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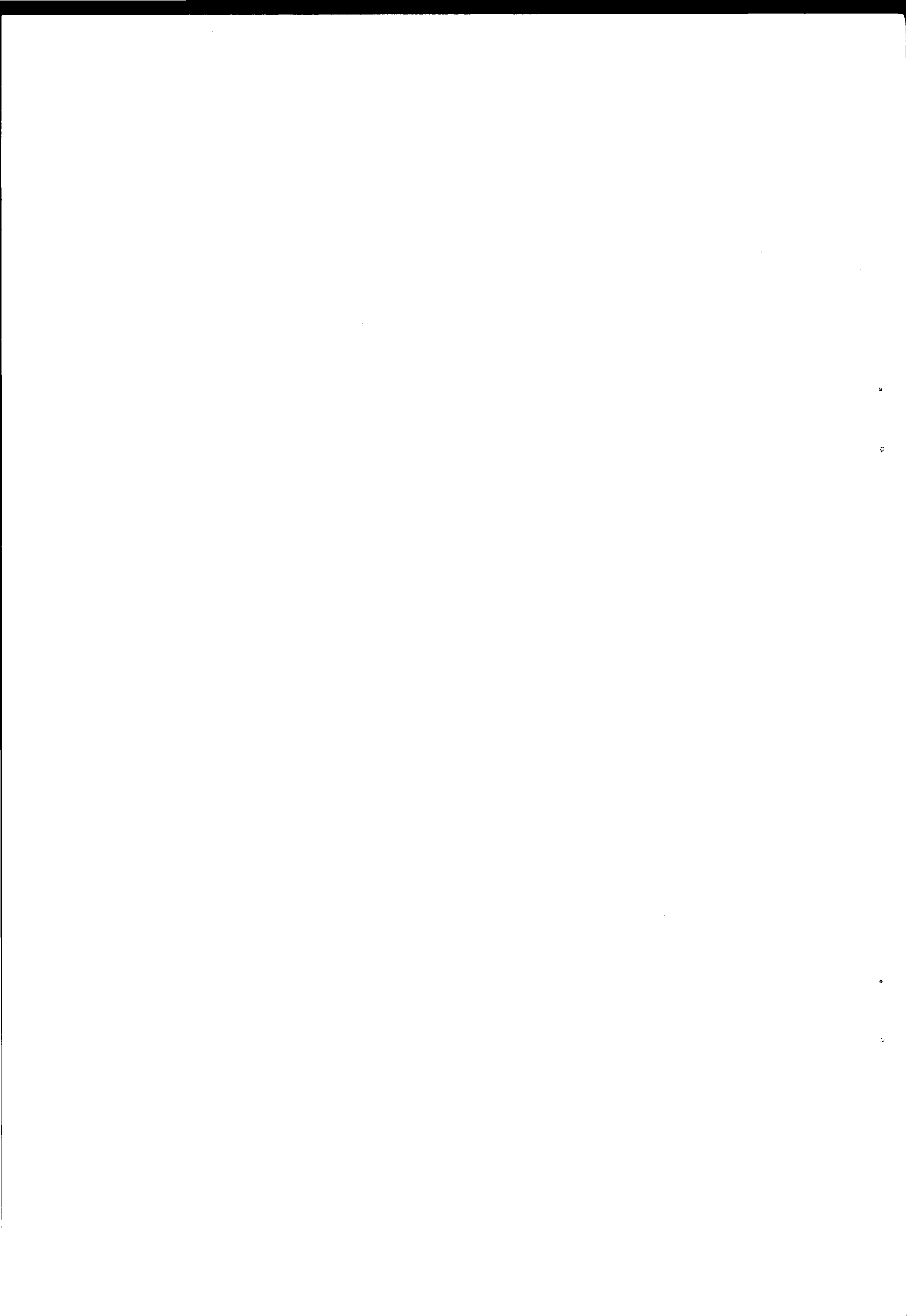
Report

drawn up on behalf of the Committee on Development and Cooperation

on the proposal from the Commission of the European Communities to the Council (Doc. 38/77) for a regulation amending Regulations (EEC) No. 1599/75 and No. 706/76 on the arrangements applicable to agricultural products and certain goods resulting from the processing of agricultural products originating in the African, Caribbean and Pacific States or in the overseas countries and territories

Rapporteur: Mr M. MARTINELLI

PE 48.557/fin.



