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AGRICULTURAL TRADE: THE EUROPEAN VIEW

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AFTER THE TUMULTUOUS EVENTS OF THE PAST FEW WEEKS, IT GIVES ME GREAT PLEASURE TO COME TO THE CALM ENVIRONMENT OF THIS PRESTIGIOUS CONFERENCE ON US-EC RELATIONS AND DISCUSS THE ISSUES OF AGRICULTURAL TRADE.

MY SPEECH TODAY WILL FOCUS ON 3 ESSENTIAL THEMES: SIMILARITY, REALITY AND OPPORTUNITY.

- SIMILARITY, BECAUSE THE TWO MAJOR AGRICULTURAL POLICIES WHICH DOMINATE WORLD TRADE HAVE SIMILAR OBJECTIVES THOUGH DIFFERENT STRUCTURES;
- REALITY, SINCE THE COMMON AGRICULTURAL POLICY (CAP) IS PASSING A PERIOD OF INTENSE ADJUSTMENT WHILE MAINTAINING A REALISTIC AND RESPONSIBLE TRADE POLICY;

AND

- OPPORTUNITY, AS WE SHOULD, AT THIS CONFERENCE, LOOK TO THE FUTURE FOR AGRICULTURAL TRADE RATHER THAN DWELL ON THE PAST.

A. SIMILARITY

THE AIMS OF THE COMMUNITY AND THE UNITED STATES IN TERMS OF AGRICULTURAL POLICIES ARE PRACTICALLY IDENTICAL.

BOTH MAINTAIN A LARGE SINGLE MARKET WITHOUT TRADE RESTRICTIONS; BOTH ENSURE FIRM PROTECTION OF THE MAJORITY OF THEIR PRODUCTION, IN THE INTEREST OF THEIR PRODUCERS AND BOTH HAVE FARM FUNDS WITH COMPARABLE FUNCTIONS.

THE MECHANISMS APPLIED ARE SOMETIMES DIFFERENT SINCE THERE IS LITTLE SIMILARITY IN PRODUCTION STRUCTURES BETWEEN THE TWO TRADING COLOSSI. THE UNITED STATES FARMING POPULATION (ABOUT 2.2%), SPREAD OVER A VAST UTILISED FARM AREA 4 TIMES THE SIZE OF THE COMMUNITY ON A THIRD OF THE NUMBER OF FARMS. IT IS NOT SURPRISING TO FIND, AFTER SOME RAPID ARITHMETIC, THAT THE AVERAGE SIZE OF FARM IN THE US IS ABOUT 10 TIMES AS LARGE AS A COMPARABLE AVERAGE IN THE COMMUNITY. THUS, IF THE UNITED STATES'AGRICULTURAL STRUCTURE IS EXTENSIVE IN NATURE WITH RELATIVELY LOW YIELDS PER HECTARE, THE US BEING THE WORLD'S LARGEST CEREAL EXPORTER, THE COMMUNITY'S FARMING STRUCTURE IS INTENSIVE WITH NORMALLY HIGH YIELDS PER HECTARE, THE EC BEING THE LARGEST EXPORTER OF ANIMAL PRODUCTS IN THE WORLD.

LET US TAKE A CLOSER LOOK AT THESE MECHANISMS BY ILLUSTRATING THE MEANS OF REVENUE SUPPORT, IMPORT LIMITATION AND EXPORT SUBSIDIES EMPLOYED BY THE TRANSATLANTIC PARTNERS.

(I) REVENUE_SUPPORT

US FARMERS INCOMES ARE SUPPORTED FOR MOST PRODUCTS EITHER THROUGH MARKETING ORDERS (FOR SUCH PRODUCTS AS MILK AND FRUIT AND VEGETABLES); NON RECOURSE LOANS (AS FOR CEREALS AND SUGAR) AND DEFICIENCY PAYMENTS (FOR CEREALS AND WOOL). COMMUNITY FARMERS DEPEND ON GUARANTEES THROUGH AN ESTABLISHED INTERVENTION PRICE FOR MOST PRODUCTS WHOSE FLEXIBILITY VARIES FROM ONE PRODUCT TO ANOTHER.

