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DOCUMENT 1-594/80

Report

drawn up on behalf of the Committee on Agriculture
on the proposal from the Commission of the European
Communities to the Council (Doc. 1-336/80) for a
regulation relating to the importation of New Zealand
butter into the Community on special terms

Rapporteur: Ms J. QUIN

By letter of 16 July 1980, the President of the Council of the European Communities requested the European Parliament, pursuant to the EEC Treaty, to deliver an opinion on the proposals from the Commission of the European Communities to the Council for

- a regulation amending Regulation (EEC) No. 1655/76 extending the transitional arrangements for the import of New Zealand butter into the United Kingdom,
- a regulation relating to the importation of New Zealand butter into the Community on special terms.

On 25 August 1980, the President of the European Parliament referred these proposals to the Committee on Agriculture as the committee responsible and to the Committee on External Economic Relations for its opinion.

On 24 September 1980 the Committee on Agriculture appointed Ms Quin rapporteur.

By letter of 10 October 1980, the President of the Council informed the President of the European Parliament that the Commission had amended the first proposal concerning imports for the period ending 31 December 1980, making provision for simple adjustment of the CIF price and maintaining the mechanism currently in force, thus making it unnecessary for the European Parliament to be consulted on the Commission's first proposal. On the other hand, the President of the Council stressed the importance of the second proposal, on which he hoped to receive Parliament's opinion with a minimum of delay.

It considered these proposals at its meetings of 20/22 October and 17 November 1980 and at the latter meeting adopted the motion for a resolution and the explanatory statement by 15 votes to 13 with 8 abstentions.

Present: Sir Henry Plumb, chairman; Mr Früh and Mr Caillavet, vice-chairmen; Ms Quin, rapporteur; Mrs Barbarella, Mr Battersby, Mr Boyes (deputizing for Mr Sutra), Mrs Castle, Mr Clinton, Mr Collins (deputizing for Mr Gatto), Mrs Cresson, Mr Curry, Mr Davern, Mr Delatte, Mr De Pasquale (deputizing for Mr Pranchère), Mr Fanton, Mr Gautier, Mr Helms, Mr Hord, Mr Jürgens, Mr Kirk, Mr Lynge, Mr McCartin (deputizing for Mr Diana), Mr Maffre-Baugé, Mrs Martin (deputizing for Mr Maher), Mr Mertens (deputizing for Mr Bocklet), Mr Muntingh (deputizing for Mr Vernimmen), Mr B. Nielsen, Mr d'Ormesson, Mr Provan, Mr G. Schmid (deputizing for Mrs Herklotz), Mr Skovmand, Mr Tolman, Mr Vitale, Mr Wettig and Mr Woltjer.

The opinion of the Committee on External Economic Relations is attached.

The opinion of the Committee on Budgets will be presented orally.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION.....	5
B. EXPLANATORY STATEMENT.....	6

Opinion of the Committee on External Economic Relations..... 12

The Committee on Agriculture 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 proposal from the Commission of the European Communities to the Council for a regulation relating to the importation of New Zealand butter into the Community on special terms

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹,
 - having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc.1-336/80)
 - having regard to the report of the Committee on Agriculture and the opinion of the Committee on External Economic Relations (Doc. 1-594/80),
 - having regard to the historical political economic and cultural links not only between New Zealand and the United Kingdom but also between New Zealand and the EEC as a whole,
 - having regard to Articles 4 and 5(2) of Protocol No. 18 annexed to the Treaty of Accession of the United Kingdom,
1. Stresses that New Zealand and the Community are together the major dairy exporters on the world market;
 2. Emphasizes the importance of orderly import arrangements and of co-operation between New Zealand and the EEC on world markets to ensure stable market conditions;
 3. Recognizes the degree of economic dependence of New Zealand on dairy products;
 4. Conscious of the attempts of New Zealand to diversify her dairy exports and find new markets, attempts which have been successful but have obvious limits imposed upon them;
 5. Aware of the decline in New Zealand exports of dairy products to the EEC;
 6. Taking into account that the EEC has an overall trade surplus with New Zealand;
 7. Approves the Commission's proposals.

