

Address presented

by

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I am most grateful to you Mr. Chairman, to you Mr. Congressman THOMAS and to the Georgia Agribusiness Council for giving me this most welcome opportunity to say a few words about such an important subject as agricultural trade and particularly as it affects the U.S. and the European Community.

I imagine that we would all agree that the subject is of great importance. Because in spite of a drift in US interests and trade policies towards the West with the Pacific Basin becoming increasingly important, the United States and the EC remain the two leading actors on the world's agricultural stage. We are the two largest economic units operating on the world market and between us account for one third of all world agricultural trade and 30% of world exports. Georgia's interest in agricultural exports is perhaps not as great as Illinois' or Iowa's, but you rank as 5th exporter of tobacco, 2nd of poultry and 1st in peanuts. Consequently, we both have our interest in avoiding conflict and doing our utmost to cooperate.

There are, of course, differences between us. Let us look at some and then at some similarities.

There is of course the important difference of geographical size :

- the United States is roughly 6 times larger than the EC, but has fewer inhabitants. There are something like 230 mio people here and 270 in the Community which means that we are short of farm land.

This has led to very different farm structures and outlets in Europe (our farms in fact average only about 40 acres, yours 400) with a different emphasis on product mix. Here in the US, you have tended to emphasise the production of grains and oilseeds whereas we have placed a greater emphasis on livestock and livestock products. This has had a very striking result which is not without interest to Georgia farmers.

- The EC has become a very attractive market indeed for US feed products - particularly, for soya beans. I believe that soya is the second most important cash crop - after peanuts - in Georgia, earning your farmers over 300 mio \$ in 1982.

US soya beans exports to the EC in 1982 reached 11.5 mio t and even in 1983 with less available at a higher price, the quantity achieved was 10.0 mio t. According to the American Soybean Association, the EC takes 48% of US exports of beans and meal - worth about 3.5 bio \$.

So much for differences. As to similarities : we both have highly developed economies and we both belong to broadly the same temperate climatic zone. We thus have many products common to both - wheat, dairy, chickens. But the US climatic zone is wider than that of the EC, so that a broader range of products is possible here - soya beans which I have just mentioned and cotton for example. And on both sides of the Atlantic, we have agricultural policies which are strikinlgy similar in their aims but perhaps with somewhat different machinery. The aims of

the Common Agricultural Policy (CAP) are clearly laid out in Article 39 of the Treaty of Rome - our founding Constitution - and are :

- increase agricultural productivity (through technical progress, etc.) ;
- ensure fair standard of living for farmers ;
- stabilise markets (i.e. iron out violent fluctuations in supply and in prices) ;
- assure sufficient food ;
- ensure food supplies at reasonable prices.

Not very different from US aims. And, furthermore, we have policies which have had similar results for us both, with increases in both productivity and production that have resulted in quantities beyond those which the market can absorb.

Wheat production in the US, for instance, in the decade pre PIK, had increased by 72% and a large proportion of that in soft wheat - often double cropped with soya. This is more than 2 1/2 times the average world growth of 27%. Not only did this have a de-stabilising effect on the world market but made US wheat farmers critically dependent on this market - unpredictable at the best of times and downright unreliable at others.

At the same time, in the EC, the Common Agricultural Policy - to a large extent the victim of its own success - led to increased productivity and reduced our dependence on imports for the supply of some agricultural products and, in other cases, transformed the Community into a net exporter of other products.

Productivity increases have also led to an imbalance of supply and demand - as here - with milk as the most glaring example. However, in spite of our achieving security of supply in a number of important farm products - one of the Treaty's aims - the EC remains by far the world's largest importer of agricultural and food products whilst the US remains the world's leading exporter.

But it is, of course, on these very world export markets for agriculture where difficulties have arisen between us with some fairly shrill criticism of the EC's export refunds. These difficulties have tended to intensify during periods when the US dollar is strong or when world markets are no longer expanding.

Let me spend just a few moments on this question of our export refunds. Here there seems to be the feeling that agricultural subsidies - whether used domestically or abroad - are an invention of cunning Europeans and the work of the devil. First, GATT rules on international trade specifically permit export refunds provided that a country does not obtain an inequitable share. "But, what is equitable?", you might reasonably enquire. It is a little like being asked to define an elephant - difficult to set down precisely on paper - but pretty easy to recognise when one strolls into your office.

We claim we have held to these rules. Let me give you one example which should enable you to recognise whether we have taken an inequitable share or not. Over the ten year period up to the beginning of the 80's, the Community share of the world market in wheat and wheat flour rose from 10% to 14%;

that of the US from 34% to 46%. I say this in no accusatory sense, but I do submit that on the basis of these figures no reasonable person could possibly conclude that we had acted against the rules or taken an inequitable share.

