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Report

drawn up on behalf of the Committee on Agriculture

on the proposal from the Commission of the European Communities to the Council (Doc. 233/75) for a regulation extending for the fourth time Regulations (EEC) No. 2313/71 and No. 2823/71 partially and temporarily suspending Common Customs Tariff duties applicable to wines originating in and coming from Algeria, Marocco, Tunisia and Turkey

Rapporteur: Mr L. DELLA BRIOTTA

PE 41.803/fin.

English Edition

By letter of 26 August 1975, the President of the Council of the European Communities consulted the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation extending for the fourth time Regulations (EEC) No. 2313/71 and No. 2823/71 partially and temporarily suspending Common Customs Tariff duties applicable to wines originating in and coming from Algeria, Morocco, Tunisia and Turkey.

The President of the European Parliament referred this proposal to the Committee on Agriculture as the committee responsible and to the Committee on External Economic Relations and the Associations Committee for their opinions.

On 16 September 1975 the Committee on Agriculture appointed Mr Della Briotta rapporteur.

It considered this proposal at its meeting of 2-3 October 1975 and adopted the motion for a resolution by 12 votes to 1.

Present: Mr Houdet, chairman; Mr Laban, vice-chairman; Mr Della Briotta, rapporteur; Mr Boano, Mr Brégégère, Mr Bourdellès, Mr De Koning, Mrs Dunwoody, Mr Frehsee, Mr Hansen, Mr Hughes, Mr Liogier, Mrs Orth.

The opinion of the Associations Committee is attached.

C O N T E N T S

The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

A

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 extending for the fourth time Regulations (EEC) No. 2313/71 and No. 2823/71 partially and temporarily suspending Common Customs Tariff duties applicable to wines originating in and coming from Algeria, Morocco, Tunisia and Turkey

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM (75) 444 final),

- having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 233/75),

- having regard to the report by the Committee on Agriculture and the opinion of the Associations Committee (Doc. 301/75),

- whereas in the present state of surplus the Community should be able to control imports, without however causing damage to the exporting countries with which it is engaged in important negotiations;

1. Approves the Commission's proposal;

2. Considers, however, that the wine package should be treated as a single whole and that joint decisions should be taken on the review of the basic regulations, the definitive import regime and a return to the free movement of wine within the Community,

EXPLANATORY STATEMENT

Preliminary remarks on the consultation procedure

1. By letter of 26 August of this year the Council requested Parliament to deliver an opinion on the proposal forwarded to it by the Commission on 8 August for a regulation extending for the fourth time Regulations (EEC) 2313/71[1] and 2823/71[2] temporarily, i.e. until 31 August 1976, and partially, i.e. by 40%, suspending Common Customs Tariff duties applicable to wines originating in and coming from the three Maghreb countries and from Turkey. This consultation[3] arrived too late. The Commission's request was made in the middle of the parliamentary recess and barely three weeks away from the expiry of the regulations to be extended.

2. The Committee on Agriculture wishes to protest at this delay and would like to know the reasons for it. The corresponding extension was requested much earlier last year, on 13 June 1974, in fact[4]. This casual approach shows very little respect for the constitutional privileges of our Parliament and is also liable to do serious damage, if only psychological, to our good relations with the four exporting countries. The delay in consulting Parliament seems, in fact, to have brought about a legal void as from 1 September last. Whatever may be the best solution to adopt for the tariff regulations in question, the fact that the deadline of 31 August has been allowed to pass is bound to create tensions and difficulties vis-à-vis third countries with which very delicate negotiations are in progress. The Commission is asked to explain what the exact tariff position is at present with regard to goods that may have been imported after 1 September and up to the moment of the decision which the Council will be requested to take on the basis of this consultation.

