
EUROPEAN PARLIAMENT

Working Documents

1978 - 1979

30 May 1978

DOCUMENT 146/78

Report

drawn up on behalf of the Committee on External Economic Relations

on a draft Council regulation (Doc. 135/78) on the conclusion of the
Supplementary Protocol to the Agreement establishing an association between the
European Economic Community and the Republic of Cyprus and the protocol
laying down certain provisions relating to trade in agricultural products between
the European Economic Community and the Republic of Cyprus

Rapporteur: Mr J. SPICER

1.2.2

By letter of 18 May 1978 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 238 of the EEC Treaty, to deliver an opinion on a draft Council regulation on the conclusion of the Supplementary Protocol to the Agreement establishing an association between the European Economic Community and the Republic of Cyprus and the Protocol laying down certain provisions relating to trade in agricultural products between the European Economic Community and the Republic of Cyprus.

The President of the European Parliament referred this draft regulation to the Committee on External Economic Relations as the committee responsible and to the Committee on Agriculture for its opinion.

On 23 May 1978 the Committee on External Economic Relations appointed Mr Spicer rapporteur.

It considered this draft regulation at its meeting of 23 May 1978.

At the same meeting the committee unanimously adopted the motion for a resolution and the explanatory statement.

Present : Mr Kaspereit, chairman; Mr Martinelli, vice-chairman; Mr Spicer, rapporteur; Mr Amadei, Mr Bersani, Lord Brimelow, Mr Brugha, Mr De Clercq, Mr Didier, Mr Mont, Mr Muller E., Mr Radoux, Mr Vandewiele.

The opinion of the Committee on Agriculture is attached.

C O N T E N T S

	Page
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	6
Opinion of the Committee on Agriculture	9

A

The Committee on External Economic Relations 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 a draft Council regulation on the conclusion of the Supplementary Protocol to the Agreement establishing an association between the European Economic Community and the Republic of Cyprus and the Protocol laying down certain provisions relating to trade in agricultural products between the European Economic Community and the Republic of Cyprus

The European Parliament,

- having regard to the draft Council regulation,
 - having been consulted by the Council pursuant to Article 238 of the EEC Treaty (Doc. 135/78),

 - having regard to the report of the Committee on External Economic Relations and the opinion of the Committee on Agriculture (Doc. 146/78),
1. Expresses its satisfaction at the signing of the Supplementary Protocol to the Agreement establishing an association between the European Economic Community and the Republic of Cyprus and of the Protocol laying down certain provisions relating to trade in agricultural products between the European Economic Community and the Republic of Cyprus;
 2. Draws attention to the fact that these two Protocols are of vital importance to the Cypriot economy;
 3. Believes that these Protocols and all other agreements with the Republic of Cyprus should take full account of the interests of all the people of Cyprus;
 4. Approves the Protocols in question.

EXPLANATORY STATEMENT

1. As is well known, the Community is linked with Cyprus through an Association Agreement which was signed, under Article 238 of the EEC Treaty, on 19 December 1972 and entered into force on 1 June 1973¹. This Agreement lays down the stages for the gradual realization of the objectives specified therein.

The first stage was due to end on 30 June 1977 but the Community and the Republic of Cyprus decided to extend it until 31 December 1979. This decision took the form of an Additional Protocol which will come into force on 1 June 1978².

To bridge the period from 30 June 1977 to 1 June 1978 the Council autonomously extended certain provisions of the first stage by issuing two consecutive regulations, viz. Regulation No. 1641/77 valid until 31 December 1977³, and Regulation No. 2914/77 valid until the Additional Protocol enters into force⁴. The possibility of a legal vacuum arising was thereby avoided.

2. In a Declaration appended to the Association Agreement⁵ the Community stated that it was prepared to re-examine with the Republic of Cyprus the agricultural content of the Agreement in the light of the result of work in progress with a view to a global approach on the Community's Mediterranean policy. The interests of Cyprus would also be taken into consideration in the course of this work. The initialling of the Supplementary Protocol at present under consideration means that this Declaration has been acted on.