¹ OJ No C 193, 31 July 1980, pp. 3 and 5

EXPLANATORY STATEMENTNEW ZEALAND AND THE EEC - THE TRADING RELATIONSHIP

Agriculture in New Zealand contributes 70% of New Zealand's export earnings. It is the receipts from this agricultural trade which must continue to finance the bulk of New Zealand's purchases of raw materials and finished goods, as well as covering New Zealand's large debt on invisible transactions such as freight, insurance and debt servicing.

With the European Community this deficit is about £195 million which represents a third of all export earnings and a quarter of all import payments.

The EEC remains the foremost trading partner for New Zealand, even though the importance of the Community as a market for New Zealand goods has declined since 1973:

New Zealand exports

	<u>1965</u>	<u>1973</u>	<u>1978</u>	<u>1979</u>
	%	%	%	%
UK	51	27	19	18.8
EEC total	67	50	30	29.8
North America	14	18	14	17.2
Japan	4	13	14	12.0
Australia	5	7	12	12.0
Other	10	22	30	26.5

New Zealand imports

UK	36	24	17	16.1
EEC total	43	32	26	27.5
North America	16	14	14	16.6
Japan	6	13	13	12.8
Australia	20	25	22	21.9
Other	15	16	25	21.8

The NZ dairy industry

The New Zealand dairy industry earns 17% of the country's total foreign exchange. Despite enormous efforts to find new outlets, the Community remains the most important New Zealand market. For other products, and in particular cheese to Japan and the United States, whole milk powder and casein, New Zealand has been particularly successful in developing new markets.

New Zealand's Exports of Dairy Products, 1976 to 1978

(tonnes)

	1976	1977	1978	1979
Butter: EEC (UK)	111,935	138,373	126,501	127,386
Other	59,908	27,177	27,377	48,363
Total	171,843	165,550	153,878	175,749
AMF and Ghee	36,388	29,670	28,883	22,558
Cheese: EEC (UK)	32,273	12,772	--	
Other	47,158	60,878	58,592	
Total	79,431	73,650	58,592	66,783
Skim milk powder	127,391	167,178	130,717	146,532
Whole milk powder	34,869	65,785	62,160	64,469
Casein: EEC	7,617	12,559	9,019	7,851
Other	41,001	60,889	54,466	72,716
Total	48,618	73,488	63,485	

New Zealand Butter Exports

(tonnes)

Region	1976	1977	1978	1979
EEC	112,113	138,675	126,848	127,635
Eastern Europe	9,100	3,503	4,000	22,446
Other Western Europe	9,212	2,046	626	505
North America	171	204	323	773
Japan	9,778	38	263	2,416
West Asia (Middle East)	10,467	6,120	6,179	7,385
South East & East Asia	2,312	3,434	7,749	24,112
African Continent	9,290	618	924	2,057
Caribbean & Central America	4,402	4,550	2,049	7,804
South America	1,729	3,027	1,195	12,270
Oceania	3,267	3,711	3,722	5,574
TOTAL	171,829	165,550	153,878	
NZ exports outside EEC	59,716	26,875	27,030	

New Zealand faces two problems in agricultural trade relations with the Community.

Firstly, exports of butter and cheese, which could be sold competitively on New Zealand's traditional British market after being transported half way around the world, are excluded by levies and quantitative restrictions.

New Zealand Exports to Britain

('000 tonnes)

	Butter		Cheese	
	Quantity	% of total exports	Quantity	% of total exports
1970	176.9	95.5	69.1	76.3
1973	124.5	83.1	60.0	63.0
1974	98.3	71.2	18.5	26.6
1975	115.0	82.1	25.1	38.7
1976	114.7	67.0	32.8	40.6
1977	135.5	78.4	27.7	35.0
1978	130.1	86.3	5.9	8.4
1979	127.3	72.4		

