

DELEGATION OF THE COMMISSION OF THE EUROPEAN COMMUNITIES

EEC AGRICULTURAL TRADE

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BEFORE THE

CANADIAN FARM WRITER'S FEDERATION . ANNUAL CONFERENCE

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AS AN INTRODUCTION, I WOULD JUST LIKE BRIEFLY TO PROVIDE YOU WITH SOME OF THE MAIN FEATURES OF OUR AGRICULTURAL TRADE AND THEN I WILL TRY TO RESPOND TO YOUR QUESTIONS.

FIRST OF ALL I WILL REMIND YOU THE BASIC PRINCIPLES OF OUR COMMON AGRICULTURAL POLICY WHICH GUIDE THE FUNCTIONING OF OUR TRADE POLICY. THEN, I WOULD LIKE TO DESCRIBE TO YOU THE RECENT EVOLUTION OF THE CAP AND THEIR INFLUENCE ON OUR TRADE. OUR POLICY AND OUR TRADE MANAGEMENT AFFECT DIRECTLY THE QUALITY AS WELL AS THE VOLUME OF OUR AGRICULTURAL TRADE. A RAPID ASSESSMENT OF THIS TRADE DURING THE PAST TEN YEARS WILL SHOW YOU HOW THE PRINCIPLES ARE TRANSLATED INTO REAL FACTS.

AMONG THE MAIN OBJECTIVES OF THE COMMON AGRICULTURAL POLICY AS IT APPEARS IN THE TREATY OF ROME WAS THE DESIRE TO INSURE A FAIR STANDARD OF LIVING TO THE EUROPEAN AGRICULTURAL COMMUNITY AND TO PROVIDE AN ADEQUATE SUPPLY OF FOOD TO THE CONSUMER AT REASONABLE PRICES.

IN ORDER TO ESTABLISH A FREE TRADE ZONE, IT WAS NECESSARY TO UNIFY THE VARIOUS AND DIFFERENT AGRICULTURAL POLICIES OF THE JOINING MEMBER STATES. THIS HAS MAINLY BEEN DONE BY THE ESTABLISHMENT OF COMMON MARKET ORGANIZATIONS FOR THE MAIN AGRICULTURAL COMMODITIES, COMMON MARKET RULES AND PRICES DECIDED BY THE EUROPEAN COUNCIL AND ENFORCED BY THE COMMISSION OF THE EUROPEAN COMMUNITY HAVE BEEN FIXED FOR THE MEMBER STATES. ONE OF THE MAIN FEATURES AND BASIC ELEMENTS OF THE UNITARY SYSTEM IS THE COMMON PRICE FOR THE SAME QUALITY PRODUCT. IN ORDER TO STABILIZE THE INTERNAL EEC MARKETS AT GUARANTEED PRICES, IT WAS NECESSARY TO AVOID

INTERNALLY THE ADVERSE EFFECTS OF FLUCTUATIONS IN WORLD MARKET PRICES. IT IS THE REASON WHY THE SYSTEM OF VARIABLE LEVIES AND REFUNDS HAS BEEN ESTABLISHED IN THE AGRICULTURAL TRADE TRANSACTIONS BETWEEN MEMBER STATES AND THIRD WORLD COUNTRIES. THIS IS PLAYING THE SAME ROLE AS A LOCK. IF THE WORLD PRICES ARE LOWER THAN THE EEC INTERNAL PRICES, A LEVY IS APPLIED TO THE IMPORTED PRODUCTS AND A REFUND TO THE EEC EXPORTED PRODUCTS. IF WORLD PRICES ARE HIGHER THAN INTERNAL PRICES, WHICH HAPPENED FOR CEREALS AND SUGAR IN THE EARLY 70'S, A LEVY IS APPLIED TO THE EXPORTED PRODUCTS.

