

# European Communities

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EUROPEAN PARLIAMENT

## Working Documents

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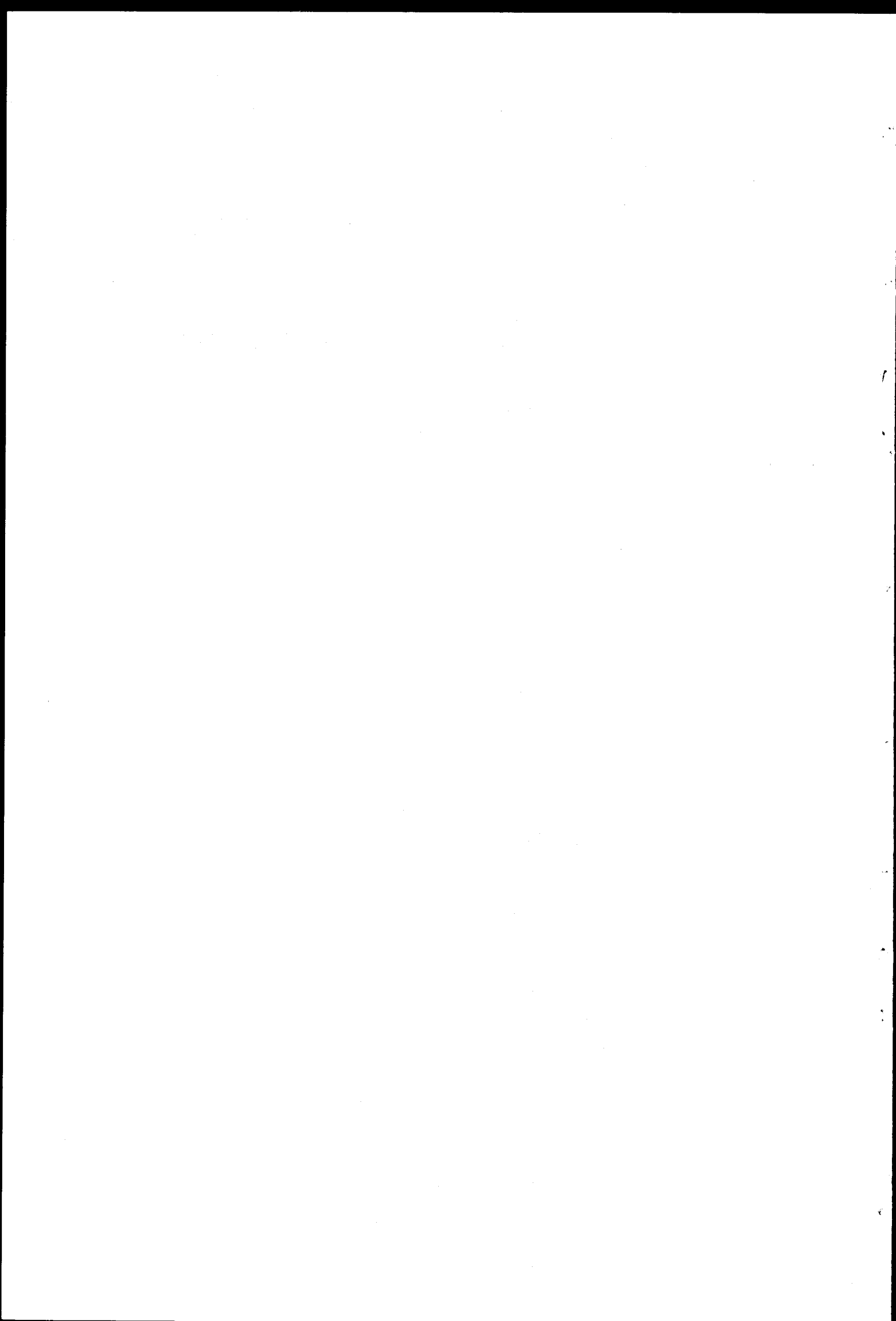
### Report

drawn up on behalf of the Committee on Budgets

on the proposal from the Commission of the European Communities to the Council (Doc. 176/74) for a regulation amending Regulation (EEC) No 974/71 on certain measures of conjunctural policy to be taken in agriculture following the temporary widening of the margins of fluctuation for the currencies of certain Member States

Rapporteur: Mr Manfred SCHMIDT

PE 37.853/fin.



