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A COMMON WINE POLICY:

NEW MOVES BY THE COMMISSION

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A common wine policy: New moves by the Commission

The Commission first elaborated the main lines along which it felt a common wine policy for the EEC might develop as far back as 1960. Since then a number of important prerequisites for a common policy have been introduced by Council and Commission regulations. For example, winegrowers and vintners are now obliged to declare their harvests and stocks; a forward balance-sheet for wine must be drawn up for the Member States and the Community each year; a vineyard register must be compiled and kept up to date; and rules governing the growing and marketing of material for the propogation of vines have also been introduced. There is still no sign, however, of any agreement emerging on the Commission's proposals for regulations on quality wines from specified areas and a common organization of the market in wine. One is prompted to ask why the Brussels negotiations on wine are proving so complicated.

The main wine-growing countries of the EEC are Italy and France, which account for 49.2% and 46.7%, respectively[1], of all Community production. Next comes Germany with 3.9%.[1] The amount of wine grown in Luxembourg is very small and production in the Netherlands and Belgium is insignificant in this context. The attitude to wine-drinking, too, varies widely from country to country. Wine appears on the table every day in Italy and France whereas, the wine-growing areas apart, it is reserved for state occasions and social gatherings in Germany, Belgium and the Netherlands. This produces enormous differences in per capita consumption in the six countries. The annual figure for France is 115 litres, for Italy 112.7 litres, for Luxembourg 34 litres, for Germany 15.1 litres[1], for Belgium 9.6 litres and for the Netherlands 3.8 litres.[1]

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[1] The figures refer to the 1966/67 wine year.

The uneven pattern of wine-growing and wine-drinking has left its mark on legislation and market structures in the various countries. Delegates to the Brussels negotiations therefore approached the problems from very different angles and they necessarily had very different aims in view when they got down to discussing arrangements for a common organization of the market.

Neither Belgium nor the Netherlands has any wine-growing industry worth mentioning. Algerian wines apart, there are no quantitative restrictions on imports of wine. Duties on imports from non-member countries are relatively low. The interests of these two countries would best be served by unrestricted access to the cheapest source of supply on the world market. They are sceptical of a common market organization with a protectionist bias, though they do appreciate the position in which their partners find themselves.

The interests of the two large wine-producing countries - Italy and France - lie in quite another direction. Italy is in a position to meet all its requirements from its own vineyards. Imports are confined to limited quantities of quality wines. The situation in France is somewhat similar, though an appreciable shortage of table wines and wines for processing is covered by imports, at greatly reduced rates of duty, from North Africa. In both countries Government intervention to rid the market of surpluses and stabilize prices is established practice. Italy offers distillers considerable tax advantages to distil surplus wine. It also follows a restrictive import policy. In France the wine market is strictly regulated. Most of the wine produced is blocked in the growers' cellars and is released gradually in the light of the market situation. Bonuses are paid for temporary stocking of wine and imports are subject to a quota system. Both Italy and France would like, if possible, to see many features of their national arrangements retained in a common European market organization for wine. Secondly they hope that the necessary intervention will be financed from the European Agricultural Guidance and Guarantee Fund, which would be to their advantage. And lastly they want effective arrangements to ensure that Community wines continue to enjoy preferential treatment over imported wines.

Germany can meet about 60% of its requirements from domestic output, the balance being imported either from other Community countries or from countries outside the Community. The stabilization fund for wine, an organization financed by the wine industry and subject to Federal Government control, can influence the quantity of wine available by means of intervention measures. In actual fact it spends most of the resources at its disposal on advertising; the German market, unlike the markets in the big wine-growing countries, is still expanding. The Federal Government has not however been able so far to accept either complete or partial liberalization of the Community's wine market. Each year since 1964 it has rejected Commission proposals to increase import quotas - to be fixed by the Council - for wine from other Community countries. It has preferred to take autonomous decisions introducing import quotas for EEC and certain non-member countries. Prices on the German market are steady, except in the event of disturbances caused by abnormally good harvests. Because of this, no intervention measures to stabilize prices are considered necessary. Attempts to work out basic Community principles on wine-making methods are viewed with deep suspicion. The necessary raising of quality standards might make things difficult for the poorest qualities.

