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Working Documents

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6 JULY 1982

DOCUMENT 1-435/82

REPORT

drawn up on behalf of the Committee on
External Economic Relations

on the proposal from the Commission of the
European Communities to the Council
(Doc.1/209/82 - COM(82) 175 final) for a
Regulation on the import system applicable
in 1982 to products falling within subheading
07.06 A of the Common Customs Tariff

Rapporteur: Mrs BAQUEL GLORIOSO

By letter of 6 May 1982 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 413 of the EEC Treaty, to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation on the import system applicable in 1982 to products falling within subheading 07.06 A of the Common Customs Tariff.

The President of the European Parliament referred this proposal on 10 May 1982 to the Committee on External Economic Relations as the committee responsible and to the Committee on Agriculture, the Committee on Budgets and the Committee on Development and Cooperation for their opinions.

On 19 May 1982 the Committee on External Economic Relations appointed Mrs Baduel Glorioso rapporteur.

It considered this proposal at its meetings of 19 May, 27 May and 24 June 1982.

At the latter meeting the committee decided by 17 votes to 1 with 4 abstentions to recommend that Parliament should adopt the Commission's proposal without amendment.

The committee then adopted the motion for a resolution as a whole by 17 votes to 1 with 4 abstentions.

Have taken part in the vote : Sir Frederick Catherwood, chairman; Mrs Wieczorek-Zeul, vice-chairman; Mrs Baduel-Glorioso, rapporteur; Mr Almirante, Mr Blumenfeld, Mr Bonaccini (deputizing for Mr Alavanos), Mrs Caretoni-Romagnoli (deputizing for Mr Galluzzi), Mr Cohen (deputizing for Mr Caillavet), Mr Irmer (deputizing for Mr Damseaux), Mrs Nikolaou, Lord O'Hagan, Mr Paulhan, Mr Pelikan, Mr Pasmazoglou, Mr Pranchère (deputizing for Mrs Poirier), Mrs Pruvot, Mr Rieger, Prinz zu Sayn-Wittgenstein, Mr Seeler, Mrs Seibel-Emmerling (deputizing for Mr Radoux), Mr Simmonds (deputizing for Mr Welsh) and Sir John Stewart-Clark.

The opinions of the Committee on Agriculture and the Committee on Budgets are attached.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a Regulation on the import system applicable in 1982 to products falling within subheading 07.06 A of the Common Customs Tariff

The European Parliament,

- having regard to the proposal for a Council Regulation (COM(82) 175 final),¹
- having been consulted by the Council pursuant to Article 43 of the Treaty establishing the European Economic Community (Doc. 1-209/82),
- having regard to the result of the vote on the proposal from the Commission,
- having regard to the report of the Committee on External Economic Relations and the opinions of the Committee on Agriculture and the Committee on Budgets (Doc. 1-435/82),

A recalling its resolution of 17 June 1981 on the possible improvements to the Common Agricultural Policy, in particular paragraph 48 thereof, in which it refers to the need for the Community to enter into discussions with the suppliers of products which substitute for cereals with a view to arriving at a voluntary agreement on the development of such trade²,

B recalling its resolution of 18 September 1980 on the Community's contribution to the campaign to eliminate hunger in the world, in particular paragraph 18 thereof in which it considers that, in the context of the strategies adopted by developing countries, cooperation by the Community in agricultural and rural development should be directed towards a number of vital objectives, in particular: to orient production structures more closely to internal requirements

¹ OJ No. C 130 of 20.5.1982, p. 6

² OJ No. C 172 of 13.7.1981, p. 40 - 5 - PE 78.893/rev./res.

without, however, disregarding the importance of exports for the development process¹,

C recalling its resolution of 26 March 1982 embodying the opinion of the European Parliament on the fixing of agricultural prices for the 1982/1983 marketing year, in particular paragraphs 38 and 46 thereof which deal with certain substitutes²,

D noting that the Commission's explanatory statement firmly links the necessity for restraint on imports to the implementation of the policy objectives for animal feed cereal prices set out in the document guidelines for European Agriculture,

