

THE EUROPEAN COMMUNITY:
ITS AGRICULTURAL POLICIES AND TRADE

SPEECH GIVEN BY
ROLAND DE KERGORLAY

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I. INTRODUCTION

TWENTY YEARS AGO A WAR ERUPTED BETWEEN EUROPE AND THE UNITED STATES. IT WAS OF COURSE NOT A NUCLEAR OR CONVENTIONAL WAR. IT WAS A "CHICKEN WAR" AND IT SPRUNG FROM THE IMPLEMENTATION - IN 1962 - OF THE EUROPEAN COMMUNITY'S COMMON AGRICULTURAL POLICY - THE CAP.

IT WAS ALSO THE HARBINGER OF FUTURE TRANSATLANTIC DISPUTES IN THE AREA OF INTERNATIONAL AGRICULTURAL TRADE BETWEEN THE UNITED STATES AND WESTERN EUROPE.

TODAY IS NO EXCEPTION. IN FACT, ONE COULD ARGUE THAT THERE HAS BEEN A MARKED DETERIORATION IN RELATIONS BETWEEN THE UNITED STATES AND THE EUROPEAN COMMUNITY - THE E.C. - IN THE AGRICULTURAL SECTOR.

THERE IS A GROWING PERCEPTION IN

/EUROPE THAT...

EUROPE THAT THE LEVEL OF "RHETORIC" ON AGRICULTURAL ISSUES IS MOUNTING ON THE AMERICAN SIDE OF THE ATLANTIC, WHERE OUR AGRICULTURAL POLICIES ARE BEING HELD RESPONSIBLE FOR MANY OF THE TROUBLES BEING EXPERIENCED BY AMERICAN FARMERS.

THE CURRENT WORLD ECONOMIC CRISIS - WITH HIGH UNEMPLOYMENT AND LOW GROWTH AFFLICTING MOST WESTERN, INDUSTRIALIZED NATIONS - IS EXACERBATING ECONOMIC RELATIONS AND INCREASING THE POTENTIAL FOR PROTECTIONIST MEASURES.

AGRICULTURAL TRADE, UNFORTUNATELY, IS NOT IMMUNE FROM THE PROPENSITY TO RESORT TO RESTRICTIVE MEASURES IN TIME OF ECONOMIC TURMOIL.

II. THE RECONSTRUCTION OF EUROPE AND THE
ROOTS OF THE COMMON AGRICULTURAL POLICY

A. EUROPEAN RECONSTRUCTION

THE E.C. JUST CELEBRATED ITS TWENTY-FIFTH BIRTHDAY LAST MONTH. IT WAS CONCEIVED OVER A QUARTER OF A CENTURY AGO AND CONSTITUTED THE RESPONSE TO THE SEVERE ECONOMIC DISLOCATION THAT WESTERN EUROPE EXPERIENCED FOLLOWING THE SECOND WORLD WAR.

THE CREATION AND THE DEVELOPMENT OF THE INSTITUTIONS OF THE EUROPEAN COMMUNITIES ARE PART AND PARCEL OF THE PROCESS OF EUROPEAN RECONSTRUCTION, INITIATED UNDER THE AUSPICES OF THE MARSHALL PLAN SOME 35 YEARS AGO. THE E.C. IS ONE OF THE GREATEST ACCOMPLISHMENTS OF POST-WAR U.S. DIPLOMACY. IT HAS HELPED BRING PEACE, ECONOMIC PROSPERITY AND POLITICAL STABILITY TO A

/WAR-TORN...

WAR-TORN CONTINENT, CREATED A LARGE AND DIVERSE MARKET FOR U.S. AGRICULTURAL AND INDUSTRIAL GOODS, AND PROVIDED EUROPE WITH THE MEANS TO PLAY AN ACTIVE ROLE IN THE DEVELOPING WORLD.

