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NEW EC CAP PROPOSALS NOT DESIGNED TO HURT US AGRICULTURAL EXPORTS

A package of proposed changes to the European Community's Common Agricultural Policy (CAP) is designed to discourage surplus farm production and limit Community spending on farm support - rather than hurt United States exporters, Sir Roy Denman, head of the Delegation of the Commission of the European Communities, said Tuesday.

In fact, the package should help US farmers because it would encourage cutbacks in the production of Community farm goods that compete with US products on world markets, Sir Roy said. Those measures that would have external effects are not unreasonable in light of the "substantial sacrifices" that would be required of Community farmers, he added.

Sir Roy made his comments before US and Community agricultural leaders attending the 12th EC-US Conference on Agriculture at the US Chamber of Commerce headquarters in Washington, D.C.

The CAP is a scheme for ensuring food supply, price stability and farm income support within the Community. The Commission of the European Communities has proposed changes in the policy for two basic reasons, Sir Roy explained. First, the Community is running out of cash because of sharp increases in agricultural expenditures. Second, productivity gains in European agriculture have led to rising surpluses.

The proposed measures would restrict the volume on which farmers can receive a guaranteed price for their products and require them to foot the bill when they over-produce, Sir Roy said. They would also help close the gap between Community and world farm prices, he added. The package represents a "major shift" in the direction that American critics have said the CAP should take, Sir Roy noted.

The United States has objected to specific proposals that would place a tax on oils and fats and restrict imports of grain substitutes, including corn gluten feed and citrus pellets.

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The US Senate recently passed a resolution demanding that the US take "strong measures" if the Community adopts either of these measures. Daniel G. Amstutz, Under Secretary of Agriculture, told participants in the US-EC conference that if these proposals are adopted, "we will respond immediately and concretely to defend our trade interests."

Sir Roy responded that the proposal on grain substitutes was not aimed specifically at the US and was simply an effort to stabilize - not slash or ban - imports. "We cannot reduce support for grain without stabilizing imports of grain substitutes, which displace Community-grown cereals in animal feed and thus force more EC grain on to the world market," he said.

Grain substitutes are imported from a wide range of sources, Sir Roy noted, and the Community has already taken action on manioc and bran from such areas as Southeast Asia. In fact, he added, Community imports of corn gluten feed have "soared" from 700,000 tons to 3 million tons since 1974.

The tax on oils and fats would not directly affect imports of soybeans or soybean meal, Sir Roy added. It would be, rather, a non-discriminatory sales tax on all oils and fats - excluding butter - consumed in Europe, whether produced locally or imported. "The low rate of tax proposed, combined with the reduction in butter subsidies is not likely to alter consumption patterns of soybean oil or margarine," he said.

Furthermore, he added, all other vegetable oils would be taxed, which would have a proportionately greater effect on the lower priced oils, such as rapeseed oil. "Lastly, soybeans are imported by the EC very largely for animal feed and not for oil production," Sir Roy said.

In conclusion, Sir Roy said, the Commission's proposals have not been designed to "shift the burden of adjustment away from European agriculture on to the shoulders of US exporters."

"It's European farmers who would bear the major burden of reduction in price, severely limited production quotas and generally severe cuts in financial assistance." The measures with external impact, he added, would be carried out in "scrupulous conformity" with rules of the General Agreement on Tariffs and Trade and in full consultation with the US.

The CAP proposals are scheduled to be considered by the EC Council of Ministers in December.