Secondly, having restricted entry of New Zealand production, the Community exports into the world market with export subsidies equivalent to 70% of its value, so reducing New Zealand's export opportunities and earnings in markets which otherwise would have been profitable outlets. New Zealand's natural outlets are removed and the prices she receives depressed. In fact, the Community has taken over from New Zealand as the major butter exporter:

Exports of butter from EEC and New Zealand 1975 - 1978

('000 tonnes)

	<u>EEC</u>	<u>New Zealand</u>
* 1975	32	
1976	73	
1977	219	165.5
1978	213	151.7
1979	405	175.7

BUTTER - The development of trading arrangements between the EEC and New Zealand

The Treaty of Accession, Protocol 18, laid down four basic principles to govern future access to the Community for New Zealand's butter:

- transitional arrangements to permit progressively reduced imports of butter, from 165,811 tonnes in 1973 to 138,176 in 1977;
- the Council of Ministers was to review the post 1977 arrangements;
- New Zealand's market return (cif prices) were to be guaranteed;
- an undertaking that the EEC's dairy export policies would not run counter to New Zealand's efforts to diversify her economy and export markets.

The Dublin Declaration of the European Council of March 1975 laid down four principles to govern New Zealand's access to the Community market after 1977, and in particular it:

- committed the EC to review periodically the guaranteed cif price for New Zealand dairy produce
- set guidelines for the review of the quantities of butter New Zealand would be able to send to Britain during 1978-80
- stated that the problems that might arise for cheese after the cessation of agreed imports to the Community (at the end of 1977) would be given 'due attention with proper urgency'
- called for ever closer cooperation between the Community and New Zealand on the orderly operation of world dairy markets.

The Council of Agricultural Ministers agreed in June 1976 - within the context of the Dublin Declaration guidelines - that during the years 1978-80 New Zealand could export the following quantities of butter to the UK:

1978	125,000 tonnes
1979	120,000 "
1980	115,000 "

The Council also agreed that further extensions of the Protocol 18 arrangements were not excluded, and they noted the intention of the Commission to submit a report on this in due course.

The Commission's report, submitted in July 1979, did not suggest any specific figures for post 1980 access of New Zealand butter. The report recognizes the importance to New Zealand of a market in Western Europe for her butter, and, suggesting certain principles to be followed in future arrangements, and recognizes 'the need to avoid drastic effects on the New Zealand economy', and points out 'that not only is New Zealand dependent on the Community market, but also that the New Zealand market is important to the Community'.

International butter market

At the present time the international butter market is around 400,000 tonnes. Of the 392,000 tonnes traded in 1977 New Zealand was responsible for exports of 166,000 tonnes (including 138,000 tonnes sent to the UK). The EEC exported 135,000 tonnes (excluding intra-EEC trade). If New Zealand were to be denied access to the EEC for its butter she would have to sell it on the international market (at a lower price save in exceptional circumstances). The need for New Zealand to export its butter - especially in the short term - would be of vital importance because of the importance of dairy exports for the New Zealand economy. Should New Zealand be able to sell its butter on the international market the result would be that the EEC would probably see its share of that market fall, and the net result could be that the amount in store may be largely unaffected. The increased access to the UK market for other EEC producers could be largely offset by the reduced opportunities to export butter as a result of New Zealand having to sell its butter on the international market. This would mean that the problem within the EEC would shift to the intervention stocks which would be harder to dispose of. Butter sales possibilities on the world market remain limited.

The Commission's proposals

Despite the fact that the gains to the EEC by further reducing New Zealand butter supplies seem to be fairly marginal it may be possible, however, to achieve such a reduction without detrimental effects if a higher guaranteed price can be offered to New Zealand. This is the Commission's proposal to which is added a proposal for a more lasting and satisfactory basis for New Zealand's dairy exports to the EEC.

In the words of the Commission:

'In order to change the quantity (of New Zealand butter sent to the Community) in 1979 and 1980 it will be necessary to have the agreement of New Zealand and the Commission has accordingly begun consultation with them.