By letter of 1 April 1977 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation amending Regulations (EEC) No. 1599/75 and No. 706/76 on the arrangements applicable to agricultural products and certain goods resulting from the processing of agricultural products originating in the African, Caribbean and Pacific States or in the overseas countries and territories.

The President of the European Parliament referred this proposal to the Committee on Development and Cooperation as the committee responsible and to the Committee on Agriculture and the Committee on Budgets for their opinions.

The Committee on Development and Cooperation appointed Mr Martinelli rapporteur on 28 April 1977.

On 25 May 1977 the motion for a resolution and explanatory statement were considered in detail and adopted unanimously.

Present: Miss Flesch, chairman; Mr Lagorce and Mr Bersani, vice-chairmen; Mr Martinelli, rapporteur; Mr Broeksz, Lord Castle, Mr Deschamps, Mr Glinne, Mr O. Hansen (deputizing for Mr Dondelinger), Lord Reay, Mr Schuijt, Mr Vernaschi and Mr Wawrzik.

The opinions of the Committee on Agriculture and the Committee on Budgets are attached.

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The Committee on Development and Cooperation 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 amending Regulations (EEC) No. 1599/75 and No. 706/76 on the arrangements applicable to agricultural products and certain goods resulting from the processing of agricultural products originating in the African, Caribbean and Pacific States or in the overseas countries and territories

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council¹,
 - having been consulted by the Council (Doc. 38/77),
 - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Agriculture and the Committee on Budgets (Doc. 131/77),
1. Notes with regret that the system in force under the former regulation did not function properly and led to imbalances because;
- in the case of rice, it transpired that the provision on the prevention of deflections of trade was superfluous since Articles 8 and 9 of Regulation No. 706/76 stipulate that in the case of imports from the ACP States or the OCT into the Community account must be taken of the threshold price reduced by the accession compensation amount, thus excluding the possibility of any deflection of trade and avoiding distortion of competition for the importers;
 - the preferential position of the ACP States and the OCT has sometimes been handicapped by the fact that the 'accession compensation amounts' have cancelled out the reduction in the import levy (Regulation No. 1599/75);

¹ OJ No. C 81, 1.4.1977, p.9

2. Hopes that the new arrangements will enable the technical and other obstacles to trade to be eliminated;
3. Expresses the earnest desire to see the products in question from the ACP States and the overseas countries and territories given equal treatment when imported into Community countries;
4. Trusts that the new arrangements will lead to an expansion of trade to the benefit of the ACP States and the overseas countries and territories;
5. Approves, therefore, the Commission's proposal.
 - since it corrects a technical error made in the past and makes an exception for rice in the provisions on deflection of trade (second paragraph of Article 21 of Regulation No. 706/76);
 - since it aims at enabling a refund to be paid for rice imported into the Community from the ACP States and the OCT in cases where the accession compensation amounts in trade between the Member States were higher than the import levy.