E noting that on 13 May the Council of Ministers approved average price increases for cereals of 8.5% for the 1982 marketing year,

F whereas the Commission has completed negotiations with Thailand for the conclusion of a cooperation agreement relating to the production, marketing and trading of manioc and with Indonesia concerning an agreement on imports of manioc from Indonesia and other suppliers who are member countries of GATT,

G recalling its resolution of 18 February 1982 in which it invites the Commission and the Council to involve the European Parliament in the conclusion of all agreements concluded on the basis of the Treaties establishing the Community³,

1. Approves the proposal for a Council Regulation (EEC) on the import system applicable in 1982 to products falling within subheading 07.06 A of the Common Customs Tariff;
2. Invites the Commission and the Council to give practical effect to the undertakings set out in the draft agreement with Thailand, under which the Community declares itself willing to do everything possible to help Thailand to diversify its agriculture and to find other markets and uses for its manioc production;

¹ OJ No. C 265 of 13.10.1980, p. 40

² OJ No. C 104 of 26.4.1982, p. 25

³ OJ No. C 66 of 15.3.1982, p. 68

3. Invites the Council to authorize the Commission without delay to enter into tariff negotiations within the framework of GATT with a view to diminishing the advantages enjoyed by cereal substitute products imported from the United States, in particular maize gluten, over equivalent products grown in the Community or imported from developing countries and with a view to stabilizing their exports of corn gluten feed, as was achieved in the cases of Thailand and Indonesia;
4. Points out that its opinion on the prolongation of the regulation referred to in this resolution will depend on whether the steps called for in paragraphs 2 and 3 above are put into effect;
5. Wishes to be kept fully informed of the progress of the tariff negotiations which it invites the Community to initiate with the United States within the framework of GATT.

EXPLANATORY STATEMENTI INTRODUCTION

1. In its communication to the Council of 19 April 1982, the Commission proposes to change temporarily the conditions under which certain products intended for use as animal feed are imported, with a view to stabilizing imports of manioc and corn gluten feed following consultation with the main suppliers and in conformity with GATT rules.
2. These proposals form part of the overall policy defined in the memorandum on 'Guidelines for European agriculture' of 25 October 1981, which advocates a gradual reduction in cereal prices in real terms so as to eliminate the gap between Community prices and those of its main competitors, in particular the United States.
3. The long-term aim of this policy is to cancel out the advantage enjoyed at present by cereal substitute products which enter the Community duty-free (corn gluten feed) or are subject to only a very low rate of duty (manioc).
4. The Commission argues that it would not be justifiable to maintain these advantages during the period of adjustment of European prices, which will entail sacrifices on the part of European producers resulting from the fact that the increase in prices will be less than the increase in production costs and from the fixing of production thresholds.
5. The statistical annexes illustrate the spectacular growth in imports of cereal substitutes: manioc imports rose from 2 million tonnes in 1974 to 6.6 million tonnes in 1981 (5.5 million tonnes from Thailand); imports of corn gluten feed rose from 0.7 million tonnes in 1974 to nearly 3 million tonnes in 1981, 95% from the United States.

6. The rapid growth in these imports has had a disruptive effect not only on the internal market but also on the international market: imported substitutes replace cereals grown in the Community and, consequently, the EEC is obliged to export more on to the international market.

7. As regards manioc, the growth in Thailand's exports to the Community - its main export market for manioc - has been the result of transnational companies making the necessary capital investment in Thailand for the marketing of manioc so as to take advantage of the European markets, which left the door open to goods not produced in the Community*.

8. As regards corn gluten feed, American producers estimate that production could be as high as 4.5 million tonnes in 1985, 99% of which would be exported to the Community market. The reasons for this growth are to be found in the development of starch production for manufacturing isoglucose and ethanol in the United States; corn gluten feed is a by-product of this process. At the same time, the price of corn gluten feed can be kept low through subsidies granted by the United States to maize alcohol production and the high price guaranteed to U.S. sugar producers.