Since, as from 1 January 1978, certain agricultural products originating in Cyprus would no longer be covered by preferential arrangements in trade with the Community and since the Supplementary Protocol had not yet been concluded at the time, the Community, pending the entry into force of the Protocol, took autonomous measures through Council Regulation No. 3018/77⁶ to avoid any disruption of the trade flow for these products. This regulation applied until 31 March 1978.

¹ OJ No. L 133, 21.5.1973

² OJ No. L 339, 28.12.1977, p.2

³ OJ No. L 183, 22.7.1977, p.6

⁴ OJ No. L 340, 29.12.1977

⁵ OJ No. L 133, 21.5.1973, p.86

⁶ OJ No. L 355, 31.12.1977, p.42

The aim of the present Supplementary Protocol is therefore to extend to the Republic of Cyprus the concessions in respect of agricultural products granted to the other Mediterranean countries within the framework of the global Mediterranean policy. It will be applicable until the end of the first stage of the Association Agreement.

3. The second Protocol at present under consideration - which lays down certain provisions relating to trade in agricultural products between the European Economic Community and Cyprus - was prompted by the fact that Cyprus would lose its preferential status on the British market on 1 January 1978.

This Protocol provides for temporary, 'degressive' - i.e. to be phased out gradually - preferential measures applicable to those agricultural products, such as new potatoes and Cyprus sherry, which in the past have always enjoyed free access to the United Kingdom. The aim of this Protocol is thus to cushion the transition for Cyprus's agricultural products from the profitable bilateral relationship with the United Kingdom to the Community system. It will apply until 31 December 1979 (even in the event of the first stage of the Association Agreement which expires on this date, being extended).

After the two Protocols had been initialled, the Community - to bridge the period from 31 March 1978 to the entry into force of the Protocols - declared them to be applicable retrospectively as from 1 April 1978¹. The Protocols were signed on 11 May 1978, and will enter into force on 1 July of this year.

4. The negotiations between the Community and Cyprus on these two Protocols were rather laborious because Cyprus was dissatisfied with the concessions which the Community offered in the first instance. The Cypriots took the view that these concessions failed to take sufficient account of the special trading position enjoyed by their country on the British market, particularly as regards potato exports to the United Kingdom.

The statistics do indeed show the amounts involved are by no means inconsiderable; in 1976 87% of all Cypriot exports were made up of agricultural products. About half their total agricultural exports were made up of potatoes intended for the United Kingdom. In 1976 Cyprus exported to the Community goods to a total value of 152m u.a. At the same time, that year's imports from the Community amounted to the equivalent of 222m u.a., which means that in that year Cyprus's balance of trade with the Community showed a deficit of 70m u.a.

¹ Regulation No. 781/78 of 17 April 1978 - OJ No. L 106, 20.4.1978

Given this situation it is understandable that Cyprus displayed very considerable anxiety at the prospect of losing its preferential position on the British market in the matter of exports, as such a development could have prompted a serious economic crisis on the island, with possible political consequences. It was only reasonable to expect therefore that the Community would take due account of Cyprus' interests.

This being said, it is to be deplored that the negotiating mandate from the Council to the Commission came late for farmers who had already planted their early potatoes for the British market. Such a way of proceeding should be prevented in the future.

5. The Supplementary Protocol makes provision for reductions in the Common Customs Tariff varying between 40% and 80% for the products specified, whether or not subject to quota restrictions. A reference price is also fixed for Cyprus sherry. The second Protocol accords to a number of products - such as new potatoes - more favourable concessions than are provided for in the Supplementary Protocol.

For a complete list of the concessions granted, reference should be made to the attached opinion of the Committee on Agriculture (PE 53.246/fin.).

6. In view of the vital importance of these two Protocols to the Cypriot economy, the Committee on External Economic Relations proposes that both measures be approved without reservation.

However, in agreeing with the Protocols the Committee deplores the fact that they are to be retrospective in that they deal with the situation existing as at the 1st of January 1978. This is manifestly unfair to Cypriot farmers who had to live with uncertainty as to the terms for this year's crop for nearly six months.

O P I N I O N

of the Committee on Agriculture

Draftsman: Mr F. PISONI

At its meeting of 17/18 April 1978 the Committee on Agriculture appointed Mr F. PISONI draftsman.

