TALSMANDENS GRUPPE - SPRECHERGRUPPE - SPOKESMAN'S GROUP - GROUPE DU PORTE-PAROLE
ΟΜΑΔΑ ΕΚΠΡΟΣΩΠΟΥ ΤΥΠΟΥ - GRUPPO DEL PORTAVOCE - BUREAU VAN DE WOORDVOERDER

IP(82)245

PRESSE-MEDDELELSE • MITTEILUNG AN DIE PRESSE • PRESS-RELEASE • INFORMATION A LA PRESSE
ΑΝΑΚΟΙΝΩΣΗ ΓΙΑ ΤΟΝ ΤΥΠΟ • INFORMAZIONE ALLA STAMPA • MEDEDELING AAN DE PERS

Brussels. 5 October 1982

EC-US TRADE RELATIONS IN THE AGRICULTURAL FIELD- TIME TO GIVE UP THE POLICY OF PASSING THE BUCK : Summary of speech by Mr. Dalsager to the US Chamber of Commerce and COPA in Frankfurt on 5 October 1982

If Europe and America do not take care to damp down the conflicts that are driving them apart, what President Thorn referred to in Chicago as "trouble in the family" (1) could quickly flare up into bitter disagreement that both the Community and the United States would have cause to regret. In the present climate of conflict, "it is up to the democratic powers - the United States and the Community - to keep cool and safeguard the values of democracy and freedom".

This is the central message that Mr. Poul Dalsager, member of the Commission responsible for agriculture had for the joint meeting of the US Chamber of Commerce and COPA/COGECA (2) held in Frankfurt-am-Main on 5 October 1982.

A dangerous policy

Recognizing that relations between the Community and the US have been going through a bad patch, Mr. Dalsager referred to two major problems affecting not so much the substance of the agriculture issues between the two sides as the way these issues are approached.

The first concerns the need for the United States as the world's biggest economic power, to follow a consistent policy. To be specific : "However much one views the world in terms of black and white, it cannot be right for the USA on the one hand to export grain to the USSR while on the other hand being wrong for Europe to import Soviet natural gas. One cannot reconcile unrestricted exports of corn gluten feed to the Community with barriers to the Community's exports of steel into the USA. This is a policy of double standards."

The second problem is the US attitude to the rules of international trade which was expressed by a member of the Administration as follows : " If the GATT Panel's determination on wheat flower is inconclusive or in favour of the EEC, then it could have a serious impact on future international trade. A decision against the USA could result in the United States withdrawing from the GATT Subsidies Code". According to Mr. Dalsager, this is not only a "very strange interpretation of the rules of international trade" but also a dangerous policy.

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(1) See speech by President Thorn to the Council of Foreign Affairs 27 September 1982.

(2) COPA : Comite des Organisations Professionnelles Agricoles de la Communaute Europeenne
COGECA : Comite General de la Cooperation Agricole de la Communaute Europeenne.

Avoid exporting one's domestic difficulties

" It is high time that we gave up the policy of trying to pass the buck to our neighbour, for the simple reason that the neighbour has had enough", said Mr. Dalsager, who went on : "It is obvious that the United States has become more vulnerable to fluctuations in world trade .... but I cannot accept that the troubles of US agriculture should be laid at the door of the European Community". The fall in prices received by US producers is not the result of EEC export subsidies. As the US Secretary of Agriculture, Mr. John Block, said on 13 September "the lower commodity prices, both at the farm and at export terminals, were a result of large US and global supplies, a stagnant economic performamce worldwide, the increased real cost of borrowing money and the stronger dollar!".

There are three possible solutions.

The first is protectionism, which tries to put the blame for one's own difficulties on one's neighbour in an attempt to justify recourse to domestic safeguard measures.

The second solution consists in using economic force and political power to impose one's own economic decisions on others, and particularly to export one's own domestic difficulties. Both solutions lead to conflict, and are unacceptable.

The third solution is the only possible one. It means acknowledging two fundamental principles, namely

- the interdependence of economies and peoples
- the prime importance of international law and institutions

In this context, Mr. Dalsager hoped that common sense would prevail at the GATT ministerial meeting scheduled for November.

The Community position : respect GATT rules

Agriculture trade between the Community and the US has expanded continuously since the CAP came into force in 1962. The EEC's deficit on agricultural trade has also expanded, rising from $ 3.6 billion in 1973 to $ 8.4 billion in 1980.

The EEC does not intend to cut down its imports of agricultural products, but it does not intend to increase them either to the extent that they prejudice the balance of the Community's own production.

The EEC also intends to maintain its position on the world market of not only cereals and sugar but also of other agricultural products. As regards the export refund systems, which the EEC intends to maintain, Mr. Dalsager stated :

"The EEC has always been ready to answer criticism and justify its actions in the GATT. We have always complied with the rules. If the procedures of GATT show that we are not respecting those rules - which have never yet been the case - we shall adjust our actions accordingly".

In the forthcoming international discussions the Community will demand that its partners should respect both the general GATT rules and the Tokyo Round agreements.

Referring to the guidelines for the CAP, Mr. Dalsager pointed out that the Community has decided to make its own producers, through production thresholds and the principle of the co-responsibility, more aware of market forces, by obliging them to share in the cost of disposing of quