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OPINIONS

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of the Committee on Agriculture
and the Committee on External Economic Affairs

on the proposals from the Commission of the European Communities to the
Council (Doc. 81/75) for

- I. a regulation opening, allocating and providing for the administration of a
Community tariff quota for the products falling within subheading 22.09 C I
of the Common Customs Tariff
- II. a regulation relating to the arrangements applicable to certain agricultural and
processed agricultural products originating in the African, Caribbean and
Pacific States (or in the Overseas Countries and Territories)

PE 40.740/fin.



Opinion of the Committee on Agriculture

Draftsman: Mr Frankie Hansen

On 22 May 1975 the Committee on Agriculture appointed Mr Hansen draftsman of the opinion. It considered the draft opinion at its meeting of 16 June 1975, and adopted it by eight votes for, with two abstentions.

The following were present: Mr Houdet, chairman; Mr Votrone, vice-chairman; Mr Hansen, draftsman; Mr Bourdelles, Mr Brégaère, Mr Cifarelli, Mr Liogier, Mrs Orth, Lord St. Oswald and Mr Zeller.

The purpose of the Commission's proposals

1. In the course of the negotiations between the ACP countries and the EEC, it became clear that, despite all the diligence of those concerned, the renewal and enlargement of the Association would not be achieved before the expiry of the Yaoundé and Arusha Agreements.

2. Consequently, the Commission submitted to the Council proposals¹ providing for two transitional stages :

- the first, extending the Yaoundé and Arusha Agreements until 30 June 1975;
- the second, providing for the advance implementation of certain provisions of the future convention, particularly in the trade sector.

3. On the occasion of the signing of the Lomé Convention on 28 February 1975, it was agreed, in an exchange of letters, to apply autonomously from 1 July 1975 certain provisions relating to trade in goods, including those in the agricultural and agricultural processed products sectors².

4. The purpose of these present proposals is to give effect to this second transitional stage in the agricultural sector³.

5. The trade advantages to be accorded to the ACP countries are also to be extended to the Overseas Countries and Territories on the grounds that : these countries and territories should not suffer from less favourable treatment; and that a number of these will soon be reaching independence and will be eligible to adhere to the Lomé Convention.

6. Accordingly, the European Parliament is called upon to give its opinion on three regulations applying the provisions of that Convention and the exchange of letters :

- (a) a proposal to open and allocate a Community tariff quota from 1 July 1975 until 30 June 1976 for rum from ACP states;
- (b) a proposal for a regulation to provide for the advance implementation of the import arrangements laid down in the Lomé Convention for certain agricultural and agricultural processed goods originating in the African, Caribbean and Pacific States. This import

¹ Doc. 433/74

² Mentioned in Article 2(2) of the Convention

³ Other proposals seek to give effect to this transitional stage in the industrial sector

regime is to provide:

- more favourable treatment than that accorded to Third Countries for products subject to measures in addition to customs duties (variable levies or quantitative restrictions)
- exemption from customs duties for those products for which those duties are the only measures applied;

(c) a recommendation for a regulation extending identical provisions to trade between the Community and the Overseas States and Territories for an intermediary period from 1 July 1975.¹

7. In cases of sensitive products (such as beef and veal, oils and fats, rice, fruit and vegetables, unmanufactured tobacco and certain nursery products) provision is made for appropriate safeguard measures in cases where the Community market should be unduly disturbed, or for import ceilings to prevent such disturbances occurring.

Import regime for rum, arrack and tafia from ACP States

8. Article 2(1), together with Protocol No 7, of the Lomé Convention, provides for the duty free import of rum, arrack and tafia into the Community.

9. This duty free entry is to be restricted to an quantity calculated on the basis of the largest imports in the last three years, increased by an annual growth rate of 40% for the British market and 13% on the other Community markets.

10. The Lomé Convention, in an exchange of letters, provided for the autonomous advance implementation of this tariff measure during the period 1 July 1975 to 29 February 1976. It is proposed that this should be autonomously extended until 30 June 1976 so as not to disturb seasonal trade fluctuations.

