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THE EUROPEAN COMMUNITY AND DENMARK, NORWAY AND IRELAND :

BACKGROUND NOTES ON THE NEGOTIATIONS

Introduction

The negotiations for British membership of the European Community steal the headlines. Except in the countries themselves much less is heard about the negotiations for membership with Denmark, Norway and Ireland. Even though the pace of the talks with these three countries is to a large extent governed by the progress on the UK-European Community front, sound and solid progress is being made with the three other applicants. While the discussions are taking place bilaterally final solutions to many of the problems, including Community financing during the transitional period, will be settled in multilateral talks involving all the applicant countries.

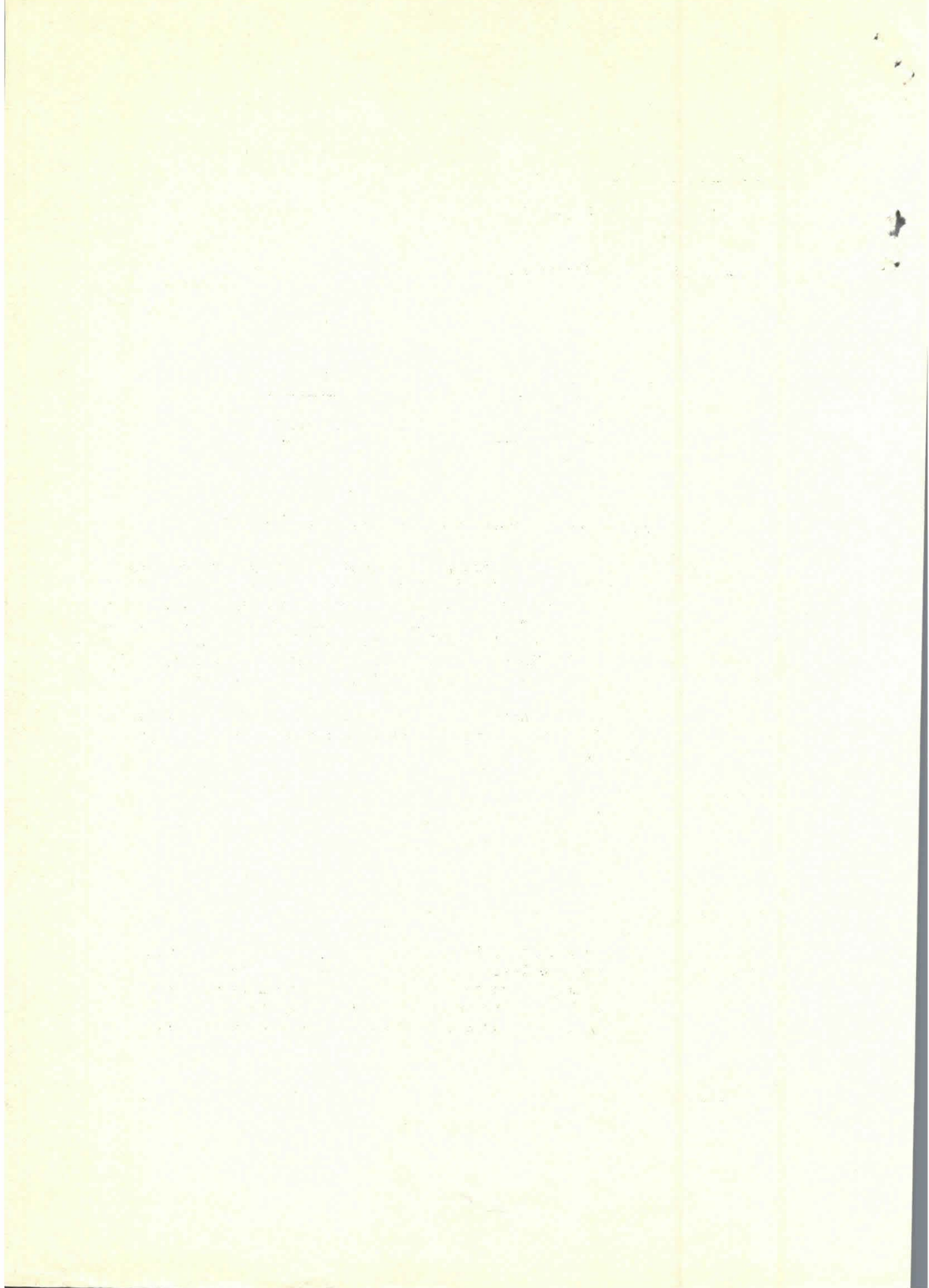
The purpose of this note is to set out the main positions taken by the parties concerned and to sketch out the background to the principal problems to be solved.