WHATEVER THE SYSTEM, THE SUMS SPENT ON COMMODITY PROGRAMS ALONE BY THE UNITED STATES IN 1983 (INCLUDING PIK) WERE 25% HIGHER THAN THE WHOLE EC AGRICULTURAL BUDGET THAT YEAR;

(II) Import limitations

BOTH THE US AND THE COMMUNITY PROTECT THEIR INTERNAL MARKETS IN SIMILAR WAYS. THE US OPERATES IMPORT QUOTAS ON A WIDE VARIETY OF PRODUCTS (FOR EXAMPLE MILK PRODUCTS AND SUGAR) AND HAS THE POWER TO IMPOSE OR ALTER THEM AT WILL UNDER THE GATT WAIVER OF 1955. THE COMMUNITY APPLIES DUTIES AND VARIABLE LEVIES ON IMPORTS, BUT GIVES CONCESSIONS PERMITTING SPECIAL ACCESS FOR QUANTITIES OF PRODUCTS SUCH AS BEEF AND BUTTER. THE COMMUNITY IS STILL THE WORLD'S LARGEST IMPORTER OF AGRICULTURAL PRODUCTS.

(III) Export subsidies

AS YOU WILL ALL BE AWARE, THE COMMUNITY GIVES AN EXPORT REFUND FOR MOST PRODUCTS IN ORDER TO COMPENSATE THE DIFFERENCE BETWEEN THE INTERNAL PRICE AND THE WORLD MARKET PRICE. THIS ENABLES COMMUNITY OPERATORS TO BE COMPETITIVE WITH OUR TRADING PARTNERS AND SHOULD BE CONSIDERED AS PART OF THE COST - ALTHOUGH A VERY VISIBLE ONE - TO MAINTAINING FARMERS' INCOMES IN THE COMMUNITY. A SYSTEM IN THE COMMUNITY WHICH PROVIDES, FOR A PARTICULAR PRODUCT A GUARANTEED INTERVENTION PRICE WITH AN EXPORT REFUND (FOR EXAMPLE BEEF) HAS A SIMILAR EFFECT TO A SYSTEM IN THE UNITED STATES WHERE DEFICIENCY PAYMENTS ENABLE FARMERS TO SELL AT A PRICE LOWER THAN THEY WOULD OTHERWISE HAVE DONE.

FURTHERMORE, AIDS TO TRADE PROMOTION, EXPORT CREDITS AND THE PL 480 PROGRAMMES ARE ALL DESIGNED AS EFFECTIVE INSTRUMENTS FOR BOOSTING EXPORTS. FINALLY, AS A RECENT USDA STUDY HAS INDICATED, THE LEVEL OF THE DOLLAR HAS A VERY IMPORTANT EFFECT ON WHAT QUANTITIES ARE EXPORTED: THE MODEL UTILISED ESTIMATES THAT A 20% RISE IN THE VALUE OF THE DOLLAR WILL CAUSE FARM EXPORTS TO DROP BY 16%.

B. REALITY

FROM SIMILARITY, WE MOVE TO REALITY. THOSE OF YOU PRESENT WHO HAVE HAD THE MISFORTUNE TO BE WAITING OUTSIDE THE COUNCIL OF MINISTERS'CHAMBER UNTIL THE EARLY HOURS OF THE MORNING IN RECENT WEEKS WILL HAVE RECOGNISED - INCLUDING EVEN THE HARSHEST CRITICS OF THE CAP - THAT THERE IS AN ENORMOUS MOVEMENT CURRENTLY UNDERWAY FOR CAP REFORM.

THIS IS NOT A FRESH COURSE FOR THE COMMISSION. WE HAVE INSISTED FOR SEVERAL YEARS, AND WITH SUCCESS LAST WEEK, THAT THERE SHOULD BE A LIMIT TO THE FINANCING OF COMMUNITY SUPPORT FOR THOSE PRODUCTS FOR WHICH THERE IS NO COMMERCIAL OUTLET. WE HAVE CONSTANTLY REPEATED THAT IT IS NEITHER ECONOMICALLY SOUND NOR FINANCIALLY POSSIBLE TO GIVE PRODUCERS FULL GUARANTEE FOR SUCH PRODUCTS

WE HAVE STUCK DOGGEDLY TO OUR GUNS, PUTTING PRESSURE ON THE COUNCIL TO GRADUALLY PUT ITS HOUSE IN ORDER BY ACCEPTING THE PRINCIPLE OF PRODUCER PARTICIPATION IN PAYMENT OF DISPOSAL OF THOSE PRODUCTS PRODUCED ABOVE OUR NEEDS.