IN ORDER TO AVOID ADVERSE EFFECTS ON THE WORLD MARKET, THIS SYSTEM IS ADMINISTERED IN SUCH A WAY, THAT THE LEVIES OR THE REFUNDS COMPENSATE FOR, BUT DON'T EXCEED, THE DIFFERENCE BETWEEN INTERNAL AND WORLD PRICES. THAT IS THEY DON'T ALLOW THE EC TO CAPTURE AN INEQUITABLE SHARE OF THE WORLD MARKET. AND, IN FACT, IF YOU LOOK AT OUR WORLD MARKET SHARE IN AGRICULTURAL TRADE DURING THE PAST TEN YEARS, YOU WILL NOTICE THAT IS HAS BEEN PRETTY STABLE AROUND 10 %.

IN WORKING OUT ITS COMMON AGRICULTURAL POLICY, THE EUROPEAN COMMUNITY WAS CAREFUL TO REMEMBER ITS GLOBAL RESPONSIBILITIES AND TO AVOID SLAMMING THE DOOR ON THE OUTSIDE WORLD. THIS WAS ESPECIALLY DESIRABLE SINCE ALL THE MEMBER COUNTRIES WERE PARTIES TO BILATERAL AGREEMENTS WITH NON-MEMBER COUNTRIES SPECIFICALLY AFFECTING TRADE IN AGRICULTURAL PRODUCE, AND ALL OF THEM WERE MEMBERS OF GATT, FAO AND THE OECD WHICH HAVE AMONG THEIR MAIN OBJECTIVES THE FOSTERING OF INTERNATIONAL TRADE.

THESE WERE OBLIGATIONS WHICH THE TREATY OF ROME COULD NOT IGNORE. IT ACCORDINGLY STIPULATES IN ARTICLE 110 THAT THE MEMBER STATES INTEND TO CONTRIBUTE TO THE SMOOTH DEVELOPMENT OF WORLD TRADE, } THE PROGRESSIVE ELIMINATION OF INTERNATIONAL TRADE RESTRICTIONS } AND THE LOWERING OF TARIFF BARRIERS. THESE ARE PROVISIONS OF A GENERAL CHARACTER, APPLYING OF COURSE TO TRADE IN AGRICULTURAL PRODUCE. / REGARDING GATT, THE SYSTEM OF EXPORTS AID PRACTICED BY THE EEC IS IN CONFORMITY WITH THE RULES AND IS ACCEPTED AS SUCH BY THE GATT. AGRICULTURAL SUBSIDIES WERE RECOGNIZED IN THE GATT AS A FACT OF LIFE. WHAT WAS AGREED IN TOKYO WAS THAT NO ONE SHOULD USE THEM TO TAKE MORE THAN A FAIR SHARE OF WORLD TRADE, AND WE HAVE HELD TO THIS AGREEMENT. //

THE EC FOOD AID PROGRAMME WHICH NOW AMOUNTS TO APPROXIMATELY 600 MILLION ECU PER YEAR, IS THE RESULT OF A COMMITMENT UNDERTAKEN BY THE COMMUNITY DURING THE KENNEDY ROUND OF 1964/67, SPECIFICALLY IN THE FOOD AID CONVENTION OF JULY 1, 1968. THE EC FOOD AID HAS SEVERAL OBJECTIVES RELATED TO THE NEEDS OF DEVELOPING COUNTRIES (MEETING EMERGENCY REQUIREMENTS, RAISING NUTRITIONAL LEVELS, CONTRIBUTING TO ECONOMIC DEVELOPMENT). THUS, IT HAS BEEN AND IS STILL CONSISTENTLY IMPROVED: DIVERSIFICATION TOWARDS SKIMMED MILK POWDER, BUTTEROIL AND LOCALLY OR REGIONALLY PURCHASED FOODSTUFFS, MULTIANNUAL PROGRAMMING, MODIFICATIONS IN PROGRAMME DESIGN SO AS TO AVOID FOOD AID TO BE A DISINCENTIVE TO DOMESTIC FOOD PRODUCTION.

