COMMISSION OF THE EUROPEAN COMMUNITIES
Information Directorate-Generale

B-1040 BRUSSELS
Rue de la Loi 200
Tel. 35 00 40

Subscription: ext. 5120
Inquiries: ext. 2590
Telex COMEURBRU 21877

INFORMATION DEVELOPMENT AND COOPERATION

EEC'S COMMERCIAL POLICY IN THE AGRICULTURAL SECTOR AS REGARDS THE ASSOCIATED AFRICAN STATES, AND MADAGASCAR AND MARITANIA AND THE DEVELOPING MEDITERRANEAN COUNTRIES

73/74

The theme of the Community's trade policy for agricultural products towards certain developing countries must be seen in the wider context of Community action in two fields:

- setting up and administering a common agricultural policy,
- and, outside the Community, establishing and strengthening special relationships with certain developing countries.

I. COMMON AGRICULTURAL POLICY

This is one of the leading Community policies and, like the Customs Union, was drawn up gradually and specifically deals with the agricultural production of the Community.

The authors of the Treaty of Rome did not wish to embark upon a detailed elaboration of such a policy and instructed the Commission to call a meeting of the Member States to discuss their various policies. Thus two important dates mark the beginnings of the Common Agricultural Policy:
- the Stresa Conference in July 1958, and 30 April 1960 when the Commission put before the Council the proposal for drawing up and implementing a common agricultural policy.

A specific aspect for primary industries had to be created, given that agricultural production was structurally unequal to the forces in play on the market. Without some organization, the unrestricted rule of supply and demand would have been detrimental to this sector, contrary to the aims of Article 39 of the Treaty. It is a well-known fact that the world market for agricultural products is subject to sudden fluctuation and, when the common policy was established, to extremely low prices.

Most of the Member States had thus found it necessary, from both the economic and the political point of view, to protect the home market from these fluctuations; the prices of the various agricultural products have thus taken on a political character.

When the customs duties in the Community of the Six were lifted, some subsequent organization of the agricultural markets was necessary to cope with the new situation.

The Community's answer to this was based on three well-known principles which are behind the various common market organizations created to cope with the diverse and complex nature of the respective productions.

This diversity and complexity are, alas, still to be found, varying from product to product, in proposals now under discussion at the present negotiations with certain developing countries.

Trade balance sheet for the Common Agricultural Policy

Does the complexity of these different systems and the protection of Community farmers constitute an unbreakable barrier to the frontiers of the Community of the Six? This criticism has been systematically rejected in those Community quarters whose job it is to defend the policy. But the facts prove that European agriculture has been politically necessary and socially useful, rather than just interested in its own immediate problems.

In view of the rigid partitions between the agricultural markets of the Community of the Six, the first and foremost aim was to develop Community trade among the Member States. From 1958 to 1972, when the Community was enlarged from 6 to 9 Member States, there was an enormous increase within the Community in trade in agricultural products which rose from 1,246 million dollars in 1958 to 9,427 million dollars in 1972 (index 757 for 1958 = 100).

This increase was more noticeable than for imports of the same products from third countries, for which the 1972/1958 index was 190. However, greatest imports into the Community were in the agricultural sector; this comes out clearly in the trade balance for 1972 which showed a deficit of 9,296 million dollars for these products (import: 13,982, for export: 4,688 millions). This deficit is typical of the agricultural and food sector as compared to the Community trade figures for all products which showed a balance of 4,166 million dollars.

This impressive agricultural deficit makes the Community the greatest importer of agricultural products among the developed countries; it is a well-known fact which proves that our imports continue regardless of all the complex machinery that has been set up to govern them. There are numerous comparisons to be made and GATT statistics provide uncontestable proof; I have just checked in International Trade, 1972, the most recent GATT publication on the subject, and it emerges clearly that for foodstuffs and raw materials (primary products other than ore, other minerals and various fuels), of the industrialized countries, the EEC has imports worth 11,000,000,000 dollars, Japan 7,000,000,000 and EFTA 5,000,000,000 and North America exports worth 4,000,000,000 dollars.

		Export	Import	Balance
EEC	Foodstuffs	13.53	20.18	- 6.65
	Raw materials	2.82	7.09	- 4.27
		16.35	27.27	-10.92
Japan		0.69	4.35	- 3.66
		0.45	3.65	- 3.20
		1.14	8.00	- 6.86
EFTA		5.15	10.24	- 5.09
		3.22	3.49	- 0.27
		8.37	13.73	- 5.36
North America		11.35	9.08	+ 2.27
		4.80	2.95	+ 1.85
		16.15	12.03	+ 4.12

Imports to the Community represent some 20,000,000,000 dollars; of these 9,000,000,000 are for trade within the Community and 11,000,000,000 imports from the third world; of the 11,000,000,000 some 43% (4,810,000,000) is from developing countries.