IT HAS GROWN IN SIZE AND GEOGRAPHIC DIVERSITY, FROM SIX MEMBERS IN 1957 TO TEN MEMBERS TODAY. GREECE - THE LATEST MEMBER - JOINED IN 1981. SPAIN AND PORTUGAL HAVE APPLIED FOR MEMBERSHIP AND WILL ENLARGE THE E.C. TO TWELVE MEMBERS BY THE MID-1980'S.

B. THE PROCESS OF EUROPEAN UNITY AND THE CAP

THE AIMS OF THE EUROPEAN "FOUNDING FATHERS" WERE TO ENSURE THAT WAR WOULD NEVER AGAIN RETURN TO THE CONTINENT OF EUROPE AND THAT THE LIVING AND WORKING CONDITIONS OF THE PEOPLES OF EUROPE WOULD BE IMPROVED. IN ADDITION, A

/REALITY. . .

REALITY OF THE SECOND WORLD WAR AND ITS IMMEDIATE AFTERMATH WAS THAT FOOD SHORTAGES AND HUNGER HAD BEEN AN ALL-TO-CLOSE EXPERIENCE FOR MANY EUROPEANS, ENSURING THE ADEQUACY OF FOOD SUPPLIES IN EUROPE THEREFORE BECAME ONE OF THE PRIMARY AIMS OF THOSE SEEKING TO BUILD A UNITED EUROPE.

THE INCEPTION AND DEVELOPMENT OF THE E.C.'S COMMON AGRICULTURAL POLICY WERE BASED ON THREE PRINCIPLES WHICH WERE INSPIRED BY THE DESIRES OF THE CREATORS OF EUROPE AND WHICH STILL CONSTITUTE ITS PHILOSOPHICAL FOUNDATION.

- FIRST, THE ADEQUACY OF FOOD SUPPLIES WOULD NOT HAVE BEEN POSSIBLE WITHOUT THE CREATION OF A SINGLE MARKET AND THE BETTER UTILIZATION OF AGRICULTURAL

/RESOURCES...

RESOURCES, BY THE ELIMINATION OF TRADE BARRIERS AMONG EUROPEAN NATIONS. FOR CENTURIES, EUROPE HAD TRIED TO DEVELOP AN EFFICIENT AND FLEXIBLE AGRICULTURAL INDUSTRY. THE ESTABLISHMENT OF THE EUROPEAN COMMUNITY CREATED THE NECESSARY POLITICAL AND ECONOMIC CONDITIONS FOR TRANSITION FROM VARIOUS NATIONAL, AND OFTEN DIVERGENT, AGRICULTURAL POLICIES TO A COMMON AGRICULTURAL POLICY.

- SECOND, TO PROTECT THE "COMMON MARKET", IT WAS NECESSARY TO DEVELOP A UNIFORM SYSTEM OF DUTIES AND LEVIES AT THE E.C. BORDERS (COMMUNITY PREFERENCES).
- THIRD, COMMUNITY ACTIONS FOR THE CAP ARE SUBJECT TO COMMON FINANCING

/ONE RESULT...

ONE RESULT OF SUCH POLICIES WAS A CONSIDERABLE INCREASE IN PRODUCTIVITY AND PRODUCTION.

THE ARCHITECTS OF THE CAP ALSO SOUGHT TO ENCOURAGE MODERNIZATION BY FACILITATING THE MIGRATION FROM LAND TO THE CITY.

IN 1958, THE TOTAL AGRICULTURAL LABOR FORCE OF THE ORIGINAL SIX MEMBERS AND THE THREE MEMBERS WHO JOINED IN 1973 WAS AROUND 19 MILLION PEOPLE. IN 1980, THE TOTAL WAS REDUCED TO 7.7 MILLION. THE E.C. ACHIEVED IN 22 YEARS WHAT IT TOOK THE UNITED STATES MORE THAN 50 YEARS TO ACCOMPLISH (U.S. FARM POPULATION WENT FROM 6.7 MILLION IN 1930 TO 3.3 MILLION IN 1981).

