

THE EUROPEAN COMMUNITY

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EUROPEAN ECONOMIC COMMUNITY • EUROPEAN COAL AND STEEL COMMUNITY • EUROPEAN ATOMIC ENERGY COMMUNITY

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INFORMATION NOTE
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SUMMARY OF NEW EEC COMMISSION MEMORANDUM ON COMMON MARKET'S FINANCIAL REGULATIONS FOR AGRICULTURAL POLICY

(NOTE: The following is a summary of the memorandum of the European Economic Community's Commission which was delivered on July 22 to the member governments of the Common Market. It contains modifications of the original Commission proposal to the Council of Ministers dealing with: 1) the financing of the common agricultural policy; 2) independent revenues of the Community; and 3) greater control over the budget by the European Parliament. The Council of Ministers failed to reach an agreement on original proposals dealing with these three points in Brussels on June 30. Additional information on the Commission's new memorandum is available from the European Community Information Service office.)

FINANCE

The Common Market's agricultural policy will require a considerable financial expenditure by the EEC; agricultural markets must be stabilized and it is likely that Europe will continue to have agricultural surpluses in the next years. Under the common agricultural policy, the expenditure is to be jointly financed. Thus an EEC agricultural fund (The European Agricultural Guidance and Guarantee Fund) was created in 1962 covering an increasing proportion of farm expenditure each year until July 1, 1965.

Two principal matters that remain to be settled are: what proportion of the expenditure should be undertaken by the Fund after July 1, 1965, and on what scale the member states should contribute to the Fund.

By July 1, 1964, half of the farm policy expenditures had been assumed by the Fund, the other half being paid proportionately by the member states. Now the Commission proposes that the future expenditures to be covered by the Fund in increasing proportion would depend upon the date when the common agricultural policy will be in full operation.

If necessary farm policy decisions are made and go into effect July 1, 1967, the deadline proposed by the Commission, farm policy expenditures could then be covered completely by the agricultural fund. Since the Fund already pays half of the present EEC farm policy costs, the Commission proposes that three more steps be taken between July 1, 1965 and July 1, 1967 to increase the share of payments by the Fund and to eliminate gradually the amounts paid by the member governments. (The Fund
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would cover 4/6ths of total farm expenditures in 1965-66, 5/6ths in 1966-67, and the total amount after July 1, 1967.)

However, if the common market for agriculture does not begin on July 1, 1967, then the agricultural fund would not cover all costs until the end of the Common Market's transition period, January 1, 1970. Therefore, the elimination of farm payments by member states would take place in five steps from mid-1965 to the end of 1969 (one-tenth less each year) and the Community's agricultural fund would become responsible for all farm costs by January 1, 1970. The timetable of these financial arrangements depends upon whether the Council of Ministers can follow the proposed schedule which involves establishment of three additional market organizations (for sugar, fats and oils, and tobacco) and also of common prices for five key agricultural products (dairy goods, beef and veal, rice, sugar, and fats and oils).

It was decided at the time of the Council's decision on common grain prices on December 15, 1964 that the total Community financing of grains would become effective on July 1, 1967. In its new memorandum, the Commission has suggested special provisions to ensure that the Council decisions on these products will be carried out.

COSTS

At the present time, the agricultural fund is completely financed by contributions from member states on a proportionate basis, calculated partially according to a contribution scale established by the Treaty and partially according to the volume of member states' net agricultural imports. The Commission has proposed that the contributions of the member states to the Fund be continued until 1970 and has suggested the following scale of payments:

Member States	1965/66	1966/67	1967/68	1968/69	Last 6 mos. of 1969
	%	%	%	%	%
Belgium	8.51	8.38	8.30	8.22	8.13
Germany	32.45	31.92	32.07	32.22	32.37
France	30.59	27.66	27.11	26.55	26.00
Italy	18.00	21.95	22.27	22.60	22.93
Luxemburg	0.21	0.21	0.21	0.21	0.21
The Netherlands	10.24	9.88	10.04	10.20	10.36
	100	100	100	100	100

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In arriving at the above payments schedule, the Commission followed suggestions made during Council negotiations at the end of June and also took into account the fact that payments to Italian agriculture from the Fund can be expected to remain within certain limits and therefore the Italian contribution should not exceed certain limits. The Commission has also applied the principle established earlier which is that member states importing substantial quantities of farm produce from outside the Community would pay a proportionately larger share into the Fund than other member countries. The scale of contributions enables member states' payments from 1965 to 1970 to be calculated exactly, leaving no uncertainty about future contributions. The general aim of the system is to ensure a balanced distribution of the EEC's farm policy costs among the member states.

