is a slight change from last year's proposals in the latest date for transferring the unused portion of the initial shares to the reserve.

6. These proposals for regulations are to enter into force on 1 January 1976 and remain in force until 31 December 1976.

7. As last year[2], these proposals for regulations involve no political problems, and go towards meeting the obligations the Community undertook in its Agreement with Portugal.

The Committee on External Economic Relations therefore approves the proposals for regulations from the Commission of the European Communities.

---

[1] Debates of the European Parliament No. 182, October 1974, p.18

[2] See VETRONE report (Doc. 264/74)

<u>Opinion of the Committee on Agriculture</u>

Draftsman: **Mr L. DELLA BRIOTTA**

On 9 July 1975 the Committee on Agriculture appointed Mr Della Briotta draftsman.

It considered the draft opinion at its meeting of 16-17 September 1975 and adopted it unanimously.

Present: Mr Houdet, chairman; Mr Vetrone, vice-chairman; Mr Laban, vice-chairman; Mr Della Briotta, draftsman; Mr Bourdellès, Mr Brégégère, Mrs Dunwoody, Mr Durieux (deputizing for Mr Baas), Mr Frehsee, Mr Hughes, Mr Kofoed, Mr de Koning, Mr Ligios, Mr McDonald, Mr Martens, Mr Ney, Mr Scott-Hopkins, Lord Walston and Mr Zeller.

The committee responsible has been given the task of considering the customs and trade aspects of these measures. They are in fact measures which have been regularly taken for years and the 1976 texts introduce no important innovations in regard to opening, allocating and providing for the administration of tariff quotas for port, Madeira and Setubal muscatel wines imported from Portugal, or for wines from Jerez, Malaga, Jumilla, Priorato, Rioja and Valdepenas imported from Spain. The opening of quotas, fixed annually by Council regulations, has its legal basis, on the one hand, in the agreement concluded on 22 July 1972 between the Community of the Nine and Portugal which came into force on the accession of the new members to the Community on 1 January 1973 and, on the other hand, in the agreement signed by the Community of the Six and Spain on 29 June 1970, which came into force on 1 October 1970. As regards the agreement with Portugal, reference is made in particular to Article 4 of Protocol No. 8 and as regards the agreement with Spain, to an appended decision.

The considerations developed in an opinion of the Committee on Agriculture drawn up by Mr Vals for the Committee on External Economic Relations (Doc. 77/73 of 5 June 1973), to which reference should still be made today, well illustrate all the technical tariff arguments more directly connected with the terms of reference of the Committee on Agriculture. These arguments hold good also for the regulations under consideration.

It will be well to limit discussions to a few brief considerations concerning the commercial and production aspects of the subject. The general context of these considerations is the serious surplus crisis in which the Community viticultural sector finds itself.

o

o o

In the agreements referred to earlier the Community undertook to favour access to its market of these 'heavy', or rather, dessert wines, from Spain and Portugal, which are among the best-known in the world. The system of tariff quotas, opened and administered from year to year, makes it possible to 'guide' the product's penetration of the domestic market and is therefore a sound measure. It is, however, difficult to give an opinion on future developments. Trade relations with all the Mediterranean countries are now going through a period of reassessment. The Commission, in explaining these regulations for 1976, ought to have provided some information on future arrangements for these particular imports in the context of its overall Mediterranean approach.

It is therefore advisable that the Commission should in future present these measures as an integral part of a consumption and production policy for all dessert wines. The consumption policy is certainly conditioned by the import system. The 1970 and 1972 agreements, recast within the framework of the new overall Mediterranean approach certainly go some way towards facilitating access. How far can this policy be taken without seriously disrupting domestic production of similar wines? Domestic production is important and includes various wines with a long and noble tradition, both in France and in Italy. Disequilibrium between supply and demand, which is the root of the current widely recognized crisis of over-production in the wine sector, characterizes this sector too, since the economic recession affects with particular severity - the consumption of these quality products - products which traditionally find their purchasers in the markets of North-West Europe.

Marsala, a Sicilian wine, may be taken as an example. Production is increasing and rose from 625,000 hectolitres in 1969 to 700,000 hectolitres in 1973. However, this wine is having to face strong competition on the northern markets from similar wines from the Iberian peninsula. It is therefore necessary, in future, that the Commission should explain what effect these privileged imports from third countries have on the sales possibilities of similar Community products. The Commission would have done well to make some mention of production costs, which seem to be much lower in those countries, and of their enological practices there, which are apparently a good deal less strict than those followed in the Community. For if this is the case, there is little point in theoretically bringing these imported wines under the rules governing the organization of the Community market. The starting point is, in fact, represented by production costs that are too disparate and the recognition of Spanish and Portuguese certificates of origin seems finally to be based on observance of quality standards more elastic and lenient than those applied in the Community.

The Committee on Agriculture trusts, however, that, on the next occasion, the Commission will link tariff concessions with its overall treatment of Mediterranean dessert wine production, both from the Community and from third countries. It should also be pointed out that the lack of statistics on production and trade in these products makes it extremely difficult and problematical to choose more appropriate legislative instruments.

o

o o

Finally, the committee considers it necessary to point out that the concern to guarantee outlets to similar Community production must not, in the long run, be allowed to harm the Iberian viticultural economy. Exports of wines like port and Jerez have a relative importance of the first order to Portugal and Spain. It is enough to mention that, in general, the wines exported from these two countries to the Community are chiefly quality wines with appellations of origin. Among these, the wines that really stand out are those of more than 15^{o}. In the case of Portugal, for example, it is virtually true to say that the port, Madeira, Jerez and Setubal muscatel wines account for 90% of all wines exported to the Community. These exports have, in fact, risen from 330,160 hectolitres in 1970 (of which 243,940 or 73.9% were wines with appellations of origin of more than 15^{o}) to 337,610 hectolitres in 1972 (of which no less than 301,710 or 89.3% were such wines).

In conclusion, it should be noted that, even on the traditional markets, a sort of 'democratization' of consumption is taking place, moving from 'heavy' wines to 'light' wines. In England, for example, consumption of wines of less than $14/15^{o}$ rose in 1971, 1972 and 1973 by 23.6%, 21.8% and 23.3% respectively, while consumption of higher quality wines rose by only 12.5%, 10.4% and 4.4%. There is, then, a tendency towards substitution and the Community will have to proceed with caution to harmonize the protection of its own production with equal safeguards for the positions acquired by friendly third countries, in the higher interest of some of the most noble enological traditions of the Mediterranean vineyards.