II SUBSTANCE OF THE PROPOSALS

The Commission's proposals concern manioc and corn gluten feed.

MANIOC

A. Recommendation for a Council decision on the conclusion of an agreement in the form of an exchange of letters between the EEC and Indonesia concerning imports of manioc

9. The agreement with Indonesia, negotiated pursuant to Article XVIII of GATT and to which the Council agreed in principle on 25 May 1982, contains the following provisions:

* See 'Merchants of Grain' by Dan Morgan, Viking Press 1979, p. 175

- suspension of the existing arrangements (levy not exceeding 6% ad valorem, with no quantitative restrictions)
- fixing of annual tariff quotas rising from 590,000 tonnes in 1982 to 970,000 tonnes in 1986, with a minimum of 85% of the annual quotas being reserved for imports from Indonesia. A 6% ad valorem levy will apply to imports within this quota. Imports over and above the quota will be subject to a variable levy in accordance with the common organization of the market in cereals.
- an undertaking by the Community to adopt appropriate measures, bearing in mind its international obligations, to ensure that the position of GATT suppliers is not undermined by imports from non-GATT members (bilateral agreement with Thailand, autonomous quota for other countries).

B. Proposal for a Council Regulation (EEC) on the import system applicable in 1982 to products falling within subheading 07.06 A of the Common Customs Tariff

10. This proposal for a regulation is a follow-up to the agreement concluded with Indonesia; the legal basis for this proposal is provided by Articles 43 and 113 of the Treaty establishing the European Community. Under Article 43 the European Parliament must be consulted.

11. The imposition of an import levy fixed at a maximum of 6% ad valorem is restricted to the quantities laid down for the third countries of origin as follows:

Indonesia	:	500,000 tonnes
Other GATT member countries	:	90,000 tonnes
Thailand	:	5,000,000 tonnes
Other third countries not members of GATT:		370,000 tonnes

12. The regulation is applicable retroactively from 1 January 1982 to 31 December 1982.

C. The agreement with Thailand

13. The agreement on exports of manioc from Thailand to the EEC was finally concluded on 23 April 1982 during the visit to Brussels by the Thai Minister of Trade. The Council gave its agreement in principle at its meeting of 25 May 1982.

14. Although Thailand initialled the voluntary restraint agreement on exports of manioc in November 1980, its government was hesitant about signing the agreement because of the country's economic difficulties and the slow progress being made in the programme of agricultural diversification. Manioc is one of the principal sources of export earnings and constitutes the main source of income of farmers in the poor regions of the north-east Thailand.

15. The solution adopted in Brussels takes account of Thailand's problems. In addition to maintaining the basic quantities laid down in the draft agreement, i.e. 5 million tonnes for 1983-1984 and 4.5 million tonnes for 1985-1986, it provides for a 10% margin which allows for possible fluctuations in manioc production or trade.

16. The Community has already contributed 15.3 million ECU in 1980 to help finance the country's agricultural plans. Under Article 6 of the agreement the Community undertakes to do all it can to assist projects aimed at rural development and crop diversification, in particular in the manioc-producing regions, which are the poorest in Thailand.

However, the Commission has yet to put a figure to this proposal. The Committee on External Economic Relations takes the view that the Community cannot ask the developing countries to voluntarily restrain their exports unless it assists them in

return in their efforts to develop their economies. The committee will support any specific proposal put forward by the Commission to this end.

MAIZE GLUTEN

17. A lot less progress has been made on the question of corn gluten feed, since the Council has not yet given the Commission a mandate to enter into negotiations with the United States.

Recommendation for a Council decision concerning an amendment to the tariff concession for maize starch residue

18. The Commission has asked the Council to authorize it to open consultations pursuant to Article XXVIII of GATT, with a view to suspending temporarily the existing concession on maize starch residues and to replace the current arrangement of duty-free import by a duty-free tariff quota of 3 million tonnes.

The American authorities have rejected these proposals.