3. It is also inconceivable that the Commission was unaware of the political importance of its proposal in the present situating of our wine market, while the Council is still deliberating on the reform of the basic regulation No. 816/70, a question beset with many difficulties. At the level of external relations the positions taken up by the Community since 23 - 24 June last on internal readjustments to the wine regulations in the context of a general agreement with the Mediterranean countries are already well known. In these circumstances a simple mechanical extension of the preferential scheme established at the end of 1971 was definitely not the

[1] OJ No. L 244 (30 .10.1971, p. 10)
[2] OJ No. L 285 (29 .12.1971, p. 51)
[3] COM(75) 444 final/Doc. 233/75 of 8 .9.1975
[4] COM(74) 806 final/Doc. 168/74 of 27 .6.1974

correct solution. In fact, the successive extensions have always been sharply criticized by Parliament[1], which has been careful to weigh up all their delicate economic, legal and diplomatic implications, possibly with the sole exception of the last two extensions which were requested at a time when hopes were entertained in many quarters of a speedy conclusion to the general negotiations with the Mediterranean countries[2].

Introduction

4. Wine imports in general, and imports from the Maghreb countries in particular, are clearly a major factor in assessing the overall situation of the Community wine market. As was only to be expected, the entry into force of the basic regulations in 1970 led to a decline in these imports. They fell considerably in 1971, but have now already regained 75% of their 1970 level[3], whereas the corresponding percentages for 1971 and 1972 were 33% and 38% respectively. Imports by the 3 new Member States from third countries in relation to their total imports have, moreover, increased considerably, though it is true that the percentage of intra-Community trade in proportion to total imports has fallen from 75% in 1971 and 84% in 1972 to 61% in 1973[4].

5. In this context imports from the Maghreb countries have a considerable effect on the internal wine situation in the Community. This is proved by the historical facts. In 1973, when average Community prices rose well above the reference prices, imports from the Maghreb countries made a great leap forward, thus helping to flood the market and bring about the collapse at the end of 1973, when, as a result of the record grape harvest of that year, the market prices fell spectacularly below the reference prices[5]. The Committee on Agriculture, which did not fail to realise the significance of this, would have liked precise and updated statistics on the real trends in imports from the Maghreb countries in these last few crisis months. However, the statistics given in the last wine report already referred to are not up to date. We have to go by what we hear on the grapevine. It seems that there has been a sharp drop, at least according to what has been said in the Chamber by Commissioner Lardinois, who stressed on 25 September what he had

[1] See Vals report 99/72 of 5 July 1972/ Debates of 7 July 1972, p. 259

[2] For all the positions taken up by Parliament on this preferential tariff scheme and the extensions thereto, see:

- Vals report 129 of 6 October 1970/ Debates of 8 October 1970, p. 115 ff
- Vals report 156/71/ Debates of 20 October 1971, p. 126
- Vals report 202/71 of 15 December 1971/ Debates of 15 December 1971, p. 9 ff
- Vals report 99/72 of 5 July 1972/ Debates of 7 September 1972, p. 259 ff
- Vals report 136/73/ Debates of 5 July 1973
- Della Briotta report 186/74 of 8 July 1974/ Debates of 8 July 1974, p. 11 ff

[3] Commission report to the Council, 18 July 1975 (COM(75) 416 final), p. 13 and table 13

[4] ibidem, p. 13

[5] ibidem, p. 13, graph No. 6

already said on 10 July, namely, that imports from third countries from December 1974 to the present time had remained below a figure of 1 million hectolitres. However, the Commission is invited to supply more precise official figures on this matter.

Survey of the precedents and brief description of the preferential scheme

6. Until the entry into force of basic regulations 816 and 817 of 1970[1] external relations in the wine sector were regulated mainly on the basis of special bilateral arrangements. These regulations led, with the common organization of the market, to a need for unification and an appreciation of the benefits to be derived therefrom. The prohibition, which was progressively implemented, on mixing Community wines with imported wines introduced another factor for change. Nevertheless the Community suddenly became aware of the need to grant Turkey, Morocco, Tunisia and Algeria a preferential tariff scheme. With virtually no break in continuity, at least as far as Algeria was concerned, this scheme was put into force in September 1971, while the special arrangements for imports from that country expired on 1 November of that year. Indeed, the whole matter can only be rightly understood in the general context of the 'politicization' of the Community's Mediterranean relations, which had been decided upon by the Paris Summit of 20 October 1972 and reiterated by the Foreign Ministers on the following 7 November.

