

Financing the CAP

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The agricultural financial regulations in force since 1962 were due to expire on 1 July 1965. On 15 December 1964, the Council of Ministers asked the Commission to draw up a draft document on the financing of the common agricultural policy (CAP) for the period 1965–1970. After that date the system of own resources for the financing of the EAGGF, which France fought to have introduced, would enter into force. A financial regulation for the interim period had to be adopted before 1 July 1965.

The President of the Commission, Walter Hallstein, and the Commissioner for Agriculture, Sicco Mansholt, suggested that the financial structures of the European Economic Community (EEC) be reviewed with the CAP being provided with its own financial resources. Under their plan, Community expenditure would no longer be financed from national contributions but by own resources paid directly into the Community budget. These resources were to come partly from agricultural levies and partly from a significant proportion of customs duties on manufactured goods. In the short term, the resources would be considerably greater than those actually needed. The proposals also provided for an extension of the powers and responsibilities of the Parliamentary Assembly and particularly of the Commission, which emphasised the supranational character of the EEC.

The Commission endorsed the proposal by a majority vote. However, the French Commissioners and one Italian Commissioner expressed reservations. Subsequently, on 24 March 1965, Walter Hallstein submitted the proposal to the European Parliament without any prior consultation of the governments of the Member States. This was the Commission's way of trying to link the financial regulation to an institutional review in the hope of gaining ground on the basis of France's commitment to the development of the CAP. However, General de Gaulle made it clear that he was firmly opposed to this manoeuvre. There seemed no way out of the deadlock. In fact, Franco-German cooperation had been in decline since Chancellor Adenauer had left the political scene. The debate on the Community's own resources dragged on interminably and was resolved only with the compromise reached during the agricultural marathon of 19–22 December 1969, when the Council adopted the following two-tier system:

- Agricultural levies would be allocated to the Community in their entirety;
- Customs duties would be allocated progressively to the Community, in order to avoid excessive disruption of national budgets.