EXPLANATORY STATEMENT

1. The regulations concerning prior and definitive application of the import arrangements for agricultural products and certain goods resulting from the processing of agricultural products originating in the African, Caribbean and Pacific States (ACP) or in the overseas countries and territories (OCT) lay down measures to avoid deflection of trade in respect of products subject to the application of levies or variable components during the time when accession monetary compensatory amounts are applied for trade in these products between the Community as originally constituted and the new Member States.
2. The application of accession compensatory amounts to the products in question originating in the ACP or OCT is, as a rule, likely to create deflection of trade. Nevertheless, in the case of rice, it has been found that making the advantage granted conditional on the maintenance of a certain level of c.i.f. price, which, taken together with the reduced levy, must roughly correspond to the threshold price, ensures that the importers in each importing Member State are subject to normal conditions of competition, when account is taken of the accession compensatory amounts. In these circumstances the Commission proposes that rice should be excluded from the application of the said provisions, retroactively from the first period of application during which these provisions were effectively in operation, i.e. from 1 July 1975 to 31 December 1975.
3. Council Regulation (EEC) No. 706/76 of 30 March 1976 on the arrangements applicable to agricultural products and certain goods resulting from the processing of agricultural products originating in the African, Caribbean and Pacific States or in the overseas countries and territories provides in particular for the reduction of import levies for certain agricultural products. Some of these products are subject to the system of accession compensatory amounts in trade between the Community as originally constituted and the new Member States. The application of these amounts to products benefiting from the arrangements provided for by Regulation (EEC) No. 706/76 might, as stated above, lead to deflection of trade. Article 21, second paragraph, of this regulation provides, therefore, that measures may be taken to prevent such deflections.
4. There is, however, no danger of a deflection of trade in the case of the products listed in Article 8 of Regulation No. 706/76. This is due to the provision contained in Article 9 of this regulation, whereby the c.i.f. export price, increased by the amount of the reduced levy, must be equal to or greater than the threshold price, adjusted if necessary for the product in question, reduced by a certain amount. The effect of this is that

importers are subject to the normal conditions of competition, irrespective of the importing Member State, account being taken of accession compensatory amounts.

The second paragraph of Article 21 of Regulation (EEC) No. 706/76 is therefore not relevant as regards the products listed in Article 8 of the regulation, and the wording must, therefore, be amended accordingly.

5. The considerations just outlined are also valid during the period of application of the arrangements laid down by Council Regulation (EEC) No. 1599/75 of 24 June 1975 on agricultural products and certain goods resulting from the processing of agricultural products originating in the ACP or OCT, as last amended by Regulation (EEC) No. 405/76. However, the arrangements resulting from the abovementioned regulation need be modified retrospectively only for the period when specific measures to avoid trade deflections were in operation.

6. The old Regulation No. 1599/75, and particularly Article 22 thereof, did not accord the ACP and OCT preferential treatment. As from 1 January 1976 the situation changed, inasmuch as no special arrangements were provided for in the case of accession compensatory amounts, i.e. since 1 January 1976 the ACP and OCT have once again been enjoying full preferential treatment. From 1 July 1975 until 31 December 1975 the system did not function properly, as during this period all the Member States applied the new arrangements independently of each other, except for one Member State, which retained the old version of the regulation. As a result losses were suffered by a number of rice-exporting ACP States and by several European importers. To avoid any possible problems, the Commission therefore decided to amend the existing regulation. The text refers mainly to the import of 35,000 tonnes of rice, mainly from Surinam, with a smaller amount of between 2,000 and 3,000 tonnes coming from Madagascar. Those importers who paid excessively high levies under the old Regulation No. 1599/75, are being refunded half the amount of the levies. All importers in the Community are thus being treated in the same way in respect of imports of rice from the ACP and OCT.

7. Parliament nevertheless notes with regret that different regulations have been applied by the Member States in the past, with the result that importers in the Member States have been subject to different treatment. Parliament therefore supports the new Commission proposal and hopes that it will result in imports of the products in question from the ACP States and the OCT into Community countries being given the same treatment.

Finally, it should be pointed out that the purpose of the new regulation is solely to modify the existing arrangements in the light of experience. The existing basic machinery is not affected and no financial implications are involved beyond those created by the framework which has already been laid down.

OPINION OF THE COMMITTEE ON AGRICULTURE

Letter from Mr HOUDET, chairman of the Committee on Agriculture to
Miss C. FLESCH, chairman of the Committee on Development and Cooperation

Brussels, 27 April 1977

Dear Miss Flesch,

At its meeting of 26 and 27 April 1977¹, the Committee on Agriculture discussed the proposal from the Commission of the European Communities to the Council for a regulation amending Regulations (EEC) No. 1599/75 and No. 706/76 on the arrangements applicable to agricultural products and certain goods resulting from the processing of agricultural products originating in the African, Caribbean and Pacific States or in the overseas countries and territories (COM(77) 86 fin.)

Special provisions have proved necessary to prevent deflection of trade due to the compensatory amounts applied up until the end of this year in connection with the accession of the new Member States from interfering with trade in agricultural products and certain goods resulting from the processing of agricultural products originating in the ACP States or in the overseas countries and territories.