7. The preferential scheme consists in a tariff reduction equivalent to 40% of the common external tariff, provided that the reference price, less the customs duties actually levied, is respected. Where this reference price is not respected the normal protection mechanism envisaged by the basic regulation breaks down. The provisions are simple, and in purely quantitative terms the preference granted is not excessive, since the Community intended from the very beginning to make this concession a temporary arrangement in anticipation of final and more favourable solutions to be worked out and decided upon within the framework of an overall approach to the Mediterranean countries. In the meantime the negotiations went ahead hand in hand with the internal crisis caused by a surplus situation, and with the prospect of more substantial tariff reductions to come the Community realised the need to incorporate in the basic regulation more effective protection mechanisms in cases where the reference price was not respected. As far as Algeria is concerned this was one of the most important points in the agreement of 23-24 June of this year on internal readjustment of the common agricultural policy. This resulted in a proposal for a regulation[2] on which Parliament gave a favourable opinion on 25 September last[3].

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[1] OJ No. L 99, 5.5.1970

[2] Doc. 204/75 of 12.8.1975

[3] Frehsee report, Doc. 254/75 of 22 .9.1975

8. While in quantitative terms the planned preferential scheme does not seem to give rise to any objections, the same cannot be said for the technical and qualitative features of the mechanism in question, hence the refinements suggested in the last proposal for a regulations referred to. It is very difficult to establish with certainty that the reference price is being respected, which is a condition of the tariff reductions, and also to establish with certainty that the imported wines are not being used for mixing. Nonetheless, these tariff reductions are carried out mechanically and automatically. In practice, therefore, the Community grants certain and immediate advantages in exchange for a respect for the reference price, about which it is only reasonable to feel many doubts. There is still a great danger of fraud, especially when the present difference between reference prices and the much lower market prices is taken into account. How is Algerian wine, which in theory should enter the Community, helped by a tariff reduction of 40%, at a price level equivalent to that of the reference price, to be sold later at prices which, if they are to remain above this level, must rise considerably above the average Community market prices?

<u>Imports from the Maghreb countries and from Turkey</u>

9. To gain an accurate picture of commercial trends we must consider the effect of the vital innovation which influenced them from 1970 onwards, namely, the ban on the mixing of wines. This applies mainly to wines from the Maghreb countries and from Algeria in particular. Historically there has always been a close link between developments in the Algerian wine trade and that of the south of France. The Algerian vineyards were supposed to produce the wines for mixing which would make French table wines of low alcohol content suitable for sale. The ban on mixing Community and extra-Community wines cut this link and laid the foundation for the dramatic clash between the wines of Languedoc-Roussillon and the wines of Apulia and Sicily, which could also look back on a long tradition of mixing with the 'Chiantis' and the table wines of the Veneto region , Emilia and Northern Italy in general. This change was bound to create problems, in the first place for the Algerian wines, which had been deprived of the market for mixing wines on which they had built their strength, but also for French wines suitable for mixing. In addition, Italian wines now entered the field as a genuine competitor, while the commercial links between southern France and Algeria had been closer before. Not only that, but the French wine business soon realised that the strong Apulian wines, cleverly 'mellowed', could also be offered for direct consumption in France. This led to a worsening in the conditions of competition for table wines from Languedoc-Roussillon.

The above analysis is borne out by the figures:

IMPORTATION OF WINES UNDER HEADING 22.05 OF THE COMMON EXTERNAL TARIFF (in hectolitres)[1]