TIMETABLE FOR THE CUSTOMS AND ECONOMIC UNION

The Commission's proposal contains a detailed timetable for the work necessary to complete the common agricultural policy. The necessary decisions would be made before November 1 of this year to enable the Kennedy Round negotiations to proceed. The Commission proposes that the Council start work on the basis of this timetable as soon as possible; the schedule had been discussed in the Council and approved by the ministers of agriculture on June 29.

At the same time the schedule is established and financial arrangements are approved, it is proposed that the Council reach a decision on the complete abolition of the remaining customs duties between member states effective on July 1, 1967 and on the introduction of the common customs tariff vis-a-vis non-member countries on the same date.

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A number of other problems were raised in the Council's June discussions, including tax harmonization, the common commercial policy, social and regional policy. The Commission is not making its proposals on financing the farm policy conditional upon solutions to these problems. However, it does recognize the significance of these issues and endorses the wish of the Council and the member states to resolve them promptly. If no solutions are forthcoming, this would delay the completion of the Community. These problems include the following:

Fiscal Charges. In addition to customs duties, trade among the member states is subject to fiscal charges. The Council must approve the

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elimination of these "tax frontiers" by 1972. The Commission's proposals for the harmonization of member states' turnover tax systems should be approved by January 1, 1966 and those for other harmonization measures by July 1, 1966.

Commercial Policy. The Council should give priority to the establishment of a common commercial policy, which is well behind schedule. The main point in this field is the need for a Community attitude on credits for exports to East bloc countries and to the Soviet zone of Germany. Further, the international tariff negotiations under way in the Kennedy Round should be examined thoroughly by the Council at the end of this year.

Social Policy. A common social policy is essential for the Community. The Council should therefore reach a decision by the end of the year on the Commission's proposals for improving the European Social Fund set up under the EEC treaty.

Regional Policy. The creation of a single economic unit may widen gaps in economic development between the various parts of the Community. Regional policy should therefore be a major concern of the EEC's institutions.

REVENUES

The deadline of 1967 set by the Commission in its earlier proposal for the creation of independent revenues for the Community did not meet with unanimous approval in the Council. The Commission now bases its proposals for independent revenues on the amount of expenditure needed for Community operations, including the agricultural fund. The suggestion is that costs be met from the Community's own revenues after 1970. The composition of this independent revenue need not be decided until later. Apart from the Community's income from agricultural levies, this could include revenues from the external tariff on industrial products. It is also suggested that the possibility of raising revenues from other sources for the Community be explored. The EEC Treaty provides that income from the common external tariff can accrue to the Community, replacing contributions by member states when the external tariff is established. Since the member country into which goods are imported (after establishment of the external tariff on July 1, 1967) may no longer be the country of destination, there must be at least a reapportionment of customs revenues among the member states. The Commission proposes therefore that an equalization

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fund be created for the period from 1967 to 1970 to provide for this reapportionment.

BUDGETARY CONTROL BY THE EUROPEAN PARLIAMENT

The Commission's original proposal included a provision for giving to the European Parliament greater control over the Community's budget. The proposal followed a Council of Minister's resolution made in December, 1963. However, discussions in the Council at the end of June were broken off before any conclusions were reached on this point and before the members of the Council had made known their final positions.

The Commission does not believe that all possible means of achieving a compromise had been exhausted. It will therefore be unable to take a position on this matter until a later stage in the deliberations of the Council, and it reserves the right to do so.

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