CONCLUSIONS

19. The Committee on External Economic Relations recommends the European Parliament to express a favourable opinion on the proposal for a regulation on manioc import arrangements. However, it wishes to add the following comments:

- the Community cannot ask the developing countries to make an effort to voluntarily restrict their exports unless it assists them in return in their efforts to develop their economies.
- the Community cannot apply a double standard vis-à-vis the developing countries on the one hand and the industrialized countries on the other, and therefore it must not apply more favourable tariff concessions to cereal substitutes imported from the United States than to equivalent products imported from the developing countries.

Import - Importation - 1. Cereals
Cereals substitutes

27/1-81

Q = 1.000

HS CODE	PRODUCT	1974	1975	1976	1977	1978	1979	1980	1981
07.01-36	Manioc	2.073	2.222	2.984	3.801	5.976	5.575	4.866	6.594
07.02-90	Sweet potatoes	177	115	55	9	6	81	324	86
17.02-05	Kolasses (1)	1.198	1.731	2.190	2.648	2.789	3.317	2.706	1.811
23.02-01	Brans: Maize, rice max. 35% starch	233	267	417	280	145	205	233	275
23.02-09	Brans: Maize, rice > 35% starch	-	-	-	15	6	3	2	6
23.02-21	Brans: Wheat max 28 % starch	976	1.237	1.839	1.903	1.798	1.806	1.707	1.539
23.02-29	Brans: Other	-	-	-	-	-	-	-	-
23.03-15	Maize gluten feed	700	930	1.147	1.486	1.695	2.021	2.595	2.589
23.03-21	Wheat-pulp	133	176	365	401	256	224	190	275
23.03-90	Brewers grains	64	51	24	116	161	204	290	336
23.04-06	Maize germ cake < 3% fat	-	469	564	709	790	869	822	750
23.04-08	Maize germ cake 3-8% fat	-	-	-	-	-	-	-	-
23.06-20	Orange marc	13	10	19	17	7	9	38	57
23.06-90	Fruit waste (citrus peels)	327	480	646	968	1.000	1.205	1.571	1.347
23.07-90	Other fruit waste	21	56	136	164	117	177	156	160

(1) 10 % destined for human consumption

(2) Figures for the period 9/9/81 - 31/12/81 for UK

Source : NIMEXE

Import - Importation - Other
Cereals substitutes

27/A-02

Q = 1.000

HS CODE	PRODUCT	1974	1975	1976	1977	1978	1979	1980	1981
07.01-30	Manioc	2.073	2.232	2.984	3.901	5.976	5.375	4.866	6.594
07.02-00	Sweet potatoes	177	115	55	9	6	81	324	86
17.01-00	Kolasses (1)	1.098	1.731	2.198	2.648	2.789	3.317	2.706	1.811
15.02-01	Brans: Maize, rice max. 35% starch	233	267	417	280	145	205	233	275
13.02-09	Beans: Maize, rice > 35% starch	-	-	-	15	6	3	2	6
23.02-21	Brans: Wheat max 28% starch	976	1.237	1.839	1.903	1.798	1.806	1.707	1.539
23.02-20	Brans: Other	-	-	-	-	-	-	-	-
13.03-15	Maize gluten feed	700	920	1.147	1.486	1.695	2.021	2.595	2.580
23.03-01	Sect-pulp	133	176	365	401	256	224	190	275
23.03-00	Brewers grains	64	51	24	116	161	204	290	336
23.04-06	Maize germ cake < 3% fat	-	465	564	709	750	869	822	750
23.04-08	Maize germ cake 3-8% fat	-	-	-	-	-	-	-	-
23.06-20	Grain care	13	10	19	17	7	9	38	57
23.06-50	Fruit waste (citrus peels)	327	480	646	968	1.000	1.205	1.571	1.347
23.07-50	Other fruit waste	21	56	136	164	117	177	156	160

(1) 10% destined for human consumption

(2) Figures for the period 9/9/81 - 31/12/81 for UK

Source : NIMEXE

Draftsman: Mr Noel DAVERN

On 17 May 1982, the Committee on Agriculture appointed Mr Noel DAVERN draftsman.