Years and destinations		Countries of origin					
		Algeria	Tunisia	Morocco	Turkey	Total from the Maghreb countries	Maghreb countries as a % of all third countries
1966	Community	8,751,083	757,076	1,000,769	38,637	10,508,928	
	France	8,157,517	679,989	875,532	-	9,713,038	
1967	Community	4,055,193	892,401	676,307	36,054	5,623,901	
	France	3,166,955	870,460	563,998	-	4,601,413	
1968	Community	4,101,222	316,589	417,558	50,535	4,835,969	
	France	3,170,816	230,515	308,995	10	3,710,326	
1969	Community	5,539,983	537,316	538,641	32,767	6,615,940	
	France	5,039,838	419,157	333,615	-	5,792,610	
1970	Community	6,803,820	751,466	615,541	20,260	8,170,827	77.6 %
	France	6,557,350	668,258	600,350	-	7,825,958	
1971	Community	209,178	104,644	31,855	3,939	345,677	15.2 %
	France	76,222	89,853	7,137	-	173,212	
1972	Community	375,465	142,638	84,315	4,228	602,418	22.98 %
	France	343,663	92,506	83,388	-	519,557	
1973	Community	2,666,323	871,754	890,191	3,896	4,428,068	48 %
	France	2,491,316	723,894	885,277	-	4,100,487	

[1] Statistics refer to the Community of the Six. See 'The Community wine market', Brussels, European Information Agency, November 1974, passim (Annex A) and pp. 291-292. See also report on the wine sector already referred to, Table No. 13

For the first eleven months of 1974 the only statistics available are provisional, relating to import licences issued between 1 January and 30 November[1]:

Imports to the Community	from Algeria	from Morocco	from Tunisia	from the Maghreb countries
from 1 January to 30 November 1974 (in hectolitres)	770,837	335,326	537,003	1,643,166

As a percentage of total imports from third countries, imports from the Maghreb countries have fallen to 31.6%.

10. The figures given in the last report on the wine sector already referred to also confirm this drop in imports from the Maghreb countries, though it must be pointed out that these figures refer only to import licences. Between December 1974 and May 1975, imports fell by comparison with the same period in the previous year from 1,186,000 hectolitres to 451,000 hectolitres (for Algeria from 753,000 to approximately 216,000 hectolitres). According to the information supplied by Commissioner Lardinois (1 million hectolitres in eight months from all countries of origin) it may be estimated that the probable volume of all imports for 1975 will reach 1.5 million hectolitres, which is still lower than the quantities estimated for the Maghreb countries alone in 11 months of 1974. It is clear that there has been a sharp decline by comparison with the averages prior to the market organization of 1970 and also by comparison with the 4,500,000 hectolitres (approx.) exported from North Africa to the Community in 1973, a year, as has been said, of high prices. However, it should also be noted that the quantities for 1974 for Algeria, Morocco and Tunisia are considerably higher than the averages for 1971 and 1972, when the surplus crisis was not yet so serious. Judging by the import licences, however, the quantities for 1975, although it is very difficult to estimate them as yet, should once again reach these average figures. It would seem, therefore, that the machinery of production and the tariff mechanisms have not enabled the colume of these imports to be adapted to the state of the internal market.

11. All of this gives rise to a certain uneasiness. Imports from the Maghreb countries should not be victimized, but they must be constantly kept under supervision, as the statistics quoted above clearly show. It is in fact true that the prohibiting of mixing - as reflected in the statistics for 1970 onwards - has resulted in a reduction, especially in Belgium, the Netherlands and Germany. But the production of the Maghreb countries would seem to have adjusted itself to the new situation, and even towards the

[1] See 'The Common Market in wine', p. 291, table 102

end of the sixties the proportion of wine of less than 13° had started to rise in relation to total exports. Under normal conditions and in the absence of fraud this should be wine for immediate and direct consumption. And it is precisely this type of wine, which is extremely sensitive to short-term economic disturbances far more so than quality wines. A quality wine has its own structural market. A table wine for immediate consumption is far more mobile. This was demonstrated in 1973, with the strong surge in imports attracted by good average Community price levels.

12. Hence the need for the Community to have at its disposal tariffs and other protective mechanisms enabling it to regulate the inflow in accordance with the rapid development of the internal wine situation. In the present disastrous surplus situation protective measures have become indispensable. We should at least avoid the mistakes of 1973. The amendment of Article 33a of the basic regulation, also adopted on 23/24 June last and relating to the special distillations resulting from imports from the Maghreb countries, will certainly be of practical value.