We have considered, like an old Dutch farmer - as President Abraham Lincoln once related in one of his speeches - that "it was not best to swap horses when crossing a stream."
We are still continuing to cross this stream. In addition to a system of quotas and levies operating in the sugar sector, already introduced in 1981, we now have a similar approach for milk whereby producers will pay for this disposal of all milk produced above a threshold level well below current production levels. We have also extended the application of the guarantee threshold - already introduced for cereals, rapeseed and processed tomatoes - to dried raisins.
And, not least, we have, for the first time in the history of the CAP, reduced prices in Ecus by 0.5%. This limits the price rise in national currencies to an average of 3.2% for all products, well below the average level of Community inflation.

The other notable success of this package of Council decisions is the prospect of a return to a unified agricultural market. The three stage process to eliminate positive MCA's, which will be largely completed by this time next year, together with a mechanism to prevent the creation of new positive MCA's is a substantial achievement.

After these decisions on domestic production restraint, the way is now free for opening negociations under article XXVIII of GATT, for the stabilisation of imports of cereals substitutes.

IT IS NOT THE EC'S INTENTION TO CUT OFF YOUR CORN GLUTEN FEED EXPORTS VALUED ABOUT 600 MILLION DOLLAR BUT TO NEGOCIATE A TEMPORARY STABILISATION OF THOSE IMPORTS.

THE COMMISSION STATED IN THE PAST AND THE COUNCIL CONFIRMED THE POINT, THAT IT WOULD BE UNCONCEIVABLE TO IMPOSE MAJOR SACRIFICES UPON OUR FARMERS WHILE EVER GROWING IMPORTS OF CEREAL SUBSTITUTES UNDERMINE THE EFFORTS TOWARDS A BETTER BALANCE OF SUPPLY AND DEMAND IN THE COMMUNITY. HOWEVER, A NEGOTIATED STABILISATION OF CORN GLUTEN FEED IMPORTS HAS NOTHING TO DO WITH PROTECTIONISM NOR DOES IT MEAN A SHIFT OF THE BURDEN OF ADJUSTMENT AWAY FROM EUROPEAN AGRICULTURE ONTO THE SHOULDERS OF US PRODUCERS AND EXPORTERS, AS ALLEGED SO OFTEN BY AMERICANS.

FIRST, THE COUNCIL DECISIONS SHOW THAT WE HAVE TAKEN THE BURDEN OF ADJUSTMENT ON OUR OWN SHOULDERS, ADJUSTMENTS WHICH WILL ALSO GREATLY BENEFIT OUR TRADING PARTNERS. SECOND, ARTICLE XXVIII NEGOCIATIONS ON CORN GLUTEN FEED WILL ADDRESS THE QUESTION OF COMPENSATION IN ORDER TO MAINTAIN THE OVERALL BALANCE OF ADVANTAGES.

I AM CONFIDENT THAT THE UNITED STATES WILL ENTER SUCH NEGOCIATIONS IN GOOD FAITH AND THAT A SOLUTION SATISFACTORY FOR BOTH SIDES CAN BE FOUND.

REALITY INTERNALLY HAS BEEN MATCHED BY REALITY IN EXTERNAL POLICY.

ALTHOUGH THE RISE IN SELF SUFFICIENCY IN PRODUCTION HAS LED TO THE POSITION THAT THE COMMUNITY IS A NET EXPORTER OF MANY PRODUCTS WE STRONGLY MAINTAIN THAT WE HAVE HELD A VERY RESPONSIBLE ATTITUDE TO WORLD MARKETS IN RECENT YEARS, SUPPORTING THE PRINCIPLE OF PRIC STABILISATION AGREEMENTS RATHER THAN CHARGING AROUND LIKE A BULL IN A CHINA SHOP.