THE MIGRATION FROM LAND TO CITY HAS SLOWED SOMEWHAT IN RECENT YEARS BECAUSE OF THE RECESSION AND HIGH UNEMPLOYMENT IN THE CITIES.

III. THE IMPLEMENTATION AND CONSEQUENCES OF THE CAP

1. SUPPORT PRICES

THE OBJECTIVES OF THE CAP ARE NOT UNLIKE THOSE OF U.S. FARM POLICIES - PROTECTING FARM INCOMES; GIVING CONSUMERS FAIR PRICES; STABILIZING MARKETS; INCREASING AGRICULTURAL PRODUCTIVITY, AND ASSURING THE AVAILABILITY OF FOOD SUPPLIES.

THE DIFFERENCE IN THE PHILOSOPHICAL APPROACH TO FARM POLICIES IN THE E.C. AND IN THE UNITED STATES HAS UNDERLIED TRANS-ATLANTIC AGRICULTURAL DISPUTES FOR CLOSE TO A GENERATION.

U.S. AND E.C. FARM POLICIES HAVE BEEN AND REMAIN DIFFERENT IN THEIR APPROACH.

THE RESULT OF THIS DIFFERENCE IN

/APPROACH ...

APPROACH HAS BEEN THAT DIFFERENT MECHANISMS HAVE BEEN USED TO IMPLEMENT POLICIES AIMING AT A SAME OBJECTIVE - TRANSFERRING RESOURCES TO A SPECIFIC ECONOMIC GROUP - IN THE E.C., THROUGH CONSUMER PRICES, AND IN THE UNITED STATES, THROUGH DIRECT PAYMENTS TO FARMERS.

2. THE E.C. AS IMPORTER AGRICULTURAL GOODS

THE CAP IS FREQUENTLY CRITICIZED FOR BEING TOO PROTECTIVE, INCLUDING FOR KEEPING OUT CERTAIN PRODUCTS FROM THE UNITED STATES, WHILE IT CANNOT BE DENIED THAT THERE IS AN ELEMENT OF PROTECTION IN THE POLICY, IT IS NOT INSULATING AND ALLOWS US TO PARTICIPATE FULLY IN WORLD AGRICULTURAL MARKETS, THE TREATY OF ROME ESTABLISHING THE EUROPEAN COMMUNITY SPELLS OUT NOT ONLY THAT BARRIERS

/AMONG THE...

AMONG THE MEMBER-STATES SHOULD BE ELIMINATED, BUT ALSO THAT THE E.C. - AS AN ENTITY - SHOULD SEEK TO CONTRIBUTE TO THE SMOOTH DEVELOPMENT OF WORLD TRADE, THE PROGRESSIVE ELIMINATION OF INTERNATIONAL TRADE RESTRICTIONS AND THE LOWERING OF TRADE BARRIERS.

THE EUROPEAN COMMUNITY HAS TAKEN MAJOR RESPONSIBILITY IN COORDINATING THE EFFORTS OF THE MAJOR EUROPEAN TRADING NATIONS IN TWO SUCCESSFUL "ROUNDS" OF MULTILATERAL TRADE NEGOTIATIONS.

THE CREATION OF THE E.C. HAS PERMITTED THE UNITED STATES TO DEAL WITH ONE INSTEAD OF TEN DIFFERENT IMPORT REGIMES. THE CONSOLIDATION OF LEVIES AND DUTIES HAS AT THE SAME TIME FACILITATED THE ENTRY OF IMPORTS INTO THE E.C.

/THE E.C. HAS...

THE E.C. HAS, AS A RESULT, BECOME A MAJOR PARTICIPANT IN THE WORLD TRADING SYSTEM.