It is interesting to see that EFTA (a group of countries which are similar economically, socially, geographically and in development), imports foodstuffs worth 10,240,000,000 of which 8,700,000,000 come from other areas, and imports 2,530,000,000 (or approximately 29%) from the developing countries.

II. DEVELOPMENT POLICY

I do not propose to deal with the whole common policy for development aid, but with only the trade aspect of this policy as embodied in the measures adopted by the Community for generalized preference and in the association policies or trade agreements drawn up since the Treaty of Rome.

A. Generalized preferences do not refer directly to agricultural products but basic details should be mentioned because processed agricultural products are concerned. They also have some influence on the partner States as regards the degree of preference on entry into the Community of their products as compared to products from other developing countries. We shall doubtless return to this subject later.

In a 1968 regulation the second UNCTAD session asked for the industrialized countries to accord a system of preferential treatment to the developing countries for exports of processed products: this would involve suspending all customs duties and quotas. The Community was one of the first of the partners among the developed countries to accord such a system, which came into effect on 1 July 1971. The system is accorded autonomously; it must be renewed each calendar year; it comprises a list of those recipient states recognized by the Community (in practice, the 100 plus countries of the "77" Group). The preferences cover almost all industrial products and a certain number of processed agricultural products.

The Community preference system for 1974, which for the first time covers the three new Member States, has been improved in many respects.

It allows for duty-free entry of industrial products worth 2,500,000,000 u.a. and reduced customs duty on processed agricultural products worth 2 to 300 million u.a.

Out of a mass of imports into the Community of the Nine, base 1971, generalized preferences represented approximately 250 million u.a. for processed agricultural products, mainly fish meal (127 million); coconut oil for technical use (20 million) game meat, tea in small packets, etc.

To this should be added a quota of 21,600 tonnes for cocoa butter (21,600 tonnes x $ 2,600 = $ 56,160,000) and 18,750 tonnes for soluble coffee (18,750 tonnes x $ 3,000 = $ 56,250,000), bringing the profits from generalized preferences to the order of 112 million dollars.

The Community has always said that all industrialized countries should accord real generalized preferences to the developing countries. This was aiming at countries like the United States and Canada which have not so far set up a system of this kind.

B. Quite independently of this question of generalized preferences, it should be remembered that from the beginning of the Treaty of Rome it was established that the EEC would retain or set up special relationships with certain countries and this was made clear in part 4 of the Treaty and in the various Protocols annexed to it.

Thus, after signature of the first Yaoundé Convention (30 July 1963), the second Yaoundé Convention (29 July 1969) the Arusha Agreement (24 September 1969) and the Agreements with Morocco and Tunisia (1969), trade was one of the Community's main means of participating in the development of these partner countries.

More recently, 1973 was an important year for continuing, or reopening the various negotiations which became necessary when the period of validity of old conventions or agreements came to an end. The Community is at present having joint negotiations with the three countries of Maghreb, Israel and Spain, has undertaken to readapt the existing agreements with the Arab Republic of Egypt and the Lebanon, has begun exploratory talks with Jordan and is preparing a reply to Syria which has just requested the opening of negotiations. 1973 also saw the opening of what were at first only consultative negotiations with the countries covered by the existing Yaoundé and Arusha Agreements and the other countries mentioned in Protocol 22 of the acts of adhesion; these countries were originally referred to as "Associated or Associable", then AASM was used, and this is now being replaced by ACP (Africa, Caribbean and Pacific).

In the agricultural sector, trade aspects could only be dealt with through the varied and complex machinery referred to when the measures taken under the agricultrual policy were examined.

Before dealing with these examples, I shall put the proposed measures for the agricultural sector into an economic context, so as to judge the impact of the measures discussed in Council on the economy of both the Community and the partner States.

C. Economic Bacground

1. ACP countries

The proposed measures for agriculture are of great importance for the partner States since agriculture accounts for a substantial part of their production, employs a large work-force (70% of the active population of Botswana being employed in the stock-breeding sector) and very often, a considerable percentage of their exports. For certain ACPs ease of access to the Community market is therefore a real advantage.

Moreover, and here the reverse is true, the amounts of agricultural products in respect of which the Commission has suggested tariff or levy concessions should be of only slight importance for Community producers, whether from the point of view of quantity or with regard to the various supplementary provisions mentioned below.