By letter of 1 July 1974 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal for a Council regulation amending Regulation (EEC) No. 974/71 on certain measures of conjunctural policy to be taken in agriculture following the temporary widening of the margins of fluctuation for the currencies of certain Member States.

The President of the European Parliament referred this proposal to the Committee on Budgets as the committee responsible and the Committee on Agriculture for its opinion.

The Committee on Budgets appointed Mr Schmidt rapporteur on 12 September 1974.

It considered this proposal at its meeting of 24 September and unanimously adopted the motion for a resolution.

The following were present: Mr Spénale, chairman; Mr Aigner, vice-chairman; Mr Gerlach, acting rapporteur; Mr Artzinger, Mr Concas, Mr Hansen, Mr Houdet, Mr Lagorce (deputizing for Mr Radoux), Lord Lothian, Mr Maigaard and Mr Pêtre.

The opinion of the Committee on Agriculture is attached.

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The Committee on Budgets hereby submits to the European Parliament the following Motion for a Resolution.

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 amending Regulation (EEC) No. 974/71 on certain measures of conjunctural policy to be taken in agriculture following the temporary widening of the margins of fluctuation for the currencies of certain Member States.

The European Parliament:

- having regard to the proposal from the Commission of the European Communities to the Council<sup>1</sup>,
  - having been consulted by the Council (Doc. 176/74),
  - having regard to the report by the Committee on Budgets and the opinion of the Committee on Agriculture (Doc. 265/74),
1. Notes that the present proposal seeks to rectify administrative difficulties that have arisen with the application of Regulation (EEC) No. 974/71 while preserving the overall financial effect of this Regulation;
  2. Recalls its continuing disquiet that the fluctuations in Community currency rates lead to complexities in the application of Community policies and its desire that the Community should proceed as soon as possible towards economic and monetary union;
  3. Regrets that Parliament is not to be consulted on the detailed rules to be drawn up to regulate the system of export refunds for trade between certain Member States whose currencies have depreciated in value and third countries, and believes that this reduces the significance of consultation;

<sup>1</sup> OJ No. C88, 26.7.1974, p. 33

4. Requests the Commission, pursuant to Article 149(2) of the EEC Treaty, to incorporate the following amendment in its proposal;
5. Approves, with these reserves, the present proposal;
6. Instructs its President to forward this resolution to the Council and the Commission of the European Communities.

Article 2

Article 8(3) of Regulation  
(EEC) No. 974/71 is deleted.

Article 2

Article 8(3) of Regulation (EEC)  
No. 974/71 is amended as follows:  
'The Commission shall submit every  
six months to the Council and to  
the European Parliament a report  
on the application of this  
Regulation'.

B

EXPLANATORY STATEMENT

The opinion drawn up by Mr Frehsee on behalf of the Committee on Agriculture will serve as an explanatory statement.



Opinion of the Committee on Agriculture

Draftsman: Mr FREHSEE

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At its meeting of 2/3 July 1974, the Committee on Agriculture appointed Mr FREHSEE draftsman of the opinion.

It discussed the draft opinion at its meeting of 5/6 September, 1974 and adopted it unanimously.

The following were present: Mr Houdet, chairman, Mr Vetrone and Mr Laban, vice-chairmen, Mr Frehsee, draftsman of opinion, Mr Bourdellès, Mr Cifarelli, Mr Concas, Mr Della Briotta, Mr Fröh, Mr Hansen, Mr de Koning and Mr Liogier.

The purpose of the Commission's proposal

1. The purpose of the proposal is to introduce two amendments to existing arrangements for monetary compensatory amounts, so as:

(a) to introduce an alternative method by which countries with depreciating currencies deduct monetary compensatory amounts levied on exports from export refunds granted on those exports in view of administrative difficulties encountered by certain Member States.

(b) and, to revoke the Commission's obligation to make a monthly report to Council on the application of the basic Regulation (EEC) No. 974/71.