11. Imports of the products concerned during the last three years for which complete statistics are available were as follows :

| | - in hectolitres of pure alcohol - | | |
|-----------------|------------------------------------|----------------|----------------|
| | 1971 | 1972 | 1973 |
| Benelux | 982 | 1,852 | 2,420 |
| Denmark | 2,203 | 3,243 | 2,604 |
| Germany | 7,896 | 8,904 | 10,493 |
| France | 12,291 | 5,249 | 5,397 |
| Ireland | 1,300 | 1,900 | 3,100 |
| Italy | 231 | 416 | 496 |
| United Kingdom | 95,130 | 109,640 | 126,290 |
| TOTAL EC | 120,033 | 131,204 | 150,800 |

¹ The opinion of the Committee on Agriculture on this recommendation is given separately, Doc. 131/75/Annex.

12. Consequently, on the basis of the growth rates given above, the Community tariff quota proposed has been fixed at 204,503 hectolitres of pure alcohol.

13. This Community quota has been allocated among Member States on the basis of maximum imports over the last three years, as follows :

| | | | |
|---------|-----|----------------|------|
| Benelux | 1.5 | Ireland | 2.0 |
| Denmark | 2.0 | Italy | 0.3 |
| Germany | 6.6 | United Kingdom | 79.8 |
| France | 7.8 | | |

14. As is common in such tariff quotas, these initial shares have been divided into two tranches, to take into account future import trends, equivalent to 90% of quota volumes, as follows :

| | | | |
|---------|---------------------------|----------------|----------------------------|
| Benelux | 2,760 hl of pure alcohol | Ireland | 3,680 hl of pure alcohol |
| Denmark | 3,680 hl of pure alcohol | Italy | 560 hl of pure alcohol |
| Germany | 12,140 hl of pure alcohol | United Kingdom | 146,830 hl of pure alcohol |
| France | 14,350 hl of pure alcohol | | |

A second tranche of 20,503 hectolitres constitutes a reserve and upon which members can draw a second share equal to 15% of its initial share. Further third and fourth shares are to be equal to 7.5% of the initial share.

15. Those quantities to be imported free shall be fixed each year until the entry into force of a common organisation of the market in alcohol¹.

Proposed import regime for certain agricultural and processed agricultural products

16. Article 2(2) of the Lomé Convention lays down that :

- (a) those products subject to import measures, in addition to customs duties, shall be granted more favourable treatment than that accorded to Third Countries:
beef and veal, certain processed fruit and vegetables, cereals, rice, processed cereals and rice, certain processed agricultural products, fish, certain fruit and vegetables, certain oils and fats, and tobacco;
- (b) those products presently subject only to customs duties are to be admitted free:
flax and hemp, hops, silkworms, nursery products, seeds, dehydrated fodder and other products listed in Annex II to the Treaty.

¹ The products under consideration here (rum, arrack and tafia) are considered at the moment as industrial products, not being included in Annex II of the Treaty.

17. Advantages granted are to be combined with safeguard measures or import ceilings, in the case of beef and veal, oils and fats, rice fruit and vegetables, tobacco, so as to restrict imports in the event of a disturbance on the Community market, or prevent such disturbances occurring.

Advantages granted by sector

18. Taking the import advantages to be granted, sector by sector, the picture is as follows :

Beef and veal

19. The products of the beef and veal sector are to be imported free of customs duties.

20. The exemption from customs duties shall be partially or totally suspended, on a proposal from the Commission and a decision taken by the Council by a qualified majority, when imports into the Community of live bovine animals from an ACP state exceed the greatest annual imports recorded between 1969 and 1974, increased by an annual gross rate of 7%.

Fishery products

21. Fresh, chilled, frozen, salted, dried, smoked, prepared or preserved fish crustaceans and molluscs, and their flours and meals, are to be imported free of customs duties.