It considered the draft opinion at its meeting of 27/28 April 1978 and adopted it by 12 votes to 1 with 1 abstention.

Present: Mr Kofoed, chairman; Mr Liogier and Mr Ligios, vice-chairmen; Mr Pisoni, draftsman; Mr Albertini, Mr Andersen, Mr Brugger, Mr Dewulf, Mrs Dunwoody, Mr Früh, Mr Hoffmann, Mr Howell, Mr Lemp and Mr Tolman.

1. Negotiations with Cyprus for the signing of a new protocol on agricultural products have been complex and difficult because Cyprus initially rejected the Commission's proposals, considering them inadequate, while some Community countries did not want to grant too many concessions, linking them with the whole complex problem of interventions in favour of the Mediterranean regions of the Community (the 'Mediterranean package') and the possible future enlargement of the EEC. Though the negotiations only began in December 1977, they were concluded on 7 April last when the two agricultural protocols were initialled by the two delegations.

2. Pending their entry into force after ratification by the various national parliaments, the concessions granted to Cyprus are applied autonomously by the Community through a regulation based on Article 113 of the Treaty and therefore without consultation of the European Parliament. This regulation is applicable from 1 April 1978 to 30 June 1978 at the latest.¹

3. The first protocol completes the association agreement signed on 19 December 1972, while the second lays down supplementary measures in the agricultural sector for the years 1978 and 1979.

The signing of this second protocol was intended to emphasize the exceptional nature of Cyprus' situation, and thus to avoid similar requests from the other Mediterranean countries based on the special concessions contained in the text; such requests would have been forthcoming if these concessions had been granted within the framework of a normal addition to an existing association agreement.

The new concessions in the agricultural field in favour of Cyprus taking effect in 1980 should be negotiated in the course of 1979.

4. The main concessions contained in the special protocol are as follows:

New potatoes : for 1978 a tariff reduction of 65% within the limit of a quota of 75,000 tonnes; for 1979 a reduction of 60% from 1 January to 15 May and of 55% from 16 May to 30 June, with a quota of 60,000 tonnes. The concessions for 1979 are subject to two conditions : commitment by Cyprus to export this product to the United Kingdom only and adoption by the Community of a common market organization for the potato sector.

Carrots : tariff reduction of 60% from 1 January to 15 May, within the limit of a quota of 2,500 tonnes for 1978 and 2,300 tonnes for 1979.

Sweet Peppers : tariff reduction of 50% within the limit of a quota of 300 tonnes in 1978 and 250 tonnes in 1979.

¹ See Regulation 781/78 of 17.4.78 - OJ No. L 106, 20.4.78.

Aubergines : tariff reduction of 60% from 1 October to 30 November within the limit of a tariff quota of 300 tonnes in 1978 and 250 tonnes in 1979.

Table grapes : tariff reduction of 60% within the limit of the following quotas : from 1 July to 14 July 1978, 7,500 tonnes; from 8 June to 14 July 1979, 7,000 tonnes; from 15 July to 10 August 1978, 7,500 tonnes; from 15 July to 31 July 1979, 7,000 tonnes.

5. In addition to these special concessions, contained in the second protocol, other tariff reductions are listed in the first protocol for other products, such as citrus fruits (60%), similar to the reductions contained in the various agreements already signed with the other Mediterranean countries. Of particular importance are the concessions for 'Cyprus Sherry', which benefits from a tariff reduction of 70% within the limit of a quota of 250,000 hl, and for ordinary wines (70% with a quota of 10,000 hl). It should be noted that a reference price has recently been introduced for these products.

Conclusion

6. It is of vital importance to Cyprus to be able to continue exporting its own agricultural products to the Community. 90% of the exports from this island are agricultural and destined almost exclusively for the United Kingdom because of traditional trade and political links between the two countries.

7. In view of this and of the serious situation in Cyprus at present, the Committee on Agriculture is bound to give a favourable opinion on the two new agricultural protocols which have in fact already met with the approval of all the Community delegations. Moreover, the conditions on which these concessions are granted (quotas, dates, reference prices, entry into force of a common market organization for potatoes) exclude any risk of disturbance to intraCommunity trade in the products concerned, to the detriment of Community producers.