Existing arrangements

2. The system of monetary compensatory amounts, introduced in 1971, was originally intended as a temporary measure to protect agriculture against parity changes. Subsequent parity changes were so frequent, however, that the system was steadily extended and established on a permanent basis. Frequent adjustments to the new monetary situation made the application of the system increasingly complicated. Modifications and extensions of the system therefore became necessary to guarantee better administration by the national civil services. In February 1973, such a modification came into force as a new Article 4a<sup>1</sup> modifying basic Regulation (EEC) No. 974/71<sup>2</sup>, with respect to countries with depreciating currencies.

This article laid down that in trade with third countries compensatory amounts

(a) granted on imports shall be deducted from the import charge;

(b) charged on exports shall be deducted from the export refund.

Provision was also made, however, that in exceptional cases the first subparagraph shall not apply, upon a Decision of the Council, acting on a proposal from the Commission, in accordance with the voting procedure provided for by Article 43 (2) of the Treaty.

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<sup>1</sup> Regulation (EEC) No. 509/73, OJ No L 50/73, p. 1

<sup>2</sup> OJ No L 106/71, p. 1

3. The system in force, therefore, is relatively simple:

- in the case of a country with an appreciating currency the compensatory amount, where applicable, is added to the export refund, when such a refund is to be granted;

- in the case of a country with a depreciating currency, the compensatory amount is deducted from the export refund or import charge, with any amount remaining considered as a monetary compensatory amount to be levied as the goods leave, or enter, the country.

#### Problems facing certain States

4. No problems have appeared for the operation of this system in respect of imports.

5. However, States whose currencies have depreciated may face problems in administering this system in respect of exports, where:

- (a) the granting of export refunds and the levying of monetary compensatory amounts are not effected by the same national body;
- (b) the exact amount of the refund is unknown at the time of the completion of customs formalities, since:

the granting of refunds, where differentiated according to destination, may depend on factors unknown until the product has arrived at its destination; and certificates duly stamped in the country of destination may be required for the granting of refunds.

Monetary compensatory amounts levied on exports are due on completion of customs export formalities<sup>1</sup>.

6. These difficulties have been overcome by almost all States with depreciating currencies, Denmark, France, Ireland and the United Kingdom. The United Kingdom, for example, which has separate agencies responsible for compensatory amounts and export refunds, overcame the problem by the deduction of standard amounts so as to approximate as closely as possible to the likely effective export refunds.

7. Italy, on the other hand, has found it impossible to apply the system laid down in Article 4a of Regulation 974/71, and in fact has never applied it, claiming that the administrative difficulties posed have proved to be insuperable, separate organizations being responsible for the compensatory amount, on the one hand, and the export refund, on the other.

At the moment, when agricultural produce leaves Italy, the compensatory amount is levied, and at a later moment in time the export refund is granted.

<sup>1</sup> Article 12 of Regulation (EEC) No. 1463/73; OJ No. L 146/73, p.6.

8. The arrangements in force in Italy have clear disadvantages for Italian exporters who face the full charge of the monetary compensatory amount but do not receive the export refund until a period of time, which may amount to a number of months, has elapsed.

9. In view of this export disincentive, it is unlikely that other countries with depreciating currencies will make use of these presently proposed provisions. The United Kingdom, in fact, has already indicated that it will not.

#### The Commission's proposals

10. As a practical measure, the Commission is proposing a separation of the system to be applied between the level of the individual exporter and that of Community accounting.

The arrangements applied to the individual Italian exporter will continue as presently established.

With regard to the consequences for the EAGGF budget, the Commission proposes that, for accountancy purposes within the EAGGF, an aggregate monetary compensatory amount be established and any excess over the sum of the refund be considered to be a monetary compensatory amount levied on exports.

11. The method of Community accounting is to be laid down in implementing regulations. The method proposed is that calculations are to be made globally by sector each month. In other words, a separate calculation shall no longer be made for each export operation, but the monetary compensatory amount shall be deducted globally each month for each sector from the export refunds in that sector.