Oils and fats

22. Oil seeds and oleaginous fruits, fats and oils, margarine, residues of oil cakes (excluding olive oil and its products), are to be imported free of customs duties.

23. Should the volume of imports of oil seeds undergo any appreciable change, the Council is to take special measures.

Cereals

24. The following cereals are to be imported, subject to the levy laid down in the appropriate regulations reduced by :

- 1.50 u.a. per tonne in the case of maize;
- and 50% in the case of millet and grain sorghum.

Rice

25. The levy applicable to rice shall be reduced by 50%, and a further figure per 100 kg.:

- 0.30 u.a. for paddy and husked rice;
- 0.45 u.a. for semi-milled and milled rice;
- and 0.25 u.a. for broken rice.

26. These provisions shall only apply if the c.i.f. export price and the applicable levy are equal to or more than :

- the threshold price for husked rice, milled rice and broken rice, reduced by 0.30, 0.45 and 0.25 u.a. respectively;
- for paddy rice, the threshold price of husked rice, adjusted by reference to the conversion rate, manufacturing costs and the value of by-products, reduced by 0.30 u.a.

27. Imports of rice from the ACP countries are to be suspended partially or totally when they exceed average imports over the previous three years, increased by 5%.

Products processed from cereals and rice

28. The levy applicable to the following products shall be the levy applicable reduced by the fixed component : products processed from cereals and rice¹.

The variable levy shall be reduced :

- by 0.15 u.a. per 100 kg. for roots and tubers, such as manioc, arrowroot and sweet potatoes;
- by 0.30 u.a. per 100 kg. for flours and meals from the above products;
- by 50% for certain other starches.

The variable component is not to be charged on arrowroot.²

Fruit and vegetables

29. The following products are to be imported free of customs duties :

fresh or chilled leguminous vegetables, radishes (*Raphanus satinus*), sweet peppers and certain other vegetables; fresh or dried grapefruit and certain other citrus fruits; papaws and passion fruit; and certain other fresh fruits of the exotic varieties.

30. Fresh or dried oranges and mandarins are to be subject to customs duties equal to 20% of the Common Customs Tariff.

31. If serious disturbances arise following substantial increases in imports of these products from ACP countries, or if they should lead to a deterioration in the economic situation of a region in the Community, the Commission may take, or authorise the Member State or States to take, the necessary safeguard measures.

¹ As laid down in Annex A of Regulation No 120, O.J. No 117, 19.6.1967, p. 2269; and in Article 1(1)(c) of Regulation No 359 of 25.7.1966, O.J. No 174, p. 1.

² Overseas Countries and Territories only

Products processed from fruit and vegetables

32. Products processed from fruit and vegetables are to be imported free of customs duties.

The following products are not to be subject to the levy on added sugars laid down in Article 2 of Regulation (EEC) No 865/68¹ :

- certain prepared or preserved grapefruit segments; pineapples; mixtures of pineapples, papaws and passion fruit²;
- certain pineapple juices; and pineapple, papaw and passion fruit juice mixtures².

Unmanufactured tobacco

33. Unmanufactured tobacco is to be imported free of customs duties.

34. If serious disturbances arise as a result of substantial increases in imports from ACP countries, or if they lead to the deterioration in the economic situation of a region, the Commission may take, or authorise a Member State or States to take, the necessary safeguard measures.

Certain goods resulting from the processing of agricultural products

35. Goods manufactured from basic agricultural products (cereals, milk or cream, butter, beet and cane sugar and molasses) are subject, according to Article 5 of Regulation (EEC) No 1059/69,³ to :

- a fixed ad valorem duty;
- and a variable component to take into account the difference between prices of basic products in the Community and those in Third Countries.

36. The fixed component is not to be charged on imports from ACP countries.

37. The variable component is not to be charged on the following :

white chocolate, chocolate and chocolate goods; sugar confectionery; certain flours, etc. used as infant food or for dietic or culinary purposes; tapioca and sago; certain breads, biscuits, cakes and pastries containing 50% or more weight of starch and less than 5% sucrose.