THE E.C. IS THE WORLD'S LARGEST IMPORTER OF AGRICULTURAL AND FOOD PRODUCTS, TAKING IN 24% OF WORLD AGRICULTURAL IMPORTS (1980). THE SECOND LARGEST IMPORTER IS THE UNITED STATES WITH 10% OF WORLD IMPORTS. THE UNITED STATES REMAINS THE LARGEST EXPORTER, WITH 27% OF WORLD AGRICULTURAL EXPORTS; THE SECOND LARGEST EXPORTER IS THE E.C. WITH 11% OF TOTAL EXPORTS.

IN ADDITION, IN 1981, THE U.S. ENJOYED A SUBSTANTIAL SURPLUS IN ITS AGRICULTURAL TRADE WITH THE E.C. OF \$ 6.8 BILLION, UP FROM \$ 1.7 BILLION IN 1971. DURING THAT TIME - 1971-1981 -, E.C. AGRICULTURAL IMPORTS FROM THE U.S. ROSE FROM \$ 2 BILLION TO OVER \$ 9 BILLION, WHILE U.S. IMPORTS FROM THE

/E.C. INCREASED...

E.C. INCREASED ONLY FROM SLIGHTLY LESS THAN \$ 1 BILLION TO \$ 2.3 BILLION.

ON A WORLDWIDE BASIS, THE VALUE OF E.C. AGRICULTURAL IMPORTS IS 1.02% OF GNP, AS COMPARED TO 0.49% FOR THE UNITED STATES. HOWEVER, THE UNITED STATES REMAINS THE E.C.'S SINGLE LARGEST SUPPLIER OF AGRICULTURAL GOODS

WHILE THE CAP IS CRITICIZED FROM TIME TO TIME IN THE UNITED STATES FOR SOME OF ITS PRACTICES, IT SHOULD BE BORNE IN MIND THAT THE CAP, OVER THE YEARS, HAS HAD A POSITIVE IMPACT ON MANY IMPORTS COMING FROM THE UNITED STATES. FOR EXAMPLE, THE SPECTACULAR GROWTH OF ANIMAL PRODUCTION IN THE E.C. (MILK, BEEF, PORK, POULTRY, EGGS), ENCOURAGED IN PART BY SPECIFIC PRICE SUPPORT MEASURES, HAS INCREASED DEMAND FOR ANIMAL FEEDSTUFFS BY COMMUNITY BREEDERS.

/IN ADDITION...

IN ADDITION, IT SHOULD BE NOTED THAT THE VARIABLE-LEVY SYSTEM - WHICH ENSURES THAT IMPORTED AGRICULTURAL PRODUCTS WILL ENTER THE COMMUNITY AT PRICES NO LOWER THAN E.C. PRICES - DOES NOT CUT OFF AGRICULTURAL IMPORTS IN AN ABSOLUTE WAY. THE E.C. HAS NO ABSOLUTE QUOTAS THE WAY THE U.S. DOES (ON BEEF AND DAIRY PRODUCTS, FOR EXAMPLE, WHICH THE COMMUNITY HAS AN ABUNDANCE OF).

3. THE E.C. AS AN EXPORTER

THE E.C. STANDS ACCUSED OF SUBSIDIZING ITS EXPORTS OF AGRICULTURAL COMMODITIES AND THEREBY UNDERCUTTING U.S. PRODUCTS IN THIRD MARKETS.

SUBSIDIZATION OF AGRICULTURAL PRODUCTS IS NOT A NEW PHENOMENON IN WESTERN EUROPE. SUBSIDIES ARE ALLOWED FOR CERTAIN AGRICULTURA

/COMMODITIES....

COMMODITIES, ACCORDING TO A "CODE" NEGOTIATED AND AGREED TO BY THE UNITED STATES WITHIN GATT, AS LONG AS SUBSIDIZED PRODUCTS DO NOT ENTAIL THE ACQUISITION OF MORE THAN AN EQUITABLE SHARE OF THIRD MARKETS. WE HAVE ABIDED BY THE CODE. IN FACT, IN SOME COMMODITIES, PARTICULARLY POULTRY AND WHEAT, THE UNITED STATES HAS TAKEN A LARGER SHARE OF THE EXPANSION IN THE VOLUME OF WORLD EXPORTS IN RECENT YEARS THAN DID THE E.C.