It considered the draft opinion at its meeting of 22/23 June 1982 and adopted it by 18 votes to 1 with 4 abstentions.

The following took part in the vote: Mr Curry, chairman; Mr Fröh, vice-chairman; Mr Davern, draftsman; Mr Battersby, Mr Bocklet, Miss Brookes (deputizing for Mr Hord), Mr Clinton, Mr Dalsass, Mrs Desouches (deputizing for Mr Sutra), Mr Eyraud, Mr Helms, Mrs Herklotz, Mr Howell, Mr Kaloyannis, Mr Horeland (deputizing for Mr Kirk), Mr d'Ormesson, Mr Provan, Ms Quin, Mr Thureau, Mr Tolman, Mr Vgenopoulos, Mr Wettig and Mr Woltjer.

Purpose of the Commission's proposal

The Commission has carried out negotiations with Thailand, the main supplier of manioc, the principal cereal substitute, to reach an agreement on limiting its exports to the Community. The agreement has been initialled but not completed. However, Thailand has agreed to limit its exports in 1982 to 5m tonnes.

Thailand is not a member of GATT. However, a certain number of manioc exporters are in GATT. The Community announced its intention officially of re-negotiating this concession under GATT. Only Indonesia, the main GATT supplier, declared its interest.

The Commission proposes therefore to replace the present import regime for manioc and similar products under 07.06A of the Common Customs Tariff (excluding sweet potatoes) at 6% ad valorem as follows:

<u>Country</u>	<u>Proposal</u>	<u>Present imports</u>
Indonesia	500,000	470,000
Other GATT members	90,000	75,000
Thailand	5,000,000	5,500,000
Other third countries	370,000	560,000
TOTAL	5,960,000	6,540,000

The future tariff quotas to be granted to GATT will be as follows:

<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	(tonnes)
588,235	882,355	882,355	970,500	970,590	

The general problem

In recent years the imports of cereal substitutes for use in animal feed have increased sharply from 3m/4m tonnes to 15m tonnes, and a figure of 20m tonnes in a few years can be envisaged. This has been accompanied by the compound feeding industries developing very sophisticated systems for using a wide variety of these substitutes and an ability to use any new products appearing on the world market.

The result has been a startling decrease in the use of cereals in compound animal feedingstuffs, for example, cereals are used for only 18% in the Netherlands, 21% in Belgium and about 30% in Germany. When one remembers that 60% of all cereals are used as animal feed, it is evident that serious market problems are created when the amount of homegrown cereals going into the animal feed sector decreased from 50% in 1976 to 42% in 1980. This is the equivalent of 9m tonnes of Community cereals displaced from the feedingstuff sector.

It is evident that if these cereals are not used in the Community they must be exported with export refunds. This places severe strain on the Community's budget since the great majority of these substitutes are imported without a levy or at a modest levy; while the cereals they displace must be exported with the aid of a refund. The cost for 1980 can be estimated at 650 MECUs.

These products are used mainly where they can be imported and distributed cheaply by sea and canal networks. Furthermore, since MCAs cannot apply to these substitutes, their price advantage is greatest in countries with positive MCAs. The result has been an increasing use of substitutes concentrated around the Rotterdam/North German canal network. If continued unabated, it would gradually draw a very substantial proportion of the Community's production into this area. A very serious imbalance in production in the Community would be created.

In addition one could point out that the 7.5m tonnes in maize and cereal bran produced in the Community is placed in an extremely difficult position since it is produced from higher priced Community cereals or those to which a levy has been paid.

The different types of cereal substitutes

There are a whole range of cereal substitutes and the list is potentially endless. Manioc is the most important at present but there is no guarantee that if its importation were to be regulated it would not be replaced in time by other products.