¹ O.J. No L 153, 1.7.1968, p. 8.

² Not containing added spirit

³ O.J. No L 141, 12.6.1969. p. 1.

38. These provisions may be adapted by the Council to take into account Community market trends.

Other Markets

39. The following are to be admitted free of customs duties :

flax and hemp, hops, silkworms, seeds, dehydrated fodder, nursery products (with the exception of cut flowers, foliage and branches, fresh or dried, suitable for bouquets or ornamental purposes¹) and other products in Annex II of the Treaty.

Observations

40. The 46 countries signatories to the Lomé Convention are amongst the poorest in the world, with an average per capita GNP of \$148.

The Community is the largest trading partner, taking 54% of their exports. In 1973 Community agricultural imports from ACP countries amounted to \$1,018 million (13.4% of the total from Third Countries).

41. For the great majority of products covered by this proposal, there is almost no competition between those products exported by these tropical African, Caribbean and Pacific countries and Community agriculture.

42. There are, for example, virtually no beef imports if one compares the export figures with those of total Community imports.

43. Total imports of fresh, frozen and preserved fish are equally limited :

| | <u>Fresh and frozen</u> | <u>Preserved</u> |
|-------|-------------------------|------------------|
| World | 360,827 | 118,196 |
| EAMA | 8,480 | 36 |
| AOM | 7,000 | 950 |
| ACP | 9,288 | 0 |

44. Tobacco imports from ACP countries are similarly limited in importance :

| | <u>Imports EEC (6) 1972</u> |
|-------|-----------------------------|
| World | 345,258 |
| ACP | 9,264 |

¹ These products have been excluded since no reference price for imports exists.

45. The more sensitive products are those in the citrus fruit and tobacco sectors. But here, imports from ACP countries of products covered by the agreement are limited :

| | <u>Imports EEC (6) 1972</u> | |
|-----------|-----------------------------|----------------|
| | <u>Mandarins</u> | <u>Oranges</u> |
| World | 464,812 | 1,791,731 |
| AOM | 156,191 | 341,307 |
| EAMA | 26 | 28 |
| other ACP | 68 | 0 |

When compared with imports from Mediterranean countries, the proportion originating from ACP countries is minimal :

| | <u>% of imports from Third Countries</u> | |
|------------------------------|--|------------|
| | <u>Mediterranean</u> | <u>ACP</u> |
| tobacco | 12% | 5.6% |
| fruit juices | 37% | 4.3% |
| vegetables | 50% | 3.7% |
| bananas and fresh pineapples | 50% | 5.0% |

Conclusions

46. The Committee on Agriculture approves the Commission's proposal to establish a tariff quota for rum, arrack and tafia, but wishes to express its reservations as to the distinction made between the British and other Community markets in the calculation of duty free quantities.

47. In January 1975 the European Parliament declared itself in favour of an interim agreement to take effect on 1 July 1975 to permit a transitional period between the old association agreements (Yaoundé, Arusha and Council Decision of 29 September 1970 concerning the Overseas Countries and Territories) and the implementation of the Lomé Convention.

The Committee on Agriculture is in broad agreement with the proposals on which it has now been called to give an opinion. Safeguard clauses, adapted to the needs of each sector, have been included to protect the most sensitive products.

48. However, concern must be expressed over the possibility of the market being disturbed in those products upon which certain regions heavily rely, and in particular fruit and vegetables, processed fruit and vegetables and tobacco.

There can be no disagreement, in principle, to the granting of the agreed concessions to these developing nations. But underdeveloped regions in the Community should not be made to pay the cost.

49. Consequently, to ensure that those regions producing citrus fruit, products of citrus fruit and tobacco should not suffer, the market organisation of those products within the Community should be urgently re-examined to prevent loss of income occurring. These complementary measures could most appropriately be in the form of premiums, or an increase in premiums, to producers¹.

50. At the same time, import control procedures must be rigorously enforced to ensure that reference prices for produce from ACP and other Third Countries are strictly observed.