As far as domestic production is concerned, Luxembourg's interests coincide with those of Germany. Luxembourg's imports of wine, whether from inside or outside the Community, are not subject to any quantitative restrictions. One advantage that Luxembourg wishes to retain is the tax privileges enjoyed by its wines on the Benelux market; these could not be retained in their present form under a common organization of the market.

Faced with these conflicting national interests the Commission, in its proposals on a common organization for the market, had to adopt a completely new approach. It was guided in this by the following principles:

(i) The free movement of goods within the Community;

(ii) The possibility of intervention measures to stabilize prices for each type of wine, with temporary stocking bonuses, distilling subsidies, and the buying-in by the intervention agencies of alcohol distilled from wine;

(iii) Application of the Common Customs Tariff at the Community's external frontier with provision for the charging of further levies should prices fall below a given sluice-gate price;

(iv) Application of uniform rules on wine-making methods with varying marginal values for the regions; these rules would cover in particular ways of raising alcoholic strength to normal commercial levels in the event of bad weather;

(v) Recognition of Community rules on blending and labelling;

(vi) Guidance of production and the designation of quality wines from specified areas in accordance with uniform guidelines which would allow for variations in local conditions;

(vii) Introduction of arrangements for effective inspection.

Negotiations on the Commission's proposals to regulate the single market, already entering their fifth year, are proving extremely complicated. They are being conducted in the main by a working party of specialist officials, acting on the instructions they receive from their home countries. Considerable progress has been made on some points, but on other issues which are important to the overall concept the various national attitudes are still poles apart. Furthermore, faced with the upward trend of wine production in the Community as a result of difficulties caused by over-production of other farm commodities, delegates are adopting a harder line towards Italian opposition to the demand that plantings should be controlled.

In view of the poor headway made in these technical discussions and of a decision taken by the Council in spring 1966, the Commission on 25 September 1969 recommended adoption by the Council of a draft resolution in which the Commission gave its support to the principle of introducing free movement of goods in the wine sector, coupled with Community-controlled intervention and Community import arrangements at the external frontier. National wine legislation would be recognized on a reciprocal basis during a transitional period.

The resolution lays down the following deadlines for the adoption of Community rules for the various sectors of the European wine market:

(a) Wines must be able to move freely within the Community as from 1 November 1969;

(b) Common principles on wine-making practices must be defined and applied before 1 September 1970;

(c) As far as the control of plantings is concerned, state subsidies leading to increased production are to be prohibited as from 1 November 1969 and from 1 September 1970 onwards new plantings will require a licence from the national authorities;

(d) As from 1 November 1969 subsidies will be paid for the temporary stocking of wine; if this does not prove enough to stabilize the market, unsold surpluses will be distilled;

(e) Expenditure incurred as a result of the common organization of the market will become a charge on the EAGGF from 1 November 1969;

(f) From 1 November 1969, the Common Customs Tariff will be applied and a Community price will be maintained - possibly by means of additional levies - for imports from non-member countries; there will also be a ban on quantitative restrictions;

(g) Measures will be taken before 1 November 1969 to regulate imports of Algerian wines at preferential rates of duty;

(h) An alternative solution for the Luxembourg wine industry must be found and written into a protocol to the EEC Treaty before 1 January 1970.

This resolution outlines a way of dealing with the various sectors of a single European market for wine. By adopting it - even in a slightly amended form - the Council would give a clear sign of its determination to bring the wine debate to an early close. We can expect that with a deadline to meet - a deadline that may admittedly have to be extended - the delegates to the negotiations will be less concerned with finding the solution which is technically the best from every angle and will concentrate instead on reaching the compromise solution which is politically necessary and technically acceptable.

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