THE EC IS A MEMBER OF THE COMMITTEE ON SURPLUS DISPOSAL AND THEREFORE OBSERVES THE COMMERCIAL DISCIPLINES OF CSD IN IMPLEMENTING ITS FOOD AID PROGRAMME.

IN ANOTHER SECTOR OF THE FOOD TRADE WITH DEVELOPING COUNTRIES, THE EC PIONEERED IN 1975 WITH THE IMPLEMENTATION OF THE FIRST SCHEME PROVIDING STABILIZATION OF EXPORT EARNINGS OF DEVELOPING COUNTRIES. THE STABEX SYSTEM NOW COVERS 43 PRODUCTS EXPORTED BY THE 63 DEVELOPING COUNTRIES MEMBERS OF THE LOMÉ CONVENTION. //

OUR SYSTEM HAS BEEN DESIGNED TO COMPLY WITH THE INTERNATIONAL RULES, BUT THE ECONOMIC ENVIRONMENT WHICH WAS PREVAILING WHEN THE CAP WAS IMPLEMENTED AFTER THE SECOND WORLD WAR HAS DRAMATICALLY CHANGED. / AFTER A PERIOD OF RECONSTRUCTION AND OF EXPANDING TRADE, WHEN THE EEC IMPLEMENTED POLICIES TO RESPOND TO THE GROWING DEMAND, THE WORLD ECONOMY HAS BEEN SLACKENING AND RECESSION AFFECTED ALL THE COUNTRIES UNDER THE EFFECTS OF OIL CRISIS, } GROWING INFLATION, } GROWING INTEREST RATES, } INCREASING VALUE OF DOLLARS AND } OTHER ECONOMIC FACTORS.

THE CAP IS EVOLVING AND RESPONDING TO THE CHANGES AFFECTING WORLD ECONOMICS. INITIALLY THE CAP WAS A SYSTEM OF OPEN-ENDED GUARANTEES AND UNLIMITED QUANTITIES FOR SOME OF THE MAJOR COMMODITIES LIKE GRAINS AND SUGAR.

BUT A NUMBER OF MEASURES HAVE RECENTLY BEEN IMPLEMENTED TO ENSURE A BETTER MATCHING OF SUPPLY AND DEMAND AND TO MAKE PRODUCERS AWARE OF THE CRISIS OF OVER-PRODUCTION.

THESE EFFORTS ARE A DIRECT CONTRIBUTION TO THE STABILIZATION OF THE WORLD MARKET. IN THE GUIDELINES FOR EUROPEAN AGRICULTURE ADOPTED IN 1981, IT HAS BEEN DECIDED:

- 1) TO REDUCE THE GAP BETWEEN OUR PRICES AND THE PRICES OF OUR MAIN COMPETITORS,
- 2) TO ASK FARMERS TO PAY SOME OR ALL OF THE COSTS OF DISPOSING OF PRODUCTION BEYOND CERTAIN THRESHOLDS.

WHAT DOES THAT MEAN IN CONCRETE TERMS?

LET ME TAKE TWO EXAMPLES:

#### - SUGAR

FINANCIAL SUPPORT FOR EEC EXPORTED SUGAR HAS BEEN ELIMINATED AND THE PRODUCERS MUST BEAR ALL THE COSTS OF DISPOSAL AND STORAGE OF SURPLUS SUGAR THEMSELVES. AS A DIRECT RESULT, THE SUGAR ACREAGE AND PRODUCTION WERE REDUCED IN 1983 BY ABOUT 10 %.