51. Subject to the above observations, the Committee on Agriculture believes that it can approve the Commission's proposals.

¹ The Council has taken note of the French delegation's request that the need to compensate Community producers for concessions granted to ACP countries should be incorporated into any future reorganisation of the common markets of the fruit and vegetable sectors.

Opinion of the Committee on External Economic Relations

Draftsman: Mr E. Muller

On 20 May 1975 the Committee on External Economic Relations appointed Mr Emile Muller draftsman of the opinion.

At its meeting of 10 June 1975 the committee considered the draft opinion and adopted it, with one abstention.

The following were present: Mr Kaspereit, chairman and deputy draftsman; Mr Thomsen, Mr Bermani and Mr Boano, vice-chairmen; Lord Bethell, Mr Cousté, Mr Dunne, Mr Schwörer (deputizing for Mr Schulz) and Mr Spicer.

1. As it is likely to take some considerable time before the Lomé Convention is ratified and enters into force, the Community has agreed in an exchange of letters with the other parties to the Convention to take autonomous measures as regards customs duties and trade so as to ensure the continuity of trade by the advance application of the relevant provisions.

2. With respect to the first proposal for a regulation submitted by the Commission, Article 2(1) of the Lomé Convention and Protocol No. 7 provide for a maximum quantity to be fixed annually of the products falling within subheading No. 22.09 C I of the CCT (rum, arrack and tafia) and originating in the ACP countries to be exempt from customs duty on importation into the Community.

Letters exchanged in Lomé provide for the autonomous advance implementation of this tariff measure from 1 July 1975 to 29 February 1976. The first proposal made by the Commission in this connection is that the application of this measure should be extended to 30 June 1976 in order not to disturb seasonal fluctuations in the trade in these products.

3. Otherwise, the first proposal for a regulation contains provisions on opening, allocating and providing for the administration of a Community tariff quota for the abovementioned products and period for an imported quantity of 204,503 hectolitres of pure alcohol.

As usual, this tariff quota is divided into two tranches, the first being allocated amongst the Member States on the basis of the largest quantities imported annually during the last three years and the second held as a Community reserve.

As already stated, this proposal for a regulation covers technical measures to be taken to implement some of the agreements between the Community and the ACP States. The Committee on External Economic Relations approves these measures in principle but points out that the annual growth rates of 13% and 40% by which it is proposed the largest quantities imported should be increased are not in line with the development of imports by the various Member States in the past and that the considerable difference between the two percentages may disturb the development of the Member States' markets.