The levies and subsidies applied within the framework of the common agricultural policy are always raised or reduced with the accession compensatory amounts in order to bridge the differences in price levels. In the case of a low levy, products originating in the ACP countries were imported into the original Member States and then sent on to the United Kingdom, with recourse to the advantages of the system of accession compensatory amounts.

Regulation (EEC) No. 706/76² which provides for the reduction of import levies for certain agricultural products, including rice, therefore stipulates that, during the period in which accession compensatory amounts are applied in trade between the Community as originally constituted and the new Member States, measures may be taken as necessary in order to prevent deflection of trade.

¹ Present: Mr Houdet, chairman; Mr Laban, vice-chairman; Mr Albertini, Lord Brimelow (deputizing for Mr Frankie Hansen), Mr De Keersmaeker (deputizing for Mr Creed), Mr de Koning, Mrs Dunwoody, Mr Früh, Mr Guerlin, Mr Ove Hansen, Mr Hoffmann, Mr Hughes, Mr Hunault, Mr Klinker, Mr Pisoni and Lord St Oswald (deputizing for Mr Scott-Hopkins)

² OJ No. L 85, 31.3.1976

As regards rice, however, it now appears that the provision for the prevention of deflection of trade is pointless, since Articles 8 and 9 of the same regulation provide that, for exports into the Community from the ACP countries, the threshold price decreased by the accession compensatory amounts must be respected. This eliminates any possibility of deflection of trade and means that there is no distortion of competition for importers. The draft regulation aims, therefore, to correct a technical error made in the past and exclude rice from the provision on the deflection of trade (Article 21, second sub-paragraph, of Regulation (EEC) No. 706/76).

However, the point of the competition-distorting influence of accession compensatory amounts on trade in the products concerned in respect of the threshold price system in force for rice also has practical consequences. It has happened that the preferential position of the ACP countries was prejudiced by the fact that the accession compensatory amounts cancelled out the lowering of the import levy. Article 22 of Regulation (EEC) No. 1599/75 of the Council of 24 June 1975¹ stipulates that the amount resulting from the reduction may not be less than the highest accession compensatory amounts actually applicable, where appropriate, by the importing Member State on the day of importation in its trade with the other Member States. The proposal, then, aims to make a refund possible for rice which is imported into the Community from the ACP countries and overseas countries and territories in cases where the accession compensatory amounts in trade between the Member States were higher than the import levy. Article 2 of the proposal aims to enable those concerned, at their request, to benefit from the possibility of a refund to compensate for any loss of preferential treatment.

The Committee on Agriculture feels that, if the ACP States have in fact been placed at a serious disadvantage as regards their rice exports to the Community, measures should be taken to inform the countries concerned of their rights in good time so that they may seek compensation for any trade disadvantages via a refund from the Community.

For the rest, the Committee on Agriculture can approve the draft regulation, which contains a technical adjustment aimed at abolishing a provision whose inclusion is no longer justified.

(sgd.) R. HOUDET
Chairman

¹ OJ No. L 166, 28.6 1975

OPINION OF THE COMMITTEE ON BUDGETS

Letter from Mr Lange, chairman of the Committee on Budgets, to
Miss Flesch, chairman of the Committee on Development and Cooperation,
dated 29 April 1977

At its meeting of 28 April 1977, the Committee on Budgets considered a proposal for a Council regulation amending Regulations (EEC) No. 1599/75 and No. 706/76 on the arrangements applicable to agricultural products and certain goods resulting from the processing of agricultural products originating in the African, Caribbean and Pacific States or in the overseas countries and territories (Doc. 38/77).

The overall assessment by the Committee on Budgets of the financial implications of this proposal is favourable. The proposed regulation would adapt arrangements already in force in the light of experience over the first few months of their operation. It does not therefore make any fundamental changes to the machinery set up by the basic texts, nor do its financial implications go beyond those provided for in the original arrangements. The Committee on Budgets therefore has no objections to this proposal on financial grounds.