#### GRAIN

A CEILING OF 119,5 MILLION TONS HAS BEEN SET FOR ALL GRAINS (EXCLUDING RICE AND DURUM WHEAT) FOR 1982/83. BECAUSE GRAIN PRODUCTION HAS BEEN EXCEEDING THIS CEILING BY ONE Million Ton. INTERVENTION PRICES HAVE BEEN REDUCED BY ONE PERCENT. I COULD GIVE SIMILAR EXAMPLES IN OTHER AREAS LIKE DAIRY PRODUCTS AND OILSEEDS. //

BUT CURRENT WORLD MARKETS ARE STILL DEPRESSED. THIS IS ONE OF THE REASONS WHY THE COMMISSION OF THE EUROPEAN COMMUNITIES HAS PROPOSED TOUGHER RATIONALIZATION OF OUR MARKET ORGANIZATIONS TO THE COUNCIL OF ATHENS. THE MAIN ASPECTS OF THE RATIONALIZATION

OF THE MARKET ORGANIZATION PROPOSED BY THE COMMISSION ARE:

- A GREATER CONTRIBUTION BY THE AGRICULTURAL PRODUCERS TO THE COST OF DISPOSAL OF THEIR PRODUCTS. THIS MEANS A REINFORCEMENT OF THE GUARANTEE THRESHOLD POLICY,
- A RESTRICTIVE PRICE POLICY WHICH FOR GRAINS MEANS A FURTHER PROGRESSIVE REDUCTION IN THE GAP BETWEEN COMMUNITY PRICES AND THOSE OF ITS PRINCIPAL COMPETITORS,
- AN IMPROVEMENT OF MARKET MANAGEMENT TO PERMIT A FLEXIBLE REACTION TO DEVELOPMENTS IN THE MARKET SITUATION,
- A DECREASE IN AIDS AND PREMIUMS,
- AN EXAMINATION OF THE REGIMES APPLICABLE TO CERTAIN IMPORTS WITH A MEANS TO ADAPT THEM TO THE MARKET SITUATION IN ACCORDANCE WITH THE INTERNATIONAL AGREEMENTS AND IN LIGHT OF THE GREATER DISCIPLINES REQUESTED OF THE EEC PRODUCERS.

IN CONCRETE TERMS THIS WOULD MEAN A REDUCTION OF EEC AGRICULTURAL EXPENDITURES OF ABOUT 2.5 BILLION DOLLARS FOR THE FIRST YEAR OF IMPLEMENTATION AND OF MORE THAN 3 BILLION DOLLARS AFTER 3 YEARS.

UNFORTUNATELY, A GLOBAL COMPROMISE ON CAP IMPROVEMENT AND OTHER ASPECTS OF THE COMMON MARKET ORGANIZATION HAS NOT BEEN REACHED IN ATHENS. BUT THE PROPOSALS OF THE COMMISSION IN THIS AREA ARE STILL VALID, AND THE COMMISSION WILL DO ITS BEST IN THE COMING MONTHS TO GET THESE GUIDELINES APPROVED BY THE COUNCIL.

LET US NOW BE LESS THEORETICAL AND ASSESS THE CURRENT QUALITATIVE AND QUANTITATIVE EFFECTS OF THE COMMON AGRICULTURAL POLICY ON WORLD AGRICULTURAL TRADE:

ON THE EXPORT SIDE

OUR FOREIGN AGRICULTURAL TRADE MANAGEMENT IS TRANSPARENT, THE REFUNDS AND THE LEVIES ARE PUBLISHED. THE SYSTEM WAS NOTIFIED TO THE GATT WHEN WE IMPLEMENTED IT AND ALL THE MODIFICATIONS WE ARE IMPLEMENTING ARE VERY MUCH IN ACCORDANCE WITH OUR INTERNATIONAL AGREEMENTS. /

WE ARE A RELIABLE SUPPLIER FOR OUR FOREIGN CUSTOMERS. WE DID NOT EMBARGO THE EXPORTS OF OUR COMMODITIES. /

WHEN THERE WAS A NEED FOR FOOD IN THE SEVENTIES, WE RESPONDED TO WORLD DEMAND AND WERE ABLE TO CONTRIBUTE TO WORLD WELFARE.