Denmark, Norway and Ireland, following the United Kingdom, re-applied for membership of the European Community in May 1967. The summit conference of the Heads of Governments on 1-2 December 1969 opened the way to negotiations with the UK and the three other candidates for membership.

The Community's Position

During the first half of 1970 the Community prepared a common position on most of the problems likely to arise in the negotiations. These common positions were made known to the four future partners at the inaugural ministerial meeting at Luxembourg on 30 June 1970. They were summarised in an earlier note (X/76/71) dealing with the negotiations with the UK.

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Suffice it to recall that the applicant countries were asked to accept the Rome and Paris Treaties along with all decisions taken by the Community institutions. Community legislation should normally come into force in the countries on the day of the accession to membership. The applicant countries will be requested to accept all Community rules and mechanisms from the outset, but subject to a transitional period for tariff dismantling, the acceptance of the Common External Tariff and the full application of the Community's agricultural mechanisms. The period should be long enough for the applicant countries to make the necessary adaptation; it should be of the same length for all four candidates. It should provide a general balance of reciprocal advantages for all parties and a parallelism regarding the measures applying to industrial and agricultural products.

The applicant countries should participate fully in the institutional work of the Community from the beginning of the transitional period. It is proposed that for weighted majority votes in the Council, Denmark, Norway and Ireland should each have three votes (the UK with the three other large countries, would have ten, Holland and Belgium each five and Luxembourg three); The total would be 61 and the number required for a majority 43. It would thus be impossible to put two large countries into a minority position and the four large countries would be unable to do so vis-à-vis the smaller six. For decisions by simple majority vote six votes out of ten would be required. Should the decision not follow on a Commission proposal 43 votes from at least six countries would be needed.

Each of the three would contribute one member to the 14-member Commission (two would come from the UK). Each would have ten members in the European Parliament (the UK would have 36 as do the three other large countries at present, Belgium and Holland would each have 14 and Luxembourg six). The Parliament would thus be enlarged from 142 to 208 members. Each of the three would contribute nine members to the Economic and Social Committee (24 from the UK) which would have 153 members.

DENMARK

Mr. Nyboe Andersen's speech : 30 June 1970

In his Statement to the Community on 30 June at the opening of the negotiations Mr. Nyboe Andersen, Minister for Economic Affairs and European Market Relations, said that Denmark was ready to accept the Treaties, the subsequent decisions, the plans for the further development of the Community and the political aims of the Community. Denmark wanted no transitional period, being ready to accept the full obligations of membership immediately on ratification of the Treaties. But, acknowledging that a transitional period will be required to meet the problems of the other applicant countries, Denmark was asking for it to be of a minimum length, the initial internal tariff reduction being of a substantial size. The adoption of the common external tariff should be effected at a rate not exceeding that of the removal of the internal tariffs.

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As for Agriculture, a substantial step should be taken at the outset towards alignment on Community price levels; the new members should benefit from a Community preference; and there should be a parallelism between the growing advantages arising during the transitional period and the contributions paid to agricultural financing during the various stages of the transitional period (1).

Denmark wishes the transitional period also to cover the liberalization of capital movements in view of her balance of payments' situation.

Denmark also asks for special arrangements for the Faroe Islands and Greenland. Both these territories are an integral part of Denmark, although both enjoy partial autonomy. Both are dependent on governmental support. The arrangements could be analogous to those agreed for the overseas territories of the Community; not, however, an association, "but a solution within the framework of Denmark's membership".

Among the minor questions, Denmark wishes to preserve the Nordic labour market in parallel with the Community's arrangements (2).

The Negotiations

Two negotiating rounds have taken place at ministerial level, on 22 September and 15 December 1970. The next is due on 1 March. A number of meetings have taken place at deputy level. The meetings have been devoted largely to a mutual exchange of information and the results of fact-finding studies.