Quantities of cereal substitutes imported

	1974	1977	1980	1981 1 Jan - 30 Sept
Manioc	2,073	3,801	4,866	4,726
Sweet potatoes	177	9	324	59
Molasses	799 ⁽¹⁾	1,324 ⁽¹⁾	1,353	1,273
Grape marc	13	17	38	46
Citrus pulp	327	968	1,571	999
Other fruit waste	21	164	156	64
Maize gluten feed	700	1,486	2,596	1,876
Maize and rice brans	233	295	235	209
Wheat brans	976	1,207	1,712	465
Brewers distillers grains	64	116	290	232
Maize germ cake		709	822	730
Other cakes		103	203	-

(1) Total imports are double this but only 50% are used for animal feed.

Manioc

Imports of manioc have grown from 2m tonnes in 1974 to nearly 6m tonnes, thus accounting for nearly 50% of all cereal substitute imports. Manioc is a product where success is most likely to be achieved in regulated imports. An agreement has been reached with Thailand on exports of manioc on a gradually declining figure and we are now considering the proposed agreement with Indonesia.

Maize_gluten_feed

Maize gluten feed is likely to provide the most difficult problem and will probably prove to be the last of the substitutes to be brought under control. This production is bound at zero under GATT. Since it is one of a number of products of isoglucose and alcohol production, supplies can adjust between the different byproducts to resist any limited price control mechanism.

At the same time, the US has declared its desire to export maize rather than byproducts. The Commission should be given a mandate, which it does not have at present, to negotiate with the US on the basis of a grant of a levy free quota for maize for starch production in exchange for limits on US exports of maize gluten feed.

Cereal_brans

Cereal brans are the only product not consolidated in GATT. They are subject to an unreasonably low import levy: 24% of the levy of feed grains. This is totally unrelated to its feed value. Therefore the Commission proposes to place an import levy on cereal brans more related to their feed value.

There is one spin-off advantage for this proposal. If it were implemented Argentina might drop the price of its cereal brans to maintain its market in the Community, but to do so it would have to increase its price for flour thereby making Community flour exports easier.

Citrus_pulp

This is an extremely important item in the list of cereal substitutes, accounting for about 10 to 15%; and again comes mainly from the US.

Brewers'_distillers'_grains

The biggest increase could come from alcohol byproducts, and in particular, distillers' dried grains. By 1985 an additional 1.5m tonnes of substitutes could result from US alcohol projects with a further .75m tonnes of corn gluten feed.

These figures have to be placed in the context of likely American energy production from alcohol; and the whole question of energy pricing is clearly far from being resolved.

The negotiations with the US will be difficult in view of the interests involved. If less of those products are taken the US alcohol projects will be less attractive to the Americans. US factories in recent years have been sited near major ports so as to allow the early shipment of byproducts to the Community market.

Sweet potatoes

In 1980 imports of sweet potatoes, which can be used for the same purposes as manioc, increased sharply from 9,000 tonnes to 324,000 tonnes, to fall again just as sharply the following year. This product comes mainly from China and depends on the internal conditions for availability. In certain years, however, substantial imports could be expected.

The import regime

Of these products, only cereal brans are not consolidated under GATT. All the other products are consolidated at extremely low tariff levels of 0 to 6%.

Import regime for cereal substitutes

Product	Bound in GATT	Tariff or Levy
Manioc	Yes	6
Sweet potatoes	Yes	3
Molasses	Yes	Sugar based import levy
Grape musc	Yes	0
Citrus pulp	Yes	0
Other fruit wastes	Yes	0
Maize gluten feed	Yes	0
Cereal brans	No	Levied at 24% of cereal feed grains
Brewers distillers grains	Yes	0
Maize germ cake	Yes	0

The use of cereal substitutes

These products are not all inter-changeable. The majority consist mainly of carbohydrate and are destined 75% for pig production, and also for poultry. More, consisting mainly of protein, go principally to the cattle sector.

Feed properties of cereal substitutes

Carbohydrate	Primarily carbohydrate with some protein	Mainly protein with some carbohydrate
Manioc Molasses (1) Citrus pellet Fruit waste Sweet potatoes Grape musc	Cereal brans	Maize gluten Maize germ cake Brewers distillers grains

(1) Only 50% is destined for animal feed.