AND SO DURING THE PAST TEN YEARS WE INCREASED OUR EXPORTS

FROM 7.4 MILLION <sup>ECU</sup> TONS TO 25.6 MILLION <sup>ECU</sup> TONS. /

ON THE OPPOSITE SIDE, WHEN THE WORLD TRADE IS SHRINKING, THE EEC IS READY TO SHARE THE BURDEN. IN 1982 OUR EXPORTS WERE REDUCED FROM 26.5 TO 25.6 BILLION ECU. TO IMPROVE THE WORLD WHEAT MARKET, WE AGREED TO LIMIT OUR MARKET SHARE TO THE PREVIOUS LEVEL OF 14 % AND IN SUCH A WAY TO PRACTICALLY DOUBLE OUR INTERNAL WHEAT STOCKS.

ON THE IMPORT SIDE

THE GENERAL ARRANGEMENTS FOR IMPORTS INTO THE EEC ARE AMONG THE MOST LIBERAL IN THE WESTERN WORLD. THE COMMUNITY TAKES

*30% increase was  
for product not  
under the PAO control.  
The share of agri products  
in total exports is  
declining.*



ABOUT ONE QUARTER OF THE WORLD'S EXPORTS OF AGRICULTURAL PRODUCTS, MAKING IT THE LARGEST IMPORTER OF SUCH PRODUCTS IN THE WORLD. IN 1982 ONLY 15 % OF THE COMMUNITY AGRICULTURAL IMPORTS FROM INDUSTRIALIZED COUNTRIES WERE SUBJECT TO THE VARIABLE LEVY SYSTEM. AND OF THE OTHER 85 %, MORE THAN 50 % OF IMPORTS FROM INDUSTRIALIZED COUNTRIES CAME IN OVER 0 DUTY.

THE EEC IN A TEMPERATE ZONE, IS A RELATIVELY STABLE ECONOMY AND POLICY, WHICH MEANS THAT IMPORTS ARE NOT FLUCTUATING BUT GROWING AT A REGULAR RATE, PROVIDING AN INSURANCE OF STABILITY TO ITS SUPPLIERS.

THE EUROPEAN COUNTRIES ARE DEVELOPED COUNTRIES. THAT MEANS THAT PURCHASES ARE MADE IN RELIABLE MONIES AND THAT OUR SUPPLIERS DO NOT FACE CREDIT PROBLEMS WITH US. THEY CAN DEVOTE MOST OF THEIR EXPORT CREDIT AVAILABILITY TO OTHER AREAS. LAST BUT NOT LEAST, OUR IMPORTS ARE GROWING FAST, THEY QUIETLY DOUBLED DURING THE PAST TEN YEARS FROM ABOUT 24 MILLION TO 47 MILLION TONS.