According to the statistics for 1971, Community imports (for the Community of the Nine) from the 44 ACP countries amounted to 4,630 million dollars; of this total, the agricultural products covered by the Common Agricultural Policy, sugar excepted, represent only 567 million dollars, or 12.22%. Thus, leaving out tropical products (coffee, cocoa, etc.) and sugar (for which the Community envisages arrangements based on considerations other than trade), the celebrated debate on CAP concessions applies to only 12% of the trade in question. For all other agricultural products the Community is proposing total free access to the Community market.

Turning to the Community, there is a further comparison: imports of agricultural products subject to the CAP amounted in 1971 to 10,300,000,000 dollars, again with the exception of sugar. Of those 10,000,000,000, 3,000,000,000 came from developing countries, including 567,000,000 - only 5% - from ACP countries.

2. Mediterranean countries

The economic scope of the existing agreements was limited to trade, and the impact of those agreements can be gauged quite simply by situating the concessions made in the sphere of tariffs in the context of the statistics for trade between these countries and the Community. The difference in future will be that the idea of "global approach" has been brought into the negotiations or renegotiations.

Although this idea covers the regulation of trade relations in a more uniform fashion than do present arrangements - characterized as they are by relative discontinuity between the different agreements - it goes beyond mere regulation of trade to embrace, without abandoning uniform criteria, economic relations in the wider sense. In this respect, certain fresh elements may be considered extremely important, for example, technical and technological cooperation, financial cooperation and certain activities concerning manpower. Considering, therefore, only the agricultural aspect of trade, one finds that Community imports from the countries of the Mediterranean basin include a share of agricultural products that varies greatly according to the stage of development of the partner country concerned, or the composition of its natural resources: about 50% for Spain and Israel; 17% from Algeria; 62% from Morocco; 38% from Tunisia; from Egypt and Lebanon, 58 and 60%; from Syria and Jordan, 89% and only 11% respectively.

Moreover, these agricultural imports also vary greatly in value: $ 573,000,000 from Spain $ 142,000,000 from Israel, $ 153,000,000 from Algeria, $ 236,000,000 from Morocco, $ 41,000,000 from Tunisia.

Unlike the negotiating directives received by the Commission from the Council for industrial products, in which different stages of development are well allowed for and quite clear differences of treatment indicated, the agricultural directives do not mention any very sharp distinction between the countries: the principle retained consists of covering by means of concessions between 80% and 85% of the Community imports of agricultural products from those countries. It is a very broad concession which is bound to have a very different economic impact according to the country, by reason of the proportions quoted above.

As in the case of the negotiations with the ACP States, this overall proportion is obtained by means of quite substantial customs duty reductions (ranging from 30% to 80%, and even to 100%).

C. Means

The Community has agreed to grant concessions for originating products with a view to favouring the partner States. But it is handicapped in this by the political, economic and social necessity to respect the principles of its own agriculturalpolicy referred to above.

It has had to try to find adequate, balanced solutions, by means of machinery suited to different products, with the help of market organizations on the spot.

It is possible to summarize the proposed trade policy, without recapitulating the negotiations and referring to all products, by listing the machinery employed.

D. Scope of trade measures

The range of measures employed in pursuit of the desired two-fold objective demonstrates the difficulty of reconciling the two policies. It is this duality that gives rise to the dissatisfaction sometimes felt on both sides.

For the scope of such measures is unavoidably limited. The beneficial consequences of previously existing or existing tariff preference are, furthermore, limited in scope by reason of the other negotiations conducted by the Community, as indicated above.

On the basis of the experience already gained by the EEC and the AASM the scope of trade measures can be estimated not only by their limitations but also by the favourable results which, as we hope to show in conclusion, accompany the obvious omissions.

1. In 1972, EEC/AASM trade showed a positive increase of 4%. But, the same year, the total of Community imports from developing countries rose by twice as much, that is by 8%.

As for the world total of exports from developing countries, they rose by 18%, while AASM exports to the Community rose by only 4%.

Several factors are responsible.

(a) If one considers the erosion of preferences, a few examples dealing with what are key products for certain AASM countries provide a clear illustration: the duty payable on coffee, although 16% at the time of the first Yaoundé Convention, has been reduced to 9.6%, then to 7%; the preference granted by the Community to the AASM countries, giving them duty-free entry to the EEC, has thus been relatively weakened. Similarly for cocoa, the duty on which declined from 9% to 4%, etc.....

(b) Another cause is to be found in the very structure of the Associated States' exports; some of these States, as it happens, produce and - hence - export only small quantities of products attracting tariff preference over other developing countries. If indeed one considers the value of each Associated State's total trade with the Community, extracting the value of those products enjoying preference, the percentages representing those preferential exports to the Community vary considerably from state to state .

