

'Italians, Germans and Dutch want to reduce their contributions to Europe's farm budget' from Le Monde (22 December 1969)

Caption: On 22 December 1969, during a meeting between the Foreign, Finance and Agriculture Ministers of the Six in Brussels, the French daily newspaper Le Monde leads with the difficult debates on the establishment of a financing system for the Community budget and calls for a system of own resources.

Source: Le Monde. dir. de publ. Beuve-Méry, Hubert. 21-22.12.1969, n° 7 757; 26e année. Paris: Le Monde. "Italiens, Allemands et Néerlandais voudraient réduire leurs contributions au financement de l'Europe verte", auteur:Lemaitre, Philippe , p. 1- 2.

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Italians, Germans and Dutch want to reduce their contributions to Europe’s farm budget

By our special correspondent **Philippe Lemaître**

European Communities (Brussels). — *When will the Community budget consist entirely of ‘own resources’ — ‘levies’, customs duties, European taxes raised in the form of VAT — and no longer depend on more or less artificially calculated national contributions? And until that time, how will each Member State’s contribution to Community expenditure be calculated?*

Those are the two questions which the Common Market Ministers for Foreign Affairs, Finance and Agriculture, now meeting in Brussels, will be attempting to answer by Sunday morning.

After wasting almost a week on secondary issues and the reformulation of existing positions, the Six really began negotiations on the funding of the common policy only late on Friday afternoon. The results were disappointing: the French position and that of several other partner countries are still far apart. Maurice Schumann was not in a good mood on Friday evening when the meeting ended. In his view, the whole structure established at the Hague Summit was likely to collapse if certain governments refused to honour their commitment to adopt the final arrangements for the funding of the European farm budget by the end of the year. Will his warning suffice?

In political terms, the problem is relatively simple: does France, under Georges Pompidou’s leadership, carry enough weight to force its partners in the Europe of the Six to respect its rights, as explicitly laid down in earlier and recent Community texts? In other words, can it successfully resist the blatant attempt by Italy, Germany and the Netherlands to change the principles of common agricultural funding as defined in 1962?

Roughly speaking, the essence of the conflict is this: the Italians, Germans and Dutch reject the idea of own resources, i.e. an autonomous Community budget, and want Member States’ contributions to be calculated as long as possible as fixed percentages, with the relative contributions of each country established in advance by the Council of Ministers.

How would this be done? As we know, the Community budget — most of which consists of agricultural expenditure — will be funded from three sources in coming years:

- Levies on agricultural products imported from ‘third countries’ will, in future, be paid in full to the Community budget (as against 90 % at the present time).
- Customs duties levied at the Community’s external borders will also be paid into the Community budget. To ensure that the budget equilibrium of certain Member States (especially the Netherlands, whose administration collects a relatively high percentage of the customs duties levied by the Community) is not affected too abruptly by the transfer of customs duties to the common budget, the Brussels Commission was proposed that the transfer be implemented progressively over a period of four years (ending on 1 January 1974). Since the Dutch found this period too short, Pierre Harmel, the Belgian Minister for Foreign Affairs, proposed that national administrations should not be totally deprived of customs duties until 1 January 1975. Valéry Giscard d’Estaing went along with this but pointed out that, while it was reasonable to cushion the impact of the transfer of customs duties on public finances, the sums in question were relatively modest and did not warrant an excessively lengthy interim period.
- As levies and customs duties do not suffice to cover all Community expenditure, the shortfall will be made good during the interim period (i.e. until the budget is fully covered by own resources) by budget contributions from Member States, calculated according to a scale that has now to be determined. Scales of this kind — of which the Community is so fond — are supposed to reflect the relative wealth of the Member States.

This time, however, the Italians, backed by the Germans and Dutch, are demanding that Member States' shares be calculated in such a way as to correct the alleged anomalies or unfairness resulting from the transfer of customs duties and levies to the common budget.

The French are opposed to a system that would distribute the Community's financial burden in advance, almost down to the nearest unit of account. They are prepared to accept using the contribution scale to alleviate some of the inequalities among Member States resulting from the transfer of customs duties to the European budget (a concession that should, in principle, benefit the Germans and Dutch), but they refuse to apply such corrective measures to levies. The French maintain that the assignment of levies to the common budget is a basic ingredient of European agricultural policy and cannot be portrayed by the Italians as a burden on their public finances: if Italy imported less from third countries and, instead, gave preference to Community farm products, it would collect fewer levies and thus lose smaller amounts (currently 37 % of the levies paid at the borders of the EEC are collected by the Italian administration). In the view of the French Government, the assignment of levies to the European budget is, and must remain, a penalty for Member States that, despite 'Community preference', continue to procure goods from outside the Community.

The whole business is complicated by the fact that the Italians and Dutch are arguing that it is not yet possible to set a date for transition to the final stage, when the Community budget will be funded exclusively by own resources without any distortion by 'contribution scales' or other corrective mechanisms.

In a spirit of compromise, Walter Scheel, the German Foreign Minister, proposed that the interim period end in 1980. Mr Giscard d'Estaing retorted that the only thing to be said for that date was that it was earlier than the year 2000.

It is noteworthy that, with certain delegations clearly attempting to call into question a financial arrangement that was adopted unanimously in 1962 and thus forms part of the *acquis* — the body of legislation adopted by the Community — the Commission is strangely absent and has, to date, failed to propose a compromise.

Compromise rejected by France

The only compromise proposed to date was tabled on Saturday morning by Henri Johan De Koster, the Dutch Junior Minister for Foreign Affairs and President-in-Office of the Council. Mr De Koster suggested a funding mechanism in three phases:

1. During the first phase, which would run from 1 January 1971 to 31 December 1974, Community expenditure would be shared among the Member States in accordance with a scale laid down by the Council of Ministers. Each country's share would thus be established as a fixed proportion, and the assignment of levies and customs duties to the common budget would have no real significance;
2. The second phase would run from 1 January 1975 to 31 December 1977. During those three years, the Community budget would be funded by own resources: agricultural levies, customs duties and European taxes raised in the form of VAT. However, according to Mr De Koster's proposal, the resulting burden on any Community country's budget must not be greater or smaller than 25 % of its gross national product. For Mr De Koster, support for the own resources system would be encouraged by ensuring that the contribution of each state continued to be related to national wealth.

During the third phase, which would start on 1 January 1978, the own resources systems would operate fully and finally without any possibility of correction.

Speaking next, Mr Giscard d'Estaing opposed the mechanism envisaged in this compromise proposal on two grounds. First, the fixed distribution of the burden proposed by Mr De Koster for the period up to 1975 was contrary to the terms of the communiqué issued at the Hague Summit.

Second, the system envisaged for the first phase would actually be a retrograde step compared with the present situation, in which 90 % of agricultural levies are paid to the Community budget with no corrective mechanism.

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