THE VOLUME OF OUR EXPORTS HAS EXPANDED IN NOMINAL TERMS IN RECENT YEARS BECAUSE WORLD DEMAND HAS RISEN (FOR BOTH U.S. AND E.C.), MOREOVER, OVERALL E.C. AGRICULTURAL EXPORTS, AS A PERCENTAGE OF WORLD AGRICULTURAL TRADE, HAVE RISEN FROM 10% TO 11% BETWEEN 1971 AND 1980 WHILE THE U.S. SHARE WENT FROM 14% TO 17% IN THE SAME PERIOD.

4. REFORM OF THE CAP

WITHOUT ABANDONING THE BASIC OBJECTIVES OF THE CAP, THE COMMISSION OF THE EUROPEAN COMMUNITIES IS SEEKING TO INSTITUTE A SERIES OF REFORMS THAT WILL REMEDY SOME OF THE MORE QUESTIONABLE ELEMENTS OF EUROPEAN AGRICULTURAL PRACTICES.

AGRICULTURAL SPENDING HAS GROWN AND LARGES SURPLUSES OF MANY COMMODITIES HAVE ACCUMULATED, CAUSING US TO DISPOSE OF THEM ON THE WORLD MARKET ON A SUBSIDIZED BASIS.

THESE SURPLUSES, HOWEVER, CAN BE SEEN AS THE RESULT OF THE SUCCESSFUL APPLICATION OF THE PHILOSOPHICAL PRINCIPLES I OUTLINED AT THE OUTSET. THE E.C., IN A SENSE, HAS BEEN A VICTIM OF ITS OWN SUCCESS.

WE HAVE ACHIEVED SELF-SUFFICIENCY AND FOOD SECURITY, AND WE ARE NOW SEEKING

/WAYS TO ...

WAYS TO ADJUST OUR POLICIES TO WORLD MARKET REALITIES.

IN EACH OF THE PAST THREE YEARS, ANNUAL INCREASES IN FARM SUPPORT PRICES HAVE BEEN KEPT BELOW THE COMMUNITY'S INFLATION RATE. THE RESULT HAS BEEN A DROP IN THE E.C. FARMERS' REAL INCOMES OF 2% IN 1981, 7% IN 1980, AND 3% IN 1979. THE MESSAGE BEHIND THIS TOUGH AND DIFFICULT POLICY IS THAT E.C. FARMERS MUST ADJUST TO WORLD MARKET CONDITIONS.

THE PROPOSED AGRICULTURAL PRICE INCREASES FOR 1982-1982 IS BELOW THE 1981 COMMUNITY INFLATION RATE OF 12.7%. THEY HAVE MET WITH STRONG RESISTANCE FROM FARMERS THROUGHOUT EUROPE AND THE EUROPEAN PARLIAMENT (AGRICULTURAL INPUT COSTS WERE EVEN HIGHER - SOME 16%). PUBLIC PRESSURES OPERATE AS STRONGLY IN EUROPE AS THEY DO HERE.

/THUS SINCE ...

THUS, SINCE 1976, THE COMMUNITY HAS CONTINUED TO SLOW DOWN FARM PRICE INCREASES, BRINGING THEM CLOSER TO SUPPORT PRICE LEVELS OF OTHER MAJOR EXPORTING COUNTRIES. (FOR WHEAT, U.S. LOAN RATE), THE COMMUNITY HAS STATED ITS INTENTION OF FIXING PRODUCTION TARGETS FOR MAJOR AGRICULTURAL PRODUCTS AND ADJUSTING THEM TO THE REALITIES OF THE MARKET; (THIS HAS BEEN DONE FOR DAIRY PRODUCTS AND IS BEING DONE FOR CEREALS).