EVEN THOUGH THE COMMUNITY IN 1983 HAD AN EXTERNAL TRADE BALANCE DEFICIT IN 1982 OF - 21.6 BILLION DOLLAR IN CONTRAST TO THE UNITED STATES SURPLUS OF + 18.1 BILLION DOLLAR, WE HAVE HELD BACK ON PROMOTING EXPORTS FOR THE MAJOR PRODUCTS AND HAVE CHOSEN TO STOCK BUILD INSTEAD. FOR EXAMPLE, OUR EXPORTS OF SMP AND BUTTER HAVE DECREASED IN VOLUME TERMS BY 36% AND 26% RESPECTIVELY IN THE PAST 12 MONTHS. AS A RESULT, WE NOW HAVE THE LARGEST BUTTER MOUNTAIN THE WORLD HAS EVER KNOWN (OVER 800,000 TONNES IN PUBLIC STOCKS) AND ONE OF THE HIGHEST LEVELS OF PUBLIC STOCKS OF CEREALS THAT THE COMMUNITY HAS EVER KNOWN. OUR BEEF MOUNTAIN IS ALSO GROWING.

A STOCKING POLICY, HOWEVER, IS NOT SIMPLY DUE TO A LACK OF COMMUNITY FINANCE AS SOME OF YOU MIGHT PERHAPS EXPECT.
FOR SOME PRODUCTS LIKE BUTTER, IT WOULD BE MUCH CHEAPER TO EXPORT LARGE QUANTITIES IN THE SHORTER TERM AS THE CURRENT COST OF EXPORTING 1 TON OF BUTTER IS A QUARTER OF THE COST OF DISPOSAL OF ONE EXTRA TON ON THE INTERNAL MARKET.

WE ARE ALL IN FACT FAMILIAR WITH THE REASONS FOR THESE IMBALANCES: STAGNANT CONSUMPTION AND HIGHER PRODUCTION LEVELS FOR MOST AGRICULTURAL PRODUCTS IN THE DEVELOPED COUNTRIES; DIMINISHING DEMAND THROUGH THE WEIGHT OF ENORMOUS DEBT IN THE DEVELOPING WORLD; AND, CONSEQUENTLY, LITTLE OPPORTUNITY OF EXPANDING WORLD TRADE IN THE NEAR FUTURE.

C. <u>OPPORTUNITY</u>.

THIS IS A GOOD MOMENT TO TURN TO MY THIRD THEME: OPPORTUNITY. WE MUST REGARD THE FUTURE, AND SEIZE ALL THE OPPORTUNITIES WHICH IT OFFERS TO RESOLVE OUR PROBLEMS TOGETHER.

I AM A CONVINCED BELIEVER THAT WE CAN NEVER PREDICT FUTURE EVENTS BY SIMPLE REFERENCE TO THE PAST: THE CONDITIONS UNDER WHICH EVENTS ARE ABOUT TO TAKE PLACE WILL ALWAYS BE DIFFERENT. NEVERTHELESS, WE CANNOT IGNORE REALITY AS WE LOOK INTO THE MEDIUM TERM: NOWHERE IS THIS MORE TRUE THAN FOR AGRICULTURAL TRADE.

WE ARE ALL CONSCIOUS IN THE DEVELOPED WORLD THAT WE WILL HAVE CONTINUED PROBLEMS FOR SALE OF AGRICULTURAL PRODUCTS AT COMMERCIAL PRICES FOR SOME TIME TO COME. THE DRIFT OF OUR INTERNAL POLICIES TOWARDS LOWER PRICE SUPPORTS (BOTH IN REAL AND NOMINAL TERMS) AS WELL AS QUOTAS AND LEVIES FOR PRODUCTION CONTROL IN CERTAIN SECTORS INDICATE THAT WE HAVE RECOGNISED THESE STARK REALITIES. BUT HOW MUCH LONGER WILL IT TAKE BEFORE THESE REALITIES DAWN ON OUR CONSCIOUSNESS IN AGRICULTURAL TRADE, NAMELY THAT WE ARE LIVING IN A HIGHLY INTERDEPENDENT WORLD TRADING SYSTEM?

IN THE CASE OF A STAGNANT WORLD MARKET, FOR EXAMPLE, THE ECONOMIC GAIN ON ONE COUNTRY IN ONE PRODUCTION SECTOR WILL INEVITABLY RESULT IN AN ECONOMIC LOSS FOR ANOTHER, LEADING IN THE END TO GREATER PROTECTIONISM IN THE LATTER WHICH WILL BE DETRIMENTAL TO THE FORMER.