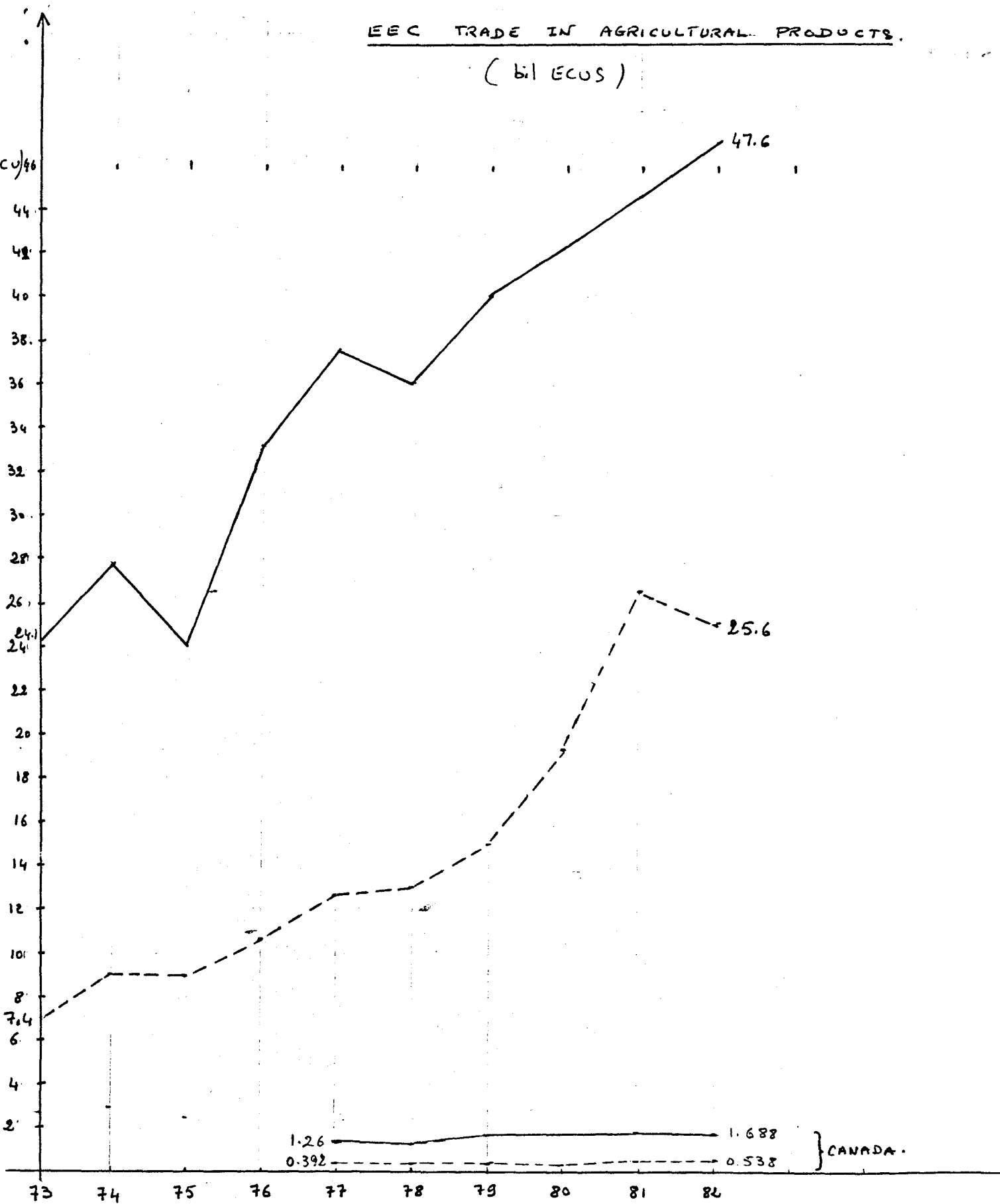
IN CONCLUSION, WE SHOULD RECOGNIZE THAT EEC IS ONE OF THE MAIN PARTICIPANTS TO THE WORLD TRADE IN AGRICULTURAL PRODUCTS, IT IS A HEALTHY AND RELIABLE ACTOR IN THIS TRADE.

IN SPITE OF OUR INTERNAL ECONOMIC DIFFICULTIES AND OF THE FACT THAT WE HAVE A GOOD FARMLAND LOCATED IN A TEMPERATE REGION OF THE WORLD AS WELL AS EFFICIENT FARMS, WE ARE STILL THE MAIN NET WORLD IMPORTER OF AGRICULTURAL PRODUCTS, AND I WOULD JUST LIKE TO REMIND YOU THAT FROM 1973 TO 1982 OUR TRADE DEFICIT IN AGRICULTURAL PRODUCTS GREW FROM 17 TO 23 BILLION ECUs.

EEC TRADE IN AGRICULTURAL PRODUCTS.

(bil ECUS)

(bil ECUS)



— imports.  
 -- exports.

} CANADA.