Possible distribution of quotas between Member States

The Commission regards the physical control of the quantity of imports of substitutes as essential.

This idea of some ceiling on imports raises a number of serious questions.

It is not clear, however, if imports should be frozen at roughly current amounts for each product or whether provision should be made to switch products within the global amount imported. If there is widespread switching how will the controls be operated?

A more sensitive question relates to whether imports should be allocated between Member States? If not, countries currently using limited amounts would be prevented from catching up with the advantage enjoyed presently by the hinterland of the major northern European ports, which would be given a permanent advantage as the centre of livestock industry on the basis of currency factors and cheap, water-borne transport. If quotas were to be introduced, how does the Commission hope to persuade those producers already geared to very high use of substitutes to renounce part of their supplies in favour of other parts of the Community.

CONCLUSIONS

1. The Committee on Agriculture welcomes the Commission's proposal to reach an agreement with Indonesia on the imports of manioc and approves the resulting change in the import regime. The Committee would like to point out that this can be considered as only one step towards solving this very serious problem.
2. Clearly it is not sufficient for the Community to deal with one product alone. If imports of manioc are regulated or decreased, imports of other carbohydrate substitutes, for example, fruit waste from the USA or sweet potatoes from China, will simply increase. If the governments of Thailand and Indonesia observe they are giving up an advantage merely for the benefit of exporters of similar products, the agreements will be of short duration.
3. The Community therefore requires a more global approach in which all similar cereal substitutes, particularly those with a high carbohydrate content (manioc, molasses, fruit waste, sweet potatoes, grape musc) are brought under a similar regime. The Commission should be given a clear mandate by the Council to negotiate for all products on both A and C under heading .07.06 of the Common Customs Tariff.
4. There are doubts already however as to whether Thailand will respect its engagements for 1982. Furthermore, other countries, particularly in Africa, might well take over from Thailand. Bearing in mind that the cultivation of manioc hardly benefits the indigenous population, that the manioc market is controlled by large commercial undertakings and that the production of manioc is harmful to the expansion of Community cereals production, it can be seen that the problem will not be solved only by concluding voluntary restraint agreements.
5. The Community in dealing with imports of cereal substitutes should not overlook other imported animal feedstuffs, particularly those not coming from developing countries. Imports of soya from the United States in 1979 cost 2,300 m EUA. This is a major component of the Community's trade deficit with the United States. Here again, the Community should consider the advisability of securing an unbinding of the zero-rated duty on soya imports into the Community, or, at the very least, obtain trading concessions from the United States in order to restore the balance of trade between the two partners.
6. The Community should therefore rethink its trade relations with a view to achieving greater balance with that country. Nor must we forget that cereal substitutes and soya imports make the Community dependent on the United States, that a shortfall in that product would cost it dear and would,

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the committee chairman to Sir Frederick CATHERWOOD,
chairman of the Committee on External Economic Relations

Subject: Changes to the conditions under which certain products
for use as animal feed are imported into the Community
(Doc. COM(82) 175 final)

Dear Sir Frederick,

At its meeting of 27 and 28 May 1982, the Committee on
Budgets considered the abovementioned Commission proposal.

The measure proposed by the Commission applies only to
1982 and will, according to the figures given by the Commission
in the financial statement, result in a reduction in expenditure
of 8.28 million ECU and a reduction in receipts of 3.83 million
ECU. It concerns imports of products falling within subheading
07.06 A of the Common Customs Tariff.

The committee is in favour of this part of the Commission
proposal.

The committee also approved the second part of the proposal
regarding the recommendation for a Council decision concerning
amendment of the tariff concession for residues from the
manufacture of starch from maize.

Yours sincerely,

(sgd)Erwin LANGE

The following took part in the vote:

Mr Lange, chairman; Mrs Barbarella, vice-chairman; Mrs Boserup,
Mr Croux, Mr Fich, Mr Gouthier, Mrs Hoff, Mr Jackson, Mr Newton
Dunn and Mr Simmonds.