(I) INTERNATIONAL WHEAT AGREEMENT

THERE IS A PERFECT EXAMPLE OF A COMMODITY WHERE THE MAJOR EXPORTERS (THE UNITED STATES, CANADA, AUSTRALIA, ARGENTINA AND THE EUROPEAN COMMUNITY) TEND TO APPLY THE EPICUREAN MAXIM "EAT, DRINK AND BE MERRY, FOR TOMORROW WE DIE".
I AM THINKING OF WHEAT.

WE ARE ALL PERFECTLY AWARE THAT THERE IS THE DANGEROUS PERSPECTIVE OF A STAGNANT WORLD MARKET WITH A HIGH DEBT OVERHANG IN MANY OF THE MAJOR PURCHASING COUNTRIES COUPLED WITH RECORD CROPS ANTICIPATED IN THE MAJOR EXPORTING COUNTRIES.
FOR OUR OWN SURVIVAL, IT IS ESSENTIAL THAT THERE BE A MINIMUM DEGREE OF UNDERSTANDING BETWEEN US. WE MUST NOT, LIKE LEMMINGS, PLUNGE OVER THE CLIFF FACE.

IF A GLOBAL INTERNATIONAL WHEAT AGREEMENT WITH PROVISION OF MINIMUM PRICING IS AT PRESENT TOO AMBITIOUS, LET US BE PRACTICAL AND SET OUR SIGHTS LOWER BY NEGOCIATING 3 SEPARATE CONVENTIONS:

- ONE ON THE MARKETING OF CEREALS WHEREBY EACH OF THE MAJOR EXPORTERS SHOULD AGREE TO AN APPROXIMATE MARKET SHARE SHOUL PRICES DROP BELOW A CERTAIN LEVEL;

- ONE ON THE FINANCING OF IMPORTS BY MAJOR PURCHASING COUNTRIES;

AND

- ONE ON FOOD AID WHICH WOULD, INTER ALIA, PERMIT DEVELOPING COUNTRIES TO PURCHASE CEREALS UNDER SPECIAL CONDITIONS.

WHY SHOULD, FOR EXAMPLE, THE 5 MAJOR EXPORTING NATIONS NOT AGREE TO AN INFORMAL MARKET SHARING ARRANGEMENT FOR THIS PRODUCT FOR THE 1984/85 CAMPAIGN?
THE COMMUNITY WOULD BE FULLY PREPARED TO SUPPORT SUCH AN AGREEMENT BUT WILL NOT BE WILLING TO STAND ON THE SIDELINES IF OTHER EXPORTERS BEGIN TO ENCROACH ON ITS TRADITIONAL MARKET SHARE.

(II) GATT DISCUSSIONS

THIS BRINGS ME TO THE CURRENT POSITION ON DISCUSSIONS ON SUBSIDIES WHICH WE HAVE BEEN REVIEWING IN THE GATT AGRICULTURAL COMMITTEE EARLIER THIS WEEK.

THOSE WHO OPPOSE MARKET SHARING ARRANGEMENTS SAY THAT THESE ARE NOT POSSIBLE WHILE THERE ARE COUNTRIES WHO USE EXPORT SUBSIDIES TO SUPPORT THEIR MARKET SHARES. IT IS TIME TO TAKE THE BULL BY THE HORNS AND REPLY HONESTLY TO THIS CRITICISM.

OUR DISCUSSIONS IN THE GATT COMMITTEE ON AGRICULTURE HAVE REVEALED THAT EVERY AGRICULTURAL EXPORTING NATION SUPPORTS ITS AGRICULTURAL SECTOR TO A GREATER OR LESSER EXTENT. SUBSIDIES, WHETHER DIRECT OR INDIRECT, CONTRIBUTE TO ASSISTING AGRICULTURAL EXPORTS. AS A RESULT, IT WOULD BE HELPFUL IF THE ONE SIDED CAMPAIGN AGAINST THE COMMUNITY AND ITS EXPORT SUBSIDIES STOPPED, TO BE REPLACED BY A MORE CONSTRUCTIVE APPROACH TO LOOK AT THE OVERALL SUPPORT GIVEN TO AGRICULTURE BY INDIVIDUAL COUNTRIES. WE ACCEPT IN THE COMMUNITY THAT WE MUST COME TO A CLEARER DEFINITION ON THE USE OF AGRICULTURAL SUBSIDIES IN TRADE. FRANKLY, HOWEVER, WE CANNOT MAKE PROGRESS ON BETTER DISCIPLINES FOR EXPORT SUBSIDIES UNLESS EVERY IMPORTANT AGRICULTURAL EXPORTER IS PREPARED TO SUBMIT TO THESE DISCIPLINES.