THESE REFORMS WILL NOT OCCUR OVERNIGHT. THEY WILL BE PUT INTO PLACE PROGRESSIVELY OVER THE NEXT TEN YEARS. HOWEVER, THEY CANNOT BE SUCCESSFUL IF OUR MAJOR AGRICULTURAL PARTNER PERSISTS IN ATTACKING OUR POLICIES. IT IS IRONIC THAT AT A TIME WHEN THE E.C. HAS BEGUN TO UNDERTAKE REFORMS THAT WILL ADDRESS MANY U.S. CONCERNS, THE UNITED STATES HAS CHOSEN TO SHARPEN ITS ATTACK ON OUR POLICIES. THIS CAN ONLY BE COUNTER-

/PRODUCTIVE ...

PRODUCTIVE AND STIMULATE UNWELCOME COUNTER-MEASURES.

IV. MEDITERRANEAN POLICY

AN IMPORTANT ASPECT OF THE EUROPEAN COMMUNITY'S POLICY ON IMPORTED AGRICULTURAL PRODUCTS - ANS WHICH DIRECTLY CONCERNS CALIFORNIA - INVOLVES ITS PREFERENTIAL TRADING ARRANGEMENTS WITH THE MEDITERRANEAN COUNTRIES.

~~OUR SOUTHERN NEIGHBORS - INCLUDING~~
SPAIN AND PORTUGAL, THAT HAVE APPLIED FOR FULL MEMBERSHIP IN THE COMMUNITY - PRODUCE LARGE QUANTITIES OF THE PRODUCTS WHICH CALIFORNIA ITSELF PRODUCES: ALMONDS, CITRUS, OTHER FRUITS AND VEGETABLES.

THE PROSPECTIVE ENTRY OF SPAIN AND PORTUGAL, LIKE THE RECENT ENTRY OF GREECE,

/POSES ...

POSES NUMEROUS PROBLEMS FOR THE E.C. (WHEN ENLARGEMENT IS COMPLETE, THE E.C. WILL HAVE TWELVE MEMBERS). ALL THREE OF THESE STATES IN THE LAST SEVEN YEARS HAVE GONE FROM DICTATORSHIP TO DEMOCRACY. THEY ARE ALSO AMONG EUROPE'S POOREST COUNTRIES AND ARE HEAVILY DEPENDENT ON AGRICULTURAL EXPORTS.

THE E.C. HAS MADE THE CONSCIOUS POLITICAL DECISION TO ALLOW THEM ENTRY INTO THE E.C. THIS WILL BE AN EXPENSIVE PROPOSITION, BUT ONE WHICH IS NECESSARY TO ENSURE ECONOMIC SECURITY AND POLITICAL STABILITY ON THE NORTHERN SHORES OF THE MEDITERRANEAN.

THIS, IN TURN, WILL CREATE NEW PROBLEMS FOR THE SOUTHERN TIER OF THE MEDITERRANEAN.

THE EUROPEAN COMMUNITY GRANTS

/PREFERENTIAL...

PREFERENTIAL TARIFF ARRANGEMENTS TO EXPORTERS OF ORANGES, LEMONS, GRAPEFRUITS FROM NOT ONLY SPAIN, BUT ALSO ISRAEL, ALGERIA, TUNISIA, MOROCCO, CYPRUS AND TURKEY. THESE TARIFF ARRANGEMENTS ALLOW CITRUS AND OTHER PRODUCTS TO ENTER THE COMMUNITY AT LOWER RATES. THIS POLICY IS ALSO BASED ON A POLITICAL DECISION IN EUROPE TO ASSIST, THROUGH TRADE, PRODUCERS OF PRIMARY GOODS IN THE THIRD WORLD WHICH ARE HIGHLY DEPENDENT FOR THEIR EXPORT EARNINGS ON THESE PRODUCTS.