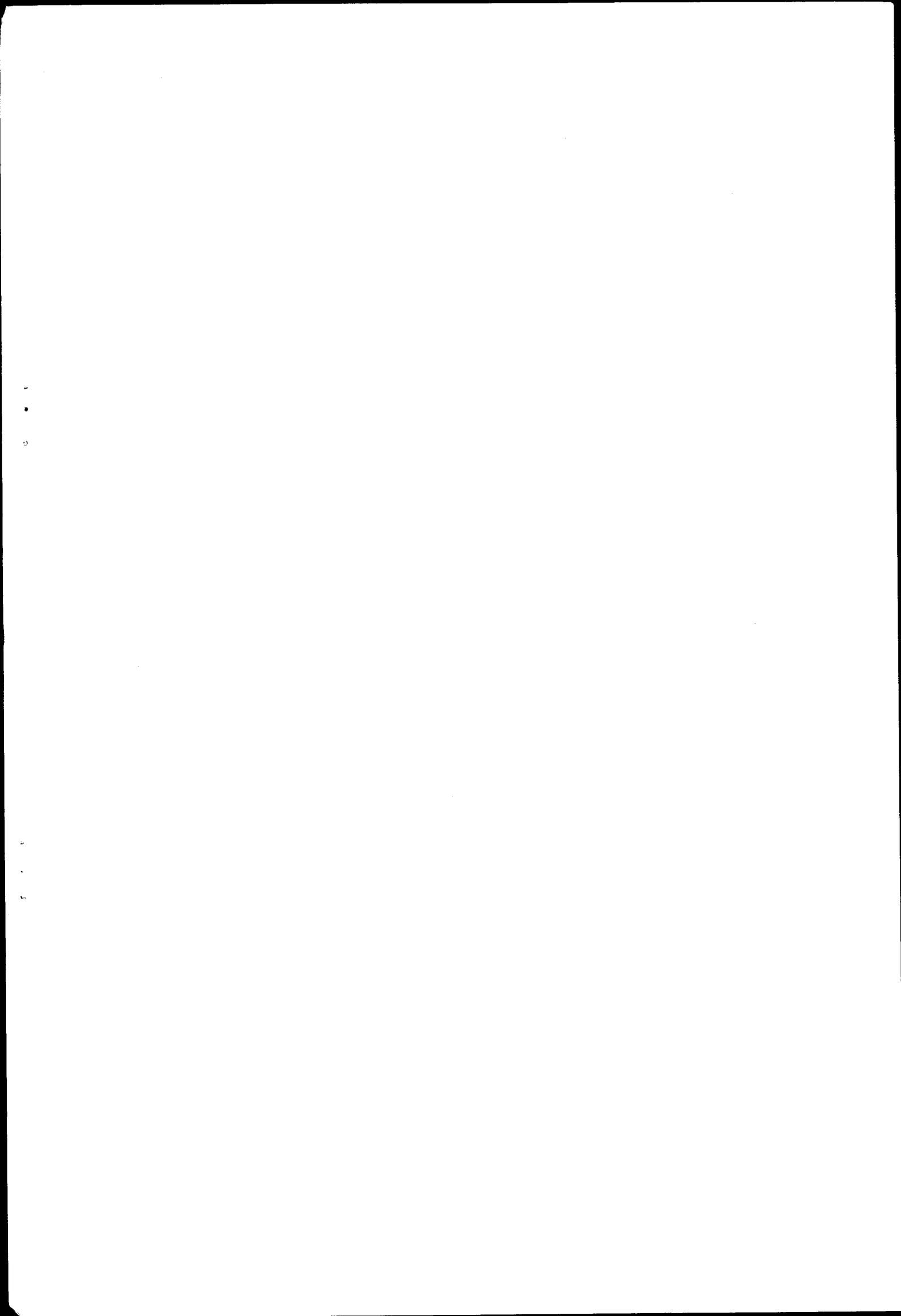
4. The second proposal for a regulation concerns another field dealt with in Article 2(2) of the Lomé Convention. It proposes autonomous implementing measures for the advance application of the Convention. In particular

- agricultural products which come under a common organization of the market within the meaning of Article 40 of the Treaty and goods subject, on importation into the Community, to specific rules introduced as a result of the implementation of the common agricultural policy will, as a general rule, be assured of more favourable treatment than the general treatment applicable to the same products originating in third countries, where Community rules provide, in addition to customs duties, for the application of other measures relating to their importation;
- goods to which, apart from customs duties, no other measures relating to their import apply as a result of the common organization of the market will, under the Lomé Convention, be exempt from customs duties.

5. This proposal for a regulation concerns not only the ACP countries, but also the Association of the Overseas Countries and Territories with the EEC, and this ensures that these countries and territories will not suffer any disadvantage. The products concerned are many and varied, extending from beef and veal, fishery products, oleaginous products and cereals to fruit and vegetables and so on. It would appear to be important that the Commission reserves the right to take appropriate measures if practically any of these products and the concessions granted cause disturbances of the market or unfavourable developments. This particularly applies to the sensitive tobacco, fruit and vegetable sector.

In addition, provision is made for special measures to strengthen the existing close trade links between the ACP countries and the French overseas departments in particular.

6. Provided that the precautions and protective measures proposed by the Commission are effective and sufficiently flexible, especially in the event of major changes or disturbances in the market, the Committee on External Economic Relations approves this proposal for a regulation.



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