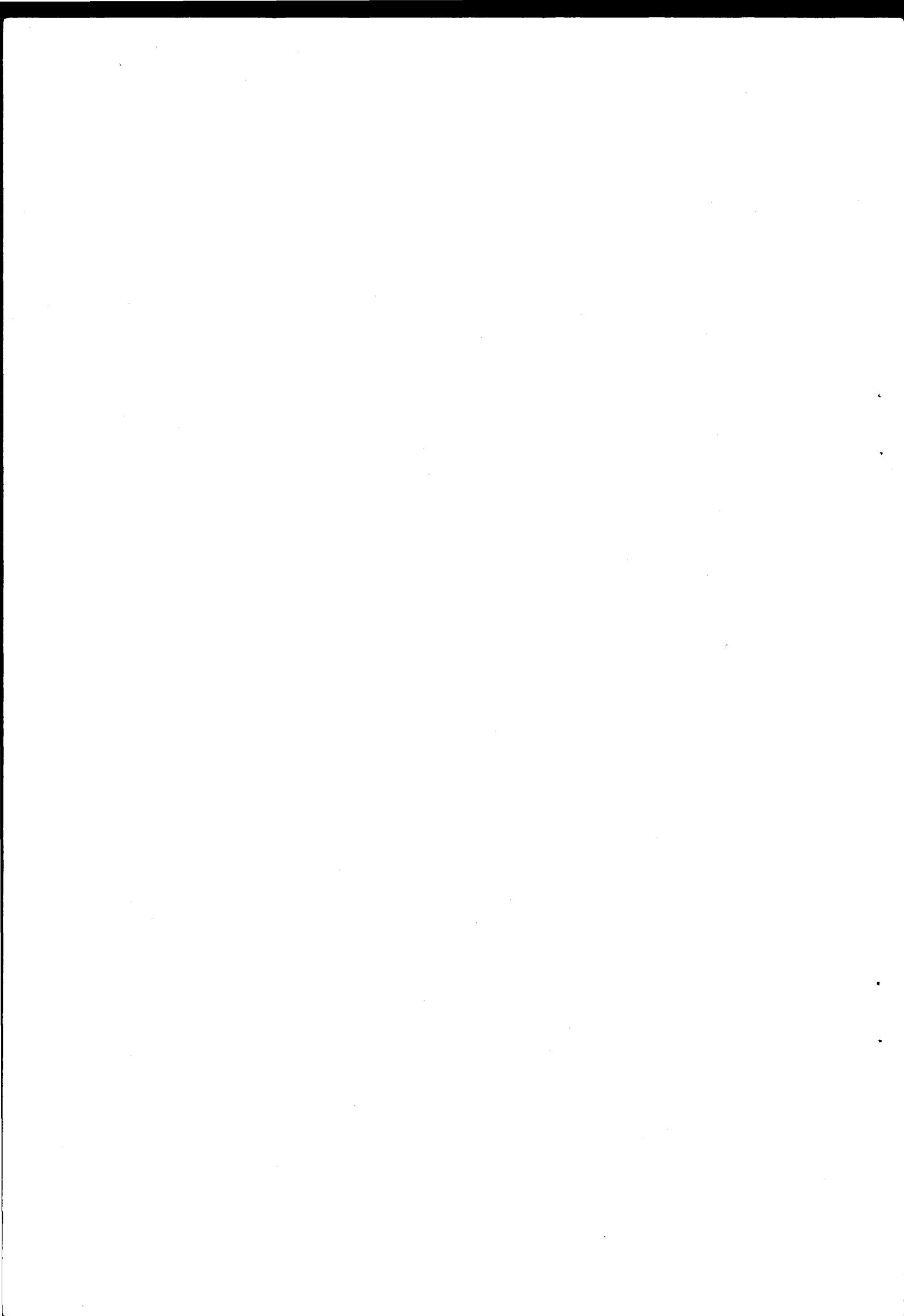
However it must again criticize the Commission's method of amending regulations simply by reference to the basic text. Quite apart from the difficulties this raises for those to whom the regulations are addressed, this procedure makes it practically impossible for Parliament to make an overall assessment of the financial implications.

