

EUROPEAN ECONOMIC COMMUNITY  
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INFORMATION MEMO

Summary of the Commission's Memorandum concerning :

- the financing of the common agricultural policy
  - independent revenues of the Community
  - greater control over the budget given to the European Parliament.
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1. As agricultural markets will have to be regulated continuously, and as Europe is likely to have further agricultural surpluses for the time being, agricultural policy will require considerable financial disbursements. Under the common agricultural policy, this expenditure should be jointly financed. For this purpose an EEC Agricultural Fund was set up in 1962, which assumed responsibility for an increasing proportion of farm expenditure each year until 1964. The two principal matters now to be put in order concern the proportion of this expenditure that should be taken over by the Fund from 1964 and the scale according to which the expenditure should be covered by the Member States.

2. Half of the expenditure had been taken over by the Fund by 1964. The Commission's new proposal makes the answer to the question what share is to be taken over by the Fund in future dependant on when the common agricultural policy and the free agricultural market begin to operate.

If the necessary decisions are taken in good time and the proposed deadline in 1967 is met, the costs involved will be taken over completely by the Agricultural Fund from that year on. As the Fund was already responsible for half

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the sums expended on farm policy in 1964, three more steps are needed if it is to take over all expenditure in 1967. This means that one sixth more of the total remaining costs must be taken over each year. If the common agricultural market does not come into effect in 1967, it must be assumed that it will not begin to operate until the end of the transition period in 1970. In this event the costs involved in the common agricultural policy could not be borne completely by the Community until 1970, so that the Agricultural Fund would only have to take them over in five stages - i.e. by a tenth more every year. The pace of these financial arrangements thus depends on whether the Council can fulfil its proposed schedule, involving approval of three more market organizations and of Community prices for five key agricultural products.

As decisions on the financing of grain products were already taken last year at the time of the Council's decision on common price levels, the Commission has suggested special provisions for these products. These provisions will ensure that the Council decisions of 15 December 1964 are implemented.

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3. The costs of the Agricultural Fund are to be apportioned among the Member States in accordance with a key for which the Commission has taken account of suggestions made in the negotiations in the Council on 30 June. The Commission has borne in mind the fact that payments to Italian agriculture by the Fund will presumably be kept within certain bounds and that the Italian share in raising these funds should not therefore exceed a certain sum. It has also applied the principle established earlier that Member States importing substantial quantities of farm produce from outside the Community should bear a rather heavier burden than other Member States. Lastly, it has selected the elements on which payments will be calculated in such a way that Member States' contributions for 1965-70 can already be worked out exactly - leaving no room for uncertainty as to what must be paid in the future. Broadly, what is needed is a balanced distribution of charges among the Member States. The Commission suggests the following apportionment:

Member States	1965/66	1966/67	1967/68	1968/69	2. half of the year 1969
BELGIUM	8,51	8,38	8,30	8,22	8,13
GERMANY	32,45	31,92	32,07	32,22	32,37
FRANCE	30,59	27,66	27,11	26,55	26,--
ITALY	18,--	21,95	22,27	22,60	22,93
LUXEMBURG	0,21	0,21	0,21	0,21	0,21
THE NETHERLANDS	10,24	9,88	10,04	10,20	10,36
	100	100	100	100	100

4. The Commission's proposal contains a detailed timetable for the work still to be done to complete the common agricultural policy. On the whole, the necessary decisions should be taken before 1 November of this year - this is also important for the Kennedy Round. The Commission assumes that the Council will have to start work on this timetable as soon as possible. The schedule proposed has already been discussed in the Council and was approved by the Ministers of Agriculture on 29 June.

5. At the same time as this schedule is finally established and financial arrangements are approved, the Council should also reach a decision on the complete abolition of the residual customs duties between Member States on 1 July 1967 and on the introduction of the common customs tariff vis-à-vis non-member countries by the same date.

6. A number of other problems were raised in the Council's discussions, including tax harmonization, the common commercial policy, social and regional policy. The Commission is not making its proposals on the financing of farm policy conditional upon solutions being found. However, it does recognize the significance of these matters and can only endorse the wish of the Council and the Member States to clear them up. Should no solutions be forthcoming, this would hamper the Community in reaching its final objective.

Apart from customs duties, trade among the Member States is also subject to other charges of a fiscal nature; the Council must approve the elimination of these "tax frontiers" too by 1972. The Commission's proposals for the harmonization of Member States' turnover tax systems should be approved by 1 January 1966 and those for other measures of harmonization by 1 July 1966.

The Council should also give priority to the realization of

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a common commercial policy, which is well behind schedule. The main outstanding point is the need for a Community attitude on credits for exports to Eastern bloc countries and the Soviet zone of Germany. The international tariff negotiations under way in the Kennedy Round should be examined thoroughly by the Council at the end of this year.

It is impossible to conceive of the Common Market without a common social policy. The Council should therefore reach a decision by the end of the year on the Commission's proposals for improving the European Social Fund set up under the EEC Treaty.

The creation of a single economic unit in Europe may widen the gaps between the stage of development of the various parts of the Community. Regional policy should therefore be a major concern of the EEC's institutions.

7. The deadline of 1967 set by the Commission in its earlier proposal for the creation of independent revenue for the Community did not meet with unanimous approval in the Council. Here the Commission is not proceeding from the revenue side of the question but from the expenditure side. It suggests that the Community's expenditure should normally be met from its own revenue from 1970. What this independent revenue should consist of need not be decided until later. Apart from the Community's existing income

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from agricultural imports, this mainly concerns revenue from the common customs tariff; but the possibility of levying other charges for the Community should be explored.

Income from the common external tariff should no longer be automatically assigned to the individual Member States, as the EEC Treaty has already established. Once the common tariff is introduced in 1967, then, there must at least be a reapportionment of customs revenue among the Member States. The Commission proposes that an equalization fund be set up for the period from 1967 to 1970 - when the Community will begin to have independent revenue.

8. The Commission had proposed giving the European Parliament greater control over the budget - and this was also in line with a Council resolution in December 1963. Discussions in the Council were broken off before any conclusion was reached on this point and before the members of the Council had made known their final standpoints. The Commission does not believe that all possible means of achieving a compromise had been exhausted. It will therefore be unable to make a pronouncement on this matter until a later stage in the deliberations of the Council, and it reserves the right to do so.

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