Denmark has agreed to include in its commercial agreements a clause enabling these agreements to be revised in accordance with the Community's Common Commercial Policy in the event of membership.

The main problems raised in the talks, additional to those mentioned on 30 June, are tariff quotas: While Denmark can accept the common external tariff (with a few exceptions) she has asked for tariff-free quotas for certain sensitive raw and semi-finished materials (palm-oil, linseed, cocoa beans, raw tobacco and raw lead) not produced in Denmark and essential to Danish industry.

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- (1) Agricultural prices: No important difficulties appear to be foreseen for the alignment of Danish agricultural prices on those of the Community since the margins between them for most products are small. However, Denmark is concerned about the possible level of contribution to Community financing since the gains derived for higher agricultural sales in the enlarged Community could be lost if contributions are too high.
 - (2) Nordic co-operation: Since 1952 Denmark has been, with Sweden, Norway, Finland and Iceland a member of the Nordic Council. One of the major achievements of Nordic co-operation is the common labour market. If a member, should Community nationals have an absolute priority as regards employment in Denmark over nationals of Nordic countries not members of the European Community?

Fishing :

No objection in principle to the Community's fisheries policy has been registered but Denmark has requested that her views be taken into account. In general there is some concern about free access to fishing in her territorial waters. Denmark has also expressed the hope that the Community will adopt a liberal policy on imports, particularly of certain categories of fish.

Fiscal harmonisation :

The Danish government relies on high rates of fiscal duties, notably on alcoholic drinks and tobacco. It is feared that an alignment of Danish rates on a much lower Community level could lead to a disastrous fall in governmental receipts and thus lead to balance-of-payments difficulties. Denmark has therefore called for some "flexibility" in this sector during the transitional period.

NORWAY

Mr. Sverre Stray's speech, 30 June 1970

At the opening meeting of the negotiations on 30 June Mr. Stray, Minister for Foreign Affairs, said that the Rome Treaty and subsequent legislation provided a suitable basis for an extended European co-operation. He said that Norway was opposed to the restoration of the Nordic trade barriers removed by EFTA and underlined the importance of the Nordic labour market.

Norway attached great importance to regional development policy and to the necessity for the continuation of national measures here.

The main topics for negotiation were agriculture, fisheries, capital movements and establishment questions. On agriculture Mr. Stray said that as Norwegian production would amount to only 0.5 % of that of an enlarged Community permanent special arrangements would have no perceptible effect on European agriculture as a whole. Norway is a large net importer of agricultural products and has a surplus for none. It was estimated that an alignment on EEC prices would mean a loss of income of 40-50 % for Norwegian farmers. Norway would therefore seek permanent arrangements under which a satisfactory economic basis could be provided for them. Norway assumes that the applicant countries will be given the opportunity to express their views on the common fishery policy.

The rules on capital movements and establishment would raise certain problems for Norway. Norwegian legislation on concessions to control the exploitation of natural resources is central to Norwegian economic policy. Problems might arise here.

Coal production in Spitzbergen might raise problems in the context of the ECSC Treaty.

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Note on three of the problems mentioned above

Only 3 % of Norway's area is cultivable and half of the cultivated land lies north of the Arctic Circle. In spite of the flight from the land agriculture still employs some 13-14 % of the total labour force (compared with 30 % in 1955). For social and other reasons the Government wishes to discourage farm production from falling below the present level which provides the country with a mere 40 % of its food needs. This involves heavy agricultural subsidies and high food prices. Certain exceptions to the Common Agricultural Policy are sought whereby farm incomes could be maintained at their present level.

Norway is vitally concerned about the operation of the common market for fish and fishery products. The Norwegian fish catch is greater than that of all the Six; (the combined production of the four applicant countries is put at 4.8 mn tons, compared with the 1.7 mn tons of the present Community). Norway maintains that the Community's present policies cater for a market with a deficit of 500,000 tons in annual fish consumption, whereas a Community of Ten would have a surplus of 250,000 tons (the four present applicants having a surplus of 750,000 tons). Moreover fish and fishery products represent the sole source of livelihood for many coastal communities and Norway wishes to maintain an adequate economic base for them and thus avoid further depopulation. Free access for Community fisherman to her territorial waters is therefore a major source of concern for Norway.