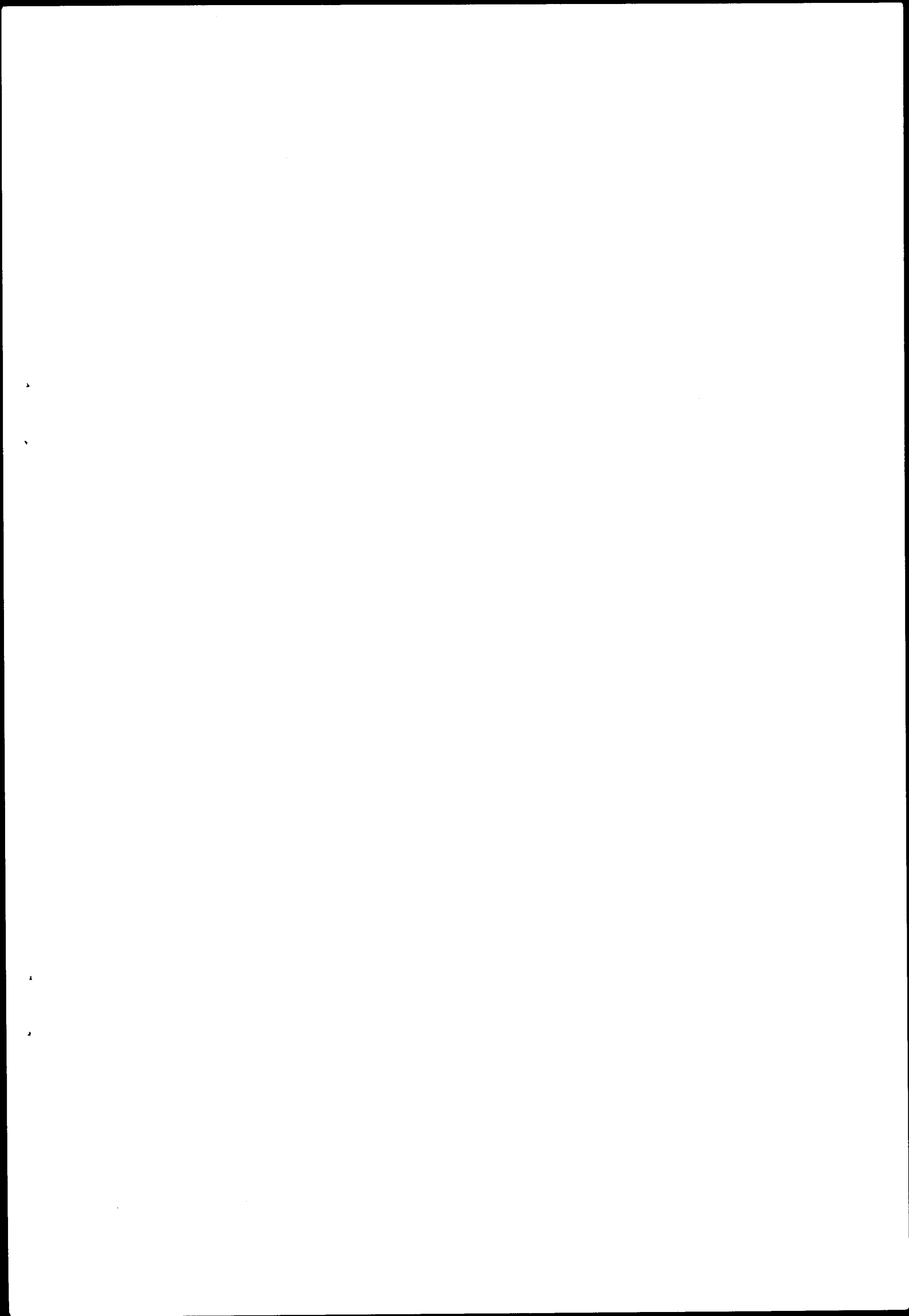
Closing formula.

(s.) E. LANGE

Chairman

Present: Mr Lange, chairman; Mr van Aerssen, Mr Albertini, Lord Bruce of Donington, Mr Dalyell, Mr Fröh, Mr Notenboom, Mr Schreiber, Mr Shaw, Mr Terrenoire and Mr Würtz.





Luxembourg
P.O.B. 1601