'The elements which should be considered in this approach would be as follows. First, in view of the present overload on Community butter markets, New Zealand would be asked to make some reduction in the volume of sendings to the United Kingdom market in 1979 and 1980 below the entitlement. Secondly, it should be the objective to establish the New Zealand take-home price...at a somewhat higher level and to maintain it in a more realistic and continuing relationship to the Community intervention price. Thirdly, consideration should now be given to future import arrangements for New Zealand butter on a more lasting basis.'¹

¹ COM(79) 444 final

The importance of cooperation between the Community and NZ on the international butter market

The international butter market is split between the Community and New Zealand, who cooperate to ensure a degree of stability in world prices. This cooperation should not be shattered by a too intransigent position by the Community on New Zealand's butter exports to the EEC. The policy of the Community is to develop such cooperation.

The Dublin Declaration of the European Council of March 1975 notes that an even closer cooperation should be developed between the Institutions of the Community and the New Zealand authorities with the objective of promoting in their mutual interest an orderly operation of world markets and that such cooperation should provide a basis from which to achieve, in a wider framework, the conclusion of an effective world agreement. The Commission considers that this cooperation was shown in the dairy sub-group of the Tokyo Round of the Multilateral Trade Negotiations and contributed substantially to the achievement of an international agreement on dairy products. This agreement should lead to improved stability in the international market for butteroil, skim milk powder, whole milk powder and cheese.

Cooperation, not conflict, should be the keynote of the Community's relations with New Zealand in the butter market.

OPINION

of the Committee on external economic relations

Draftsman: Mr. WELSH

On 24 September 1980 the Committee on external economic relations appointed Mr. Welsh draftsman.

It considered the draft opinion at its meeting of 21 October and adopted it by 13 votes with 3 abstentions.

Present: Sir Fred. Catherwood, chairman, Mr. Seal, vice-chairman, Mr. Welsh, draftsman, Mrs. Agnelli, Mr. De Clercq, Mr. Deschamps, Mr. Filippi, Mrs. Fourcade, Mr. Hänsch, Lord Harmar-Nicholls (deputizing for Sir John Stewart-Clark), Mr. Louwes, Mrs. L. Moreau, Lord O'Hagan, Mr. Pelikan, Mr. Radoux and Mr. Seeler.

A. Proposal to amend Regulation 1655/76

1. The Regulation in question covers the extension of Protocol 18 of the 1972 Accession Treaty for a further three years to 1980. Protocol 18 provided for fixed quantities of butter and cheese to be exported to the United Kingdom from New Zealand at a fixed c.i.f. price based on the average price for these New Zealand products for the years 1969 - 1972. This was subject to a special levy fixed:

"at a level such as to allow the quantities of butter and cheese to be effectively marketed without prejudicing the marketing of Community butter and cheese." (Article 2(2)).

The Protocol foresaw that appropriate measures to ensure the maintenance of exceptional arrangements for butter, but not for cheese would be necessary after 1977. (Article 5(2) and (3)).

2. Following the Dublin Declaration of 1975 the Commission introduced Regulation 1655/76 providing for New Zealand to have butter quotas for the period 1977-1980 as follows:

	<u>Tons '000</u>
1978	125
1979	120
1980	115

New Zealand would have received a return of approximately 50% and have paid a variable levy which adjusted the selling price and protected the position of Community produced butter. The Commission report on the operation of the Regulation in 1978 which is annexed to this proposal shows that the complexities of the variable levy has made its operations less than satisfactory and has led to depressed prices and distortion of the UK butter market. The Commission concludes that:

"changes to the operation should be made as soon as possible, particularly in the light of its concern about the effect of the arrangement on the development of the market for butter of Community origin."

3. In 1972 New Zealand had exported 165,000 tons of butter and 65,000 tons of cheese to the United Kingdom. In 1980 this was reduced to 115,000 tons, or nearly 50%. The c.i.f. price received by New Zealand

producers had last been raised in 1977 and during the whole period 1973-1980 prices had risen by 53%, which must be compared with increases in production costs of 180.4%. In 1979 butter exports to the UK represented 4% of her total exports and 14% of her exports to the EEC, both by value.