BY ENSURING A MORE SECURE MARKET FOR THEIR GOODS, THE ECONOMIES OF MANY DEVELOPING COUNTRIES ARE ASSISTED, THEREBY HELPING TO PRESERVE POLITICAL STABILITY. WITHOUT THESE PREFERENTIAL ARRANGEMENTS, THESE COUNTRIES - MANY OF WHICH ARE CLOSE ALLIES AND FRIENDS OF THE UNITED STATES, IN NORTH AFRICA, THE EASTERN MEDITERRANEAN AND MIDDLE EAST - WOULD BE SUBJECT TO

/GREATER...

GREATER ECONOMIC INSTABILITY AND POLITICAL TURMOIL, AND NONE OF THUS WOULD WANT TO SEE THEM TAKEN OVER BY A STRING OF AYATOLLAH-LIKE LEADERS.

THE UNITED STATES AND THE EUROPEAN COMMUNITY HAD IN THE PAST AGREED INFORMALLY THAT THE UNITED STATES WOULD NOT CHALLENGE THESE ARRANGEMENTS AS LONG AS WE DID NOT EXTEND THE AREA OF OUR PREFERENTIAL AGREEMENTS AND AS LONG AS WE DID NOT REQUIRE OTHER COUNTRIES TO RECIPROCATE BY GIVING PREFERENCE TO US FOR OUR PRODUCTS. CHALLENGING THEM TODAY WHEN THE PROBLEMS RISK BECOMING MORE ACUTE WOULD BE COUNTER-PRODUCTIVE. IT FURTHERMORE WOULD BE ILLOGICAL IN VIEW OF THE FACT THAT PRESIDENT REAGAN'S RECENTLY ANNOUNCED "CARIBBEAN BASIN INITIATIVE", DESIGNED TO IMPROVE ECONOMIC CONDITIONS AND THE POLITICAL SITUATION IN THE CARIBBEAN AND CENTRAL AMERICA, EMULATES

SOME OF THE OBJECTIVES AND STRATEGIES SET IN MOTION BY THE EUROPEAN COMMUNITY HALF A GENERATION AGO. NEEDLESS TO SAY, WE SUPPORT THIS EFFORT.

V. CONCLUSION

AGRICULTURAL PROBLEMS HAVE ALWAYS BEEN THE MOST INTRACTABLE.

BOTH THE UNITED STATES AND THE EUROPEAN COMMUNITY WANT TO PRESERVE THE INTERESTS OF THEIR RESPECTIVE FARMING COMMUNITIES AS MUCH AS POSSIBLE. THIS IS NATURAL.

FARMERS ARE FACING TROUBLED TIMES ON BOTH SIDES OF THE ATLANTIC. FORTUNATELY, THE MECHANISMS OF GATT PROVIDE A FRAMEWORK FOR ADJUDICATING MANY OF OUR DISAGREEMENTS.

WHAT EUROPE, THE E.C., WANTS IS THAT THE LEVEL OF "RHETORIC" EMERGING FROM CERTAIN

/QUARTERS OF ...

QUARTERS OF THE ADMINISTRATION BE TONED DOWN, FOR IT ACCOMPLISHES NOTHING EXCEPT TO INCREASE ILL-FEELING UNNECESSARILY ON BOTH SIDES.

THE EUROPEAN COMMUNITY - OF COURSE - IS NOT PERFECT. IT IS STILL YOUNG AND STILL NEEDS TO ADJUST INCREASINGLY TO WORLD REALITIES. IT IS WILLING TO LISTEN TO ITS AMERICAN PARTNER, WHO IS ITS BEST ALLY IN FOREIGN AFFAIRS AND A NATURAL PARTNER IN ITS EFFORTS TO MAINTAIN A FREE AND OPEN INTERNATIONAL TRADING SYSTEM.

I AM CONVINCED THAT WE CAN WORK OUR PROBLEMS OUT IF WE ARE HONEST AND OPEN WITH ONE ANOTHER.

A.