ONE OF THE IDEAS WHICH WE SHOULD FOCUS ON IN OUR DISCUSSIONS IN THE COMING MONTHS IS TO EXAMINE THE ESTABLISHMENT OF A LINK BETWEEN THE GRANTING OF AN EXPORT SUBSIDY AS WELL AS IMPORT LIMITATION OF PARTICULAR PRODUCTS BY A PARTICULAR COUNTRY AND THAT COUNTRY'S DECISIONS TO LIMIT PRODUCTION INCREASES.

FOR THE MORE NUMEROUS THAT NET AGRICULTURAL EXPORTERS BECOME IN WORLD TRADE, THE GREATER THE NEED FOR INTERNAL DISCIPLINES. NO ONE HAS A GOD-GIVEN RIGHT TO DOMINATE WORLD MARKETS AT WILL AT THE EXPENSE OF OTHER PARTNERS WHO HAVE DIFFERENT MECHANISMS OF SUBSIDISATION.

LET ME CONCLUDE WITH A GENERAL OBSERVATION CONCERNING THE CAP.

WE HAVE HAD THE POLITICAL WILL IN EUROPE TO CONSTRUCT A COMMON AGRICULTURAL POLICY WHICH IS TODAY THE GUARANTEE OF AGRICULTURAL TRADE BETWEEN THE 10 MEMBER STATES OF THE EUROPEAN COMMUNITY. SUCH A GUARANTEE WOULD CEASE TO EXIST IF THE COMMUNITY WERE TO TAKE THE RECENT ADVICE OF THE WALL STREET JOURNAL IN AN EDITORIAL ON 22 MARCH "TO FIRE ALL BUREAUCRATS IN THE EUROPEAN COMMISSION AND MAKE A JOINT APPLICATION TO REJOIN EFTA".

THIS IS A REMARKABLY PUERILE COMMENT FROM A GREAT NEWSPAPER. WE SHOULD RECOGNISE THAT THE SUM OF OUR INDIVIDUAL STRENGTHS IS INFINITELY GREATER THAN OUR INDIVIDUAL WEAKNESSES TAKEN SEPARATELY. OUR INTERNAL RULES ON TRADE IN THE COMMUNITY, FOR EXAMPLE, ARE MUCH TIGHTER THAN THOSE WHICH WOULD BE IMPOSED IN EFTA: SIMILARLY, THE DISCIPLINES WHICH THE COMMUNITY IMPOSES ON EXPORTING ACT AS A BRAKE ON PRACTICES WHICH MEMBER STATES MIGHT OTHERWISE BE ENCOURAGED TO FOLLOW.

THE DECISIONS TAKEN LAST WEEK IN BRUSSELS LAY THE FOUNDATION UPON WHICH THE COMMUNITY SHOULD EXPAND ITS POTENTIAL.

WHAT IS NEEDED HERE, AS FOR THE ISSUES RELATED TO AGRICULTURAL TRADE, IS POLITICAL WILL. ONE OF MY FELLOW COUNTRYMEN, MICHEL DE MONTAIGNE, SUMMARISED THE POINT PERFECTLY IN ONE OF HIS ESSAYS IN THE 16TH CENTURY: "THE VALUE OF LIFE LIES, NOT IN THE LENGTH OF DAYS, BUT IN THE USE WE MAKE OF THEM; A MAN MAY LIVE LONG, YET LIVE VERY LITTLE. SATISFACTION IN LIFE DEPENDS NOT ON THE NUMBER OF YOUR YEARS, BUT ON YOUR WILL."

LET US ALL SHOW THIS WILL TO ACHIEVE RULES OF CONDUCT IN AGRICULTURAL TRADE WHICH WILL BENEFIT US ALL IN THE FUTURE.