4. The Commission's original proposal which is the subject of this opinion envisaged an arrangement whereby New Zealand would forego 20,000 tons of her 1980 quota in return for a new price arrangement under which there would be a fixed levy of 51.37 EUA per 100kg. This would provide New Zealand with a c.i.f. price equivalent to 65% of the Intervention price which compares with 50% under the old system. This scheme was overtaken by events and at the 22 July Council Meeting the Commission produced revised proposals allowing New Zealand an increased c.i.f. return in return for a reduction of 20,000 tons in the quota. The Council adopted this proposal at its meeting of 30 September fixing the new c.i.f. price at 213.37 ECU per 100 kg of the present intervention level.

5. The conclusions of the Committee on External Economic Relations are as follows:

a) The Council Decision leading to a reduction of 20,000 tons of exports of butter will help to reduce the Community's surplus and should therefore be welcomed.

b) The variable levy has proved extremely cumbersome and has produced significant distortions of the market. Its replacement by a fixed levy will introduce a degree of much-needed certainty and the Committee hopes that the principle of a fixed levy subject to periodic review will become the norm for all such arrangements.

c) The Committee regrets that the political considerations have given this proposal a significance which is greatly in excess of its practical effect on the Community butter market. It considers that the long delay in its adoption has done nothing to improve relations between New Zealand and the Community and has obstructed proper consideration of the future of the special arrangements.

B. Proposal for a Regulation relating to the importation of New Zealand butter into the Community on special terms

6. Under this proposal the Commission seeks to establish a basic quota of 90,000 tons of butter a year to the Community as a whole, subject to a fixed levy. The level of 90,000 tons will be attained in four annual steps as follows:

	<u>Tons '000</u>
1981	97,000
1982	95,000
1983	92,000
1984 and onward	90,000

Both these quantities and the amount of the levy may be varied by the Council acting by a qualified majority following a proposal from the Commission in the light of developments in the Community and World Butter Markets. Under Article 2(4), the Council is obliged to undertake a full-scale review of the arrangement based on a report by the Commission before 1 August 1984. This review will determine whether the arrangement should be continued for a further period or amended.

7. The question of access to the Community market for dairy products originating from New Zealand has been a source of contention and dispute for too long. It has had a detrimental effect on relations with an important trading partner, has produced dissension between Member States and has exposed the Common Agricultural Policy to unjustified and unnecessary criticism. It is important that the issue of principle be finally settled.

8. On the one hand it has been argued with great force that the Community cannot be expected to import dairy products from a third country when there is already a surplus of Community production which has been extremely expensive to maintain and dispose of. New Zealand should make greater efforts to diversify its economy and seek new markets for its products; moreover it has been claimed that exports to the Community are of little direct consequence to New Zealand's trade.

9. The Committee understands that current Community butter production amounts to \pm 2 million tons, of which 365,000 tons is currently in private or public storage compared with 379,000 tons at the end of 1979. Thus the basic New Zealand quota is only 4.5% of Community production and about 30% of the total quantity currently in store, which is 15% of total Community production. This does not suggest that New Zealand imports are a significant factor in the butter surplus or that they materially affect the operation of the regime.

10. At the same time there can be no question that the reduction of her dairy exports has had a grave effect on New Zealand's economic performance. In 1973, agricultural exports amounted to 83.1% of total and this had reduced to 74.7% in 1979. Dairy products were 18.3% of all exports in 1973 and 13.9% in 1979, thus declining rather more slowly than agriculture as a whole. During this period the economy has stagnated, real GNP per capita has shown negative growth since 1975, and the balance of payments has been in deficit. Butter in 1979 represented 7.2% of agricultural exports, and the Community in the shape of the United Kingdom took 72.5%. Although New Zealand has been successful in finding outlets for other agricultural products, she has not been able to do so in the case of butter; the Community's share of total New Zealand exports has only declined by 10% since 1973, and the absolute reduction in this trade has been a factor in the country's stagnant growth performance.