The Mediterranean negotiations

13. In the present situation it is not possible to say exactly how the negotiations stand, particularly in the light of the decisions adopted by the Council on 23/24 June on the internal readjustments to the common agricultural policy. This is not a matter for the Committee on Agriculture. These are complex talks for which the Council has on several occasions given the Commission a negotiating mandate (e.g. on 18/19 June 1973 and 22/23 July 1974). It is however apparent that the preferential arrangements (temporary reduction of 40% of the duty) are based on the requirements of the original basic rules. It is a temporary arrangement which will certainly be replaced by other and undoubtedly more advantageous preferential schemes, but these assume the entry into force of the strengthened safeguards provided for in the decision of 23/24 June. The Commission has submitted a proposal for a regulation on this and Parliament gave its opinion on 25 September of this year.[1]

14. In any event the Council's mandate provides that Morocco and Tunisia should be offered an increase in the tariff reduction of 40% to 75%, subject of course to respect for the reference price. The proposals are even more advantageous to Algeria. Although the prohibition on coupage remains, the tariff exemption should reach 80% for table wines for immediate consumption, while quality wines, the list of which will be finalized during the course of the talks, may possibly be granted a 100%

[1] See Frehsee report, op. cit.

exemption. In the framework of the five-year financial aid programme Algeria should also receive 12 million u.a. to be used for the reconversion of vineyards.

The surplus crisis in the wine market and imports from the Mediterranean

15. If the Committee on Agriculture is to make a proper evaluation of the political experience of extending until 31 August 1976 the 40% suspension of duty, it can disregard neither the extremely serious surplus situation which has now prevailed for more than two years, nor the more recent developments in Community wine policies. The last wine report admitted openly that we are at the beginning of a structural surplus situation[1]. The statements made by Commissioner Lardinois during the debate in the Chamber on 25 September confirms this assessment. Even if the 1975 grape harvest leads to a 10% cut in production compared to 1974, it is already clear that this year too will fill the cellars to bursting with stocks which will have to be carried over until the beginning of the next growing year. The Committee on Agriculture does not have the most recent figures. According to data supplied by the Commission on 11 April last, the amount in storage at the beginning of the present growing year amounted to some 87 million hectolitres. By the beginning of next this figure could well reach over 100 million hectolitres.

16. It is worth noting that in similar circumstances the logic of the common agricultural policy would lead directly to the application of the safeguard clause. This is what happened in the case of beef. In the case of wine, on the other hand, at least as regards the Mediterranean, we are in the process of dismantling tariffs. This applies to imports of Port, Madeira, Xeres, Malaga and similar wines from Portugal and Spain[2], to the suspension of tariffs in favour of Turkey, Morocco, Tunisia and Algeria, to the special arrangements for Cyprus sherry, and to the arrangements being offered, under the Association Agreement, for Greek wine.

17. To these general considerations may be added a number of special cases, some of them very recent, which taken together would suggest the need for maximum prudence as regards wine imports. Facilitating imports does in fact appear paradoxical when at the same time, the Community is preparing to expand the system of export rebates to third countries, and reduce the internal availability of wine. It is also probable that the rebates

[1] See report op. cit., pp. 7, 8, 10 and 11

[2] See Klepsch report, debated on 26.9.75

decided by the Community in mid-September will end up by damaging the positions won on the markets of certain third countries, above all by Algerian wine, which has in the meantime been offered preferential access to our market. It is a real vicious circle.

18. At the same time account must also be taken of the progress being made in renewing the basic regulation. Some agreement now appears to have been reached in the Council to block new plantings every two years, but this would be to risk another paradox, for in putting the brake on Community wine production and at the same time facilitating the entry of wine from third countries, the latters' vineyards would not be subject to the controls which the Community plans to impose on its own. Nor can we simply disregard the levy which France has been applying, since 1 September, to imports of Italian wine, of the same type as that coming from the Maghreb.

It might be felt that the Community will have some difficulty in accommodating two diametrically opposed policies; one restrictive and protectionistic towards internal trade and one open to trade from outside. The crack which has now appeared in the system of free movement of Community products is liable to influence also the arrangements to be offered to third countries.