Community rules on capital movements could pose certain problems for the Norwegian capital market. Some controls are at present maintained over foreign investment in Norway. While readiness to accept fully Community's directives on freedom of capital movement, the maintenance of certain restrictions may be requested for the transitional period. Norwegian interest rates are exceptionally low and this could be a complicatory factor.

The Negotiations

Two negotiating rounds at ministerial level have taken place on 22 September and 15 December 1970. At the former meeting Norway accepted the Treaties and their political aims, as well as the subsequent decisions. At the latter meeting Norway accepted a five-year transitional period for both the industrial and the agricultural sectors. However, the principle of the alignment of agricultural prices on the Community common prices has not been accepted by Norway. Authorization is being sought to maintain them at a higher level. Norway has asked for exceptions to the common external tariff for certain products including tariff-free quotas for twelve products which are to be the subject of multilateral negotiations between the Six and the Four level. Norway has asked for exceptions to the common external tariff for certain products and to participate in discussions which are to take place with the other applicant countries on tariff free quotas for a number of products.

Norway accepts the principle of the insertion in commercial agreements of a clause enabling them to be revised in accordance with the Common Commercial Policy, in the event of membership.

The main problems now facing the negotiations are fisheries - Norway wishes that the basic principles of the Community policy be re-examined with the applicant countries - and agricultural prices, including the particular problem of Norwegian sugar. An additional problem is the Nordic free circulation of labour.

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IRELAND

Statement of Dr. Hillery, 30 June 1970

At the opening session on 30 June, Dr. Hillery, Minister for External Affairs, reaffirmed Irish acceptance of the Rome and Paris Treaties, their political finality and economic objectives and implementing decisions. The Irish Government looked forward to participating in the strengthening of the Communities and their further development. It accepts the political objectives of the Community. It accepts the objectives of the Common Agricultural Policy and the implementing decisions taken. Participation in the Common Agricultural Policy should afford a secure basis for the balanced development of Irish agriculture; this participation is not expected to present major difficulties, though certain specific aspects need to be discussed.

While transitional arrangements (and safeguards provided by the Treaty) should suffice for industrial adjustments and adaptations, they may be inadequate for the very small number of sensitive industries. Satisfactory solutions must be found for the problem of dumping, the Irish economy being here particularly vulnerable.

There should be a minimum of disturbances to agricultural and industrial trade with the U.K. (covered by the Anglo-Irish Free Trade Agreement).

The negotiations

Two negotiating rounds at ministerial level have taken place on 21 September and 15 December 1970. The next is due on 1-2 March, 1971. Having initially called for a short transitional period for agricultural products and a longer one for industrial goods, Ireland has accepted a five-year period for free trade in both; but she has proposed that the dismantling of industrial tariffs take place in six stages instead of the five proposed by the Community. Adequate parallelism is requested in the rates of tariff cuts between the two sectors; it should reflect the Community's aim of a global balance of mutual advantages between all the parties involved. Indeed, Ireland wants the various problems of the transitional period, including Community financing, New Zealand dairy exports, and Commonwealth sugar, to be examined "globally" in multilateral meetings between the Six and the Four.

Ireland is ready to eliminate quantitative restrictions in both sectors, but wishes to retain tariff-quotas on eight sensitive products. The Community has agreed that this should be discussed in due course in a multilateral context with the other applicant countries. In addition, Ireland wishes to retain a system of special protection for the vehicle-assembly industry.

Ireland accepts the Common Agricultural Policy and the application of the system of "own resources" for community financing at the end of the transitional period. But she wishes to see equivalent progress between industrial tariff cuts and the approximation of farm prices during the transitional period.

Among other problems to be discussed are : fisheries (Ireland is concerned about the implications of the common fisheries policy, particularly as regards coastal waters), the Anglo-Irish Free Trade Area (its uninterrupted functioning), dumping (Ireland wishes to retain its own anti-dumping legislation during the transitional period) and the implications of the plans for Economic and Monetary Union on Irish regional planning (Ireland wishes to continue to implement her own policies for industrial and regional development).