In 1971 the list was headed by Cameroon with 71% of its trade with the EEC benefiting from preferences; second was Madagascar with 68.6%. Then Somalia with 67.8% Burundi with 60.9%; followed by Ivory Coast with 53.5% those being cases where the proportion is more than half the total of exports to the Community.

In contrast, the proportion is very slight in the case of Mauritania and Upper Volta, being less than 1%. In the case of Tchad it is non-existent, the whole of the Tchad-EEC trade being in cotton, on which no duty is payable.

2. Underlying these wide variations from country to country, however, is an average figure which is far from negligible: 33% of all exports from the AASM to the EEC is preferential. For the three countries party to the Arusha Agreement, preferential trade reaches a total of 43%.

These proportions are not negligible: despite the wide differences shown up between different exporting countries, they represent a quite vigorous pattern of trade: the AASM's 33% represents nearly 600 million u.a.; the 43% of the East African countries represents more than 100 million u.a.

It has, for instance, been calculated that, out of the 600 million u.a. of the 18 AASM countries, preference provides an annual contribution of 35 to 40 million u.a. in additional export revenue: since, naturally, the importer buys goods at the same price regardless of whether they have benefited from tariff reduction or not.

Those are figures which represent the effect that the Community's specific trade policy was able to exert, in a single year, on the exports of the Associated States in question. If the aim of the trade aspect of the agreement under discussion is to augment our partners' export revenue, then these results fall well within the target area.

It should be further noted that, although the upheavals in the markets for various products since summer 1973 may have made it difficult for many developing countries to obtain supplies, those upheavals have at the same time increased the value of the exports achieved by certain of these countries, particularly in respect of items enjoying preferential terms of trade from the Community.

3. These upheavals are a reminder, as the Commission emphasized in its Memorandum on agriculture, of the extent to which agricultural products particularly are subject to world market fluctuations. A policy aimed at stability is, in contrast, preferable, provided of course that it is linked to remunerative prices; one of the merits of the Common Agricultural Policy, incidentally, that have recently been acknowledged even by its past critics, is that at the present time it constitutes one of the most effective anti-inflationary factors in a situation in which world market prices have considerably exceeded Community price levels for the same products.

The aim of rewarding the producer, a form of aid that is infinitely preferable to financial aid (the proper value of which, however, in the political and social sphere should not be underestimated) must be an incentive to the Community to press on in search of better ways of achieving success. For that reason aid in the form of easing access to markets must be supplemented by export revenue guarantees for certain products: as a scheme it is more ambitious than mere tariff concessions.

Since it was originally suggested in the Denian memorandum of April 1973, the idea of a scheme for the stabilisation of earnings from exports from the ACP to the Community has been on the table at the negotiations. The original scheme provided for an arrangement whereby if export earnings from a particular product fell below a particular level, there should be a financial guarantee. As Mr. Claude Cheysson, European Development Commissioner said in a speech in Bruges last year, the reason for the scheme was so that a bad harvest should not mean collapse of a country's development plan or a speculation on the other side of the world bringing a brutal fall in world prices should not bring to an African or a Caribbean country, which has no responsibility at all in the speculation, a collapse of its export earnings. The Community scheme was for eight products (sugar, ground nuts, ground nut oil, cotton, cocoa, coffee, bananas copper).

If such a revenue guarantee could be formulated by means of a reciprocal commitment, embracing both imports and exports, with, in addition, provision for reviewing on a basis of parity the prices on which the guarantee was based, there would then be a genuine contractual system of joint action and decision-making.

The purely commercial side of things must indeed by considered without losing sight of its vital purpose, which is to increase the market value of trade, to improve trade and above all to do so through concerted action: for genuine reciprocity, a term over which legal and political discussions have too often become bogged down, lies in cooperative action.

It begins with cooperation between governments of countries that are partners to an agreement, with systemtatic consultation concerning the problems of trade policy.

It must continue with concerted action between the business circles involved: the idea of regularly meeting within "Consultative Committees" made up of people professionally engaged in the various sectors, once very disconcerting for many commercial operators or producers, is now a success, for not only do they communicate, but in addition they act jointly to ensure the proper conduct of markets. Such concerted action would very often prevent the evasion of regulations, the failure to tackle certain problems, the development without warning of certain situations.

It is thus, and only thus, that the commercial mechanisms already in place in the different agreements, will not simply remain concessions, unsatisfactory both for the European farmer and for the exporter in the Associated states. If they become a framework of operation, like the rules of a club, they will lead on to a true commercial cooperation.