12. It is unlikely that such a global deduction will be possible for the 1973 financial year; if not, the deduction will be calculated by individual operation in each sector.

13. These proposed rules of application are to be adopted in accordance with the procedure laid down in Article 13 of Regulation (EEC) No. 729/70<sup>1</sup>, which establishes that matters for consideration shall be referred to the Committee for the European Agricultural Guidance and Guarantee Fund.

This means that the European Parliament will not be consulted on these rules of application and is thus being asked to give a 'carte blanche' for these future arrangements.

<sup>1</sup> OJ No. L 94/70, p. 17 (as last amended by Regulation (EEC) No. 2788/72, OJ No. L 295/72, p.1)

Revocation of the obligation of the Commission to submit to the Council a report on the application of monetary compensatory amounts

14. Article 8(3) of Regulation (EEC) No. 974/71 provides that the Commission must submit to the Council a report each month upon the application of this regulation. It had been anticipated that the system of monetary compensatory amounts provided for in this regulation would be a purely temporary provision. This has not proved the case. Therefore, the Commission believes that such reports have lost the importance that they had on the establishment of the system and so proposes to revoke future obligations to report to the Council.

Member States have informed the Council that this monthly report, being of a purely technical nature, is of limited utility, and that a more general report, taking in the broader economic, monetary and political aspects and issued at longer intervals, would be preferable. The Commission is already issuing reports at much longer intervals of three to five months.

15. The Commission, therefore, proposes to submit such a report at the same time as its annual price proposals.

16. The Commission does not believe there is a necessity to establish a juridicial basis for such a report.

Observations

17. The European Parliament was not consulted on the basic Regulation (EEC) No. 974/71 which introduced the system of 'monetary' compensatory amounts, since under the terms of the EEC Treaty the Council is not obliged to consult Parliament on measures of monetary policy.

On the other hand, the European Parliament was consulted on the additional Article 4(a) which amended the original regulation. However, on that occasion the European Parliament was not consulted sufficiently in advance to allow for detailed consideration to be given to each proposal, since an obligatory deadline necessitated an immediate decision. In fact the motion for a resolution 'deplored the fact that the European Parliament had not been given sufficient time to examine in depth the proposal submitted to it for an opinion'.<sup>1</sup>

18. It remains true, as the Committee on Agriculture in its report drafted by Mr HEGER observed, that:

- any delay in implementing a common monetary policy is liable to endanger the future of the European Economic Community;

<sup>1</sup> Doc. 270/72

- previous experience of monetary fluctuations has shown how difficult it is to take adequate action and that the measures adopted have never been more than a fragile expedient tending to arouse scepticism in agricultural circles and to be controversial in general.

19. Fluctuations in currencies of Member States have threatened to undermine the Common Agricultural Policy. And while the system of monetary compensatory amounts may be a fragile expedient, it has certainly not proved to be temporary. The present amendment to Regulation No. 974/71, to adapt present arrangements to national administrative requirements, shows how far compensatory amounts have become a significant and permanent feature of the Common Agricultural Policy, a point on which the Committee on Agriculture must maintain its previous fundamental reservations.

The committee would like to refer specifically to the urgent need for monetary union in the Community; unless such a union is achieved soon, it will not be possible to preserve for any great length of time the political achievements which have already been made.

20. The following questions also arise in connection with this proposal.

At present the system of monetary compensatory amounts works to the disadvantage of Italian exporters, who must pay out compensatory amounts at the moment of exporting their produce while receiving export refunds at a later date.

The Commission's proposal does nothing to alter this situation.

21. Given the fact that monetary compensatory amounts, which were introduced as a temporary measure, have taken on a permanent character, it seems reasonable that the Commission's report on these arrangements should be submitted on an annual basis and embody a broader approach. The Committee on Agriculture would also request that the Commission's report be submitted to the European Parliament for its opinion, and its juridical basis clearly established.

It should also be remembered that the Commission of the European Communities will submit in the near future a comprehensive report on the operation and effects (many of which are far from being known) of the system of compensatory amounts on agriculture in the Community.

22. Subject to these reservations, the Committee on Agriculture believes that it can approve this proposal from the Commission.