C I T R U S

U.S. citrus exports to the E.C. countries may drop in the 1981/1982 season. But such a drop may be the result of nature rather than of E.C. policies. Reduced crops can be attributed to the mid-January 1982 Florida freeze, last year's Medfly infestation in the Western states, and possibly recent hails in California.

Regarding export performance, it should also be noted that an overvalued dollar has led to lower exports.

Apart from these aspects, looking at the lemon and orange trade trends over the last few years, there is still no conclusive evidence that U.S. exports are seriously affected -- although the trends suggest some decline --

CITRUS

- 2 -

or that these trends are mainly the result of E.C. tariff preferences. The trade in grapefruit, on the other hand, shows still a good growth potential.

Very few citrus products are produced in the Community of the Ten. We are largely dependent on imports of citrus. While most of our citrus does come from the Mediterranean area (including Spain), we are not closing off the American market.

Spain is our major supplier of citrus products (68% of lemons, 41% of oranges). Spain's share of the European market is based not solely on whatever agreements that country may have with the E.C., but is the result of the fact that Spain is very competitive in citrus production, is close to the rest of Europe--thereby cutting transportation costs--and produces citrus to which

CITRUS

- 3 -

European consumers are accustomed. In addition, Spanish production as well as production in the other Mediterranean countries, peaks in the winter months, when European need and demand for fresh fruit is at its highest level.

B.

D R I E D R A I S I N S

The United States has asked for consultations with the E.C. concerning support granted by the E.C. on the production of dried raisins. (I know this is somewhat of a concern here in Fresno). The E.C. support program was introduced only last year as a result of Greece's entry into the E.C. (Greece is the only member-state which produces raisins).

Decreases in exports were probably due to a combination of factors -- namely a drop in U.S. production of raisins in 1981 and the high-level of low-priced raisin exports from Turkey (lower prices caused by good harvest and a dramatic devaluation of the Turkish currency), which cut even traditionally high Greek exports to the E.C. significantly.

RAISINS

- 2 -

The Community's support for the production of Greek raisins is comparable to that which existed on a national basis, before Greece acceded to the E.C. When Greece has a national system, U.S. raisins exports to the E.C. already has a history of wide fluctuations.

Moreover, it should be emphasized that the U.S. has always been a residual supplier of raisins to the E.C. market. In 1979, the last year for which we have complete figures for E.C. imports, the U.S. exported to the E.C. only slightly more than 9,000 tons, or less than 5% of total E.C. imports. By comparison, Afghanistan sent 11,000 tons; Australia 14,000 tons; Iran 25,500 tons; Turkey 59,500 tons, and Greece nearly 82,000 tons.

RAISINS

- 3 -

In addition, the support price for raisins in the Community had the effect of keeping large amounts of raisins in storage (which, therefore, were not sold in the market place). This allowed greater opportunity for cheaper imports from third countries. Some of these countries, with surplus production of their own (Australia, South Africa), sold raisins at a price close or equal to their production costs.

C.

A L M O N D S

The 1981 California production of almonds was a record 410 million pounds of nut meats (186,000 tons) -- 27% more than 1980 output.

Exports worldwide rose 11% during the first 7 months of the season (July-January), particularly to Canada, Japan, Mexico and Australia.

Exports to Europe declined moderately (sales to West Germany, the largest customer, fell 9%). This decline was due to competition caused by record large supplies from Spain and Italy. Italy is, as you know, a member of the European Community. Also, U.S. exporters face a strong dollar relative to European currencies.

ALMONDS

- 2 -

Competition from Spain will remain a factor for U.S. almond exports. However, exports from the United States prior to 1981 has increased markedly, even with Spanish competition. The duty on almonds (7%) will remain low, and while it operates in the United States' disfavor vis-à-vis Spain, there will always be a significant demand for California almonds in the European Community, as California almonds are highly appreciated for their quality and taste.

By the way, almond exports from Spain are an important element in its export earnings. Keeping those earnings at a stable level, thereby ensuring economic benefits to Spain's fledgling democracy, is an important interest of the United States.