19. In formulating its Mediterranean policy, the Community is now offering to the countries of this part of the world the same 'pact' as it applied on its own foundation in the fifties: the agricultural areas give special encouragement to exports from the industrialized regions, and the latter take an increasing proportion of their agricultural products in return. This 'pact' justifies the connection between the Mediterranean regions of the Community and the industrial complex of the North and North West of the Continent. Industry would no doubt benefit from access to the entire Mediterranean area; but it would be far less beneficial for the South of France, say, or Italy, if the Community should insist on balancing the deal by facilitating access of products such as wine, citrus fruits and olive oil which compete directly with those from its own Mediterranean regions. The balance should in fact be sought through products such as soya and other protein-rich products in which the Community is lacking and for which it relies on other parts of the world. The Community could, for example, encourage Algeria to grub up a proportion of its vineyards and plant soya instead, and could offer an immediate arrangement of combined premiums (grubbing up and planting). It might even be possible to finance this by using the income deriving from tariffs levied on wine imports which the Community in view of the structural surpluses existing on its own internal wine market, might be persuaded to make subject to a non-preferential customs regime.

20. Your rapporteur is aware that these general proposals are only realistic in the long term. Some of them may simply seem like castles in the air. They should certainly be given more thought on the agronomic level. They do, however, possess the merit of laying the foundations of a Mediterranean policy which would be complementary rather than competitive and not solely to the detriment of agricultural production in the South of the Community.

Conclusions

21. Leaving aside for the moment the 'long term' prospects, there were a number of possible solutions to the problem of imports from the Maghreb countries and Turkey: the suspension of imports; restoration of the full duties and consequent rejection of the extension; granting of the 40% duty exemption, but only for a few months and for specific quotas, based on last year's monthly averages; or acceptance of the extension proposed by the Commission.

The Committee on Agriculture discussed these possibilities very thoroughly and in the light of the immediate requirements set out in the preceding paragraphs. In particular, the rapporteur argued that it would be advisable to accept the Commission's proposal that the suspension of the duties be extended, not, however, for the entire period, i.e. up to 31 August 1976, but only until 31 January. In the course of the discussion, however, the possible disadvantageous aspects of this solution were pointed out, such as the likelihood that imports of Algerian wine would be speeded up and increased during the brief period for which the duties would still be suspended and, in addition, the short space of time available which would not allow all the new regulations in this sector to be put into force in time.

By a majority, therefore, the Committee on Agriculture adopted the proposed extension without amendments, reiterating, however the need for an overall solution to the problems of the wine-growing sector with simultaneous decisions on reform of the basic regulations, definitive rules on imports and the restoration of the free movement of wine within the Community.

OPINION OF THE ASSOCIATIONS COMMITTEE

Draftsman: Mr G. BOANO

On 23 September 1975 the Associations Committee appointed Mr BOANO draftsman. It considered the draft opinion at the same meeting and adopted it unanimously.

Present: Mr Schuijt, chairman; Mr Hansen, Mr De Clercq, Mr Cousté, vice-chairmen; Mr Boano, draftsman; Mr Barnett, Lord Bethell, Mr Corrie, Mr Patijn, Mr Vandewiele.

1. Pending the introduction of definitive arrangements for imports of wine originating in Algeria, Morocco, Tunisia and Turkey, the Council has adopted regulations providing for the temporary partial suspension of the Common Customs Tariff duties on wines originating in and coming from the above countries[1].

2. These regulations have already been renewed three times and the purpose of the present proposal is to extend their validity a fourth time.

3. The European Parliament has in past years delivered favourable opinions on the extension of the validity of the above regulations[2].

4. Since the renewal of these regulations raises no particular problems, and to avoid any interruption in the flow of wine exports from those countries into the Community, without prejudicing the interests of Community producers, the committee approves the Commission's proposal for a regulation.

[1] Reg. (EEC) No. 2313/71 and Reg. (EEC) No. 2823/71

[2] Rapporteur: Mr DELLA BRIOTTA, Doc. 186/74