Second, the US in addition to supporting its agriculture at home - at considerably greater cost than in Europe incidentally [almost 30 bio here compared with 13.5 bio \$ in the Community] - also deploys export aids : PL 480, credit for farm exports

(Secretary Block said only recently that "This Administration spent more on credit for agricultural exports in the last 3 years than all previous administrations together straight over the last 20") and plain/forward subsidies. The USDA in its April publication "Middle East & North Africa - Outlook and Situation" says: "In 1983, Egypt bought 1 mio t of US wheat flour at a subsidized price of only \$136 per ton, about one-third below the average world market price" and an accompanying graph clearly shows how the United States has evolved spectacularly from 1972 when it had no share at all of the Egyptian wheat market to 1983 when it had 40% of the total market - domestic production included and 50% of the imports.

So, agricultural subsidies are a fact of life and perhaps, we are both sinners in the eyes of the Lord. But, how will these trading relationships develop in the future ? Always a cautious person by virtue of my Yorkshire upbringing rash to attempt prediction particularly in election year. In any case, weather sometimes gives us a healthy reminder - all is not decided in Washington, Geneva or Brussels.

Whatever happens, we must never lose sight of several vitally important factors. That :

- a) US & EC are together responsible for one third of world agricultural trade ;
- b) US is world's leading agricultural exporter (supplies \pm 55% coarse grains, 50% soya, 45% wheat, 30% cotton and 25% rice traded on world market) ;
- c) That Georgia is an important exporter of agricultural products - the leading US exporter of peanuts, for example - which enter the EC free of any levy or duty in ever increasing quantities - around 120,000 t over the last 2 years and the second most important US exporter of poultry ;
- d) That the EC whilst traditionally the world's leading exporter of some agricultural products - such as poultry where we export more than 10% of our production, and dairy products - is not only the world's leading importer, but the US farmers' best customer taking 7.6 bio \$ worth of farm goods in 1983 and forecast to rise to 8.8 bio \$ in 1984 and running a massive agricultural trade deficit with you of 5 bio \$;
- e) No one has God given right to dominate world markets at expense of others who may have different methods of support.

What I am trying to say : US & EC have everything to gain from harmonious working world trade. Both must seize opportunity to cooperate, since if we don't we shall all be losers.

All very well saying this. It is not going to be so easy to achieve in face of the difficult problem of selling agricultural products on static world markets and perhaps tempted by the siren voices of protectionism - on wine, tobacco and dairy products. Not much prospect of improvement in the short term. A lot of course will depend on the \$ and how soon developing countries can get their economies moving viably again. Not all dependency. Light at end of tunnel (hope not headlights of approaching train!).

Encouraging signs :

- useful, positive start to GATT Agriculture Committee ;
- both sides moving along similar tracks : control of farm spending.

Last, nowhere more evident than in recent Brussels decisions on future of CAP and on farm prices for 1984/85. Not time for details, but 3 major points :

1. Agriculture guarantees no longer unlimited ;
2. Effective control milk production - restrictive quotas with harsh penalties for exceeding ;
3. Tough price policy (for first time ever price cuts for several products in several countries).

This is by no means end of story. More hard decisions required. EC milk producers bore brunt of attack this time round - because imbalance supply/demand most serious - grain producers escaped relatively lightly. Their turn next. (Watch this space).

But package also included decisions on c_gf. Should not exaggerate or overdramatise this question. Because :

- First, EC making use of rights under Article 28 (GATT) - allows renegotiation of concessions subject to certain conditions of compensation.
- Second, the Community not taking immediate, unilateral action to prohibit/reduce imports of corn gluten feed (and other corn based by-products), but proposing negotiations be opened with view to stabilising them.
- Third, EC proposing that such stabilisation be achieved through temporary/partial suspension of existing concessions, by establishment of annual tariff and levy free quotas and appropriate compensation.
- Fourth, moves in grain substitutes area not aimed specifically/ exclusively against corn gluten feed or US. Arrangements already concluded as regards other important substitutes such as manioc and brans from S.E. Asia and elsewhere.
- Fifth, the measure has to be seen in general framework of far reaching decisions to reform the CAP which will result in major sacrifices by our farmers :
 - drastic limitations in financial support ;
 - cutting back on milk and other surplus production (should reduce demand for c_gf and other substitutes);

- bringing our grain prices closer to those of our competitors' (should also over time reduce demand for cgf) - meanwhile, we do not wish to see our efforts undermined by increasing imports of substitutes.

We shall have to calmly discuss with our American friends quantities likely to be affected by such stabilisation and appropriate compensation. Not helpful to reject compensation before it is offered.

Recent decisions taken in Brussels represent an important contribution towards a better balance of supply and demand on world markets which should be of benefit to all farmers in all trading nations. Not taken just for budgetary reasons, but to fit our farming to meet changed economic circumstances of the mid 1980's and beyond. Will not lead to dismantling of the CAP nor to the disappearance of European farm products from world markets. We are not going to fold our tents and silently steal away. You can instead expect to see a leaner, more streamlined European agriculture.

Therefore, all more reason for us to seek cooperation rather than conflict. EC, whilst vigilantly defending its own interests but complying with its international obligations, will be prepared - as it has been in past - to search diligently with the US and others for ways of cooperating so as

to promote world trade. But for this, we shall need considerable political will in Washington and Brussels, in Paris and Atlanta. Let us all demonstrate that will to achieve rules of conduct for agricultural trade which will benefit us all.

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