Considerable efforts have been made to open up new markets for New Zealand agricultural products. The following table compares the Community's share of total New Zealand exports of key commodities in 1977 and 1979:

% EEC share of New Zealand exports by commodity by value

	<u>1977</u>	<u>1979</u>
Wool	52.6	43.0
Meat	33.6	35.0
Cheese	34.8	10.4
Butter	86.0	80.9

Some success has been achieved in establishing markets for lamb in the Middle East and for cheese and wool in Japan, South East Asia and the United States. Butter has proved intractable; the only major consumer markets outside the Community are those of Eastern Europe, and New Zealand must compete with sales of the EEC's own surplus stocks heavily

subsidised through export restitutions. It is understood that the entire market outside the EEC and Eastern Europe is not more than 200,000 tons annually, and this is currently provided for by:- the EEC: 110,000 tons, New Zealand: 40,000 tons, and Australia and others: 50,000 tons. There is no alternative outlet for New Zealand production and her balance of payments would be seriously weakened if the EEC quota was lost. There can be no question that this would seriously damage the New Zealand economy.

11. New Zealand is limited both in terms of population (3.1 million) and resources. Although there is important potential for energy production, attempts to establish a major manufacturing sector have had disappointing results. The prosperity of New Zealand is wholly dependent on agriculture and this will continue to be the case for the foreseeable future. The Community runs a respectable surplus on its total trade with New Zealand:

New Zealand's overseas exchange transactions
with the European Community: \$NZ '000

	<u>1973</u>	<u>1976</u>	<u>1978</u>	<u>1979</u>
Exports	731	911	1147	1334
Imports	553	892	789	1011
Balance	178	19	358	323
Invisible balance	(171)	(259)	(374)	(470)
Current account balance	7	(240)	(16)	(147)

New Zealand is thus an important trading partner at a time when the Community's external deficit is increasing rapidly. If her agricultural exports were excluded, this valuable trade would be diverted to other markets: Japan, USA, Australia, South East Asia, and any weakening of her economy must adversely affect her overall performance vis-à-vis the Community. At a time when exports of manufactured goods and services are increasingly threatened by protectionism and subsidised competition, it would be foolish to jeopardise an assured market.

12. The Committee on External Economic Relations has already recognised the general importance of New Zealand to the Community's trade and to the political balance in the South Pacific. In May 1979 Parliament adopted a Motion for a Resolution and Report by Lord CASTLE on behalf of the Committee¹, which recalled the undertaking set out in

¹ Doc. 107/79; OJ No. C 140 of 5.6.1979, p. 96

the Dublin Declaration that New Zealand should not lose any markets fundamentally important to its economy, and expressed the hope that an international agreement on dairy products would be reached within the Multilateral Trade Negotiations which would help to find appropriate solutions for New Zealand's dairy exports. The full text of the Resolution is annexed to this opinion. The Community was able to respond to Parliament's wishes by granting a quota for 9,500 tons of New Zealand cheese within the GATT framework. The Committee trusts that the Committee on Agriculture will take this Resolution fully into account when preparing its report.

13. Conclusions of the Committee on External Economic Relations

- a. The Committee takes the view that an early settlement of the question of New Zealand butter exports is of considerable importance to the internal equilibrium of the Community and to the development of its trade in the South Pacific. The political implications of such a settlement are very much greater than its practical effect.
- b. In this context the Committee wishes to call the attention of the Committee on Agriculture to the terms of the 1975 Dublin Declaration and the European Parliament's Resolution of 11 May 1979¹.
- c. While recognising the importance of Community preference to the development of the Common Agricultural Policy, the Committee does not consider that the present proposal will have any significant effect on the regime for butter and that the safeguard provisions of Article 2 and the provision for a full-scale review before 1 August 1984 adequately protect the interests of Community producers.
- d. The Committee takes the view that failure to adopt this proposal would cause grave damage to the New Zealand economy and would consequently have a deleterious effect on the Community's favourable trade with this particular partner. It considers that the likely political and economic setback that this would represent far outweighs the consequences of the proposal for the Community butter stocks. It would wish to point out that it is impossible to promote successful trade relations if a partner's principal products are excluded from the Common Market for fear that they might damage the far bigger Community industry.

¹ OJ No. C 140 of 5.6.1979, p. 96

e. The Committee therefore expresses its endorsement of the proposal and requests the Committee on Agriculture to produce a favourable opinion.

f. The Committee particularly welcomes the principle of access for New Zealand butter to all Member States and not just the United Kingdom, as it believes that such a development would be particularly beneficial to improved relations between New Zealand and the Community as a whole. With this in mind, it requests the Committee on Agriculture to examine Article 4 of the Regulation with particular care so as to ensure that it does not contain any terms that might inhibit free circulation of New Zealand exports.

Pursuant to Rule 33 (3) of the Rules of Procedure, the vote was therefore placed on the agenda of the next sitting.

Economic and trade relations between the EEC and New Zealand (vote)

Parliament then voted on the motion for a resolution contained in the Castle report (Doc. 107/79); the preamble and paragraphs 1 to 5 were adopted.

On paragraph 6 Lord Castle had tabled amendment No 1 seeking to replace this paragraph by a new text.

Amendment No 1 was adopted.

On paragraph 7 Lord Castle had tabled amendment No 2 seeking to replace this paragraph by a new text.

Amendment No 2 was adopted.

Parliament adopted paragraphs 8 to 13.

Parliament adopted the following resolution:

RESOLUTION

on economic and trade relations between the EEC and New Zealand

The European Parliament,

- having regard to the traditional political, economic and cultural ties between New Zealand and Europe, in particular the United Kingdom,
- having regard to the dependence of the New Zealand economy on the export of temperate agricultural products,
- having regard to the report of the Committee on External Economic Relations (Doc. 107/79),

1. Considers that, given traditional ties with New Zealand, the Community has a special responsibility to help New Zealand maintain an adequate level of economic well-being;
2. Notes that the New Zealand economy has experienced serious difficulties in recent years, caused in part by a decline in its agricultural exports to the traditional market in the United Kingdom, and that a further decline could imperil the New Zealand economy;
3. While aware of New Zealand's difficulties, trusts that she will continue to achieve greater diversification in her economy, both by industrial expansion and the development of alternative markets;
4. Considers, therefore, that the Community and its Member States, while maintaining the principles and mechanisms of the common agricultural policy, must pursue policies that do not run counter either to New Zealand's efforts towards diversification or to the Community's efforts to promote its agriculture;
5. Expresses the wish that New Zealand should not lose any markets fundamentally important to its economy and recalls in this connection the relevant passage of the declaration made by the European Council on 10 and 11 March 1975 in Dublin;
6. Recalls the undertaking given in the Dublin declaration that urgent attention would be given to the situation arising from the fact that the special provisions for cheese imports would not be retained after 31 December 1977, with special reference to the resultant problems for New Zealand, and notes that a solution is to be found in the multilateral GATT framework;
7. Hopes that the international agreement on dairy products, reached within the multilateral GATT framework, will help to find appropriate solutions for New Zealand dairy exports;
8. Emphasizes, in view of the Community's international obligations in GATT concerning imports of sheepmeat and of the particular importance of that sector for the New Zealand economy, that the introduction of a common organization of the market in sheepmeat should not seriously disrupt exports of that product from New Zealand to the Community;

9. In view of the importance for New Zealand that the level of European Community consumption be sustained, and taking into account the price elasticity of demand, considers that the European Community pricing policies and mechanisms must be established with a view to avoiding any disruption;
 10. Attaches great importance to an optimum understanding between the Community and the countries of the South Pacific Basin, and to this it believes that New Zealand can make a contribution of fundamental importance;
 11. Invites the Community institutions to consider all practical ways in which the Community's relationship with New Zealand can be broadened and deepened;
 12. Welcomes the interparliamentary contacts established so far and hopes that a system of regular parliamentary contacts will be set up in the near future;
 13. Instructs its President to forward this resolution and the report of its committee to the Council and Commission and to the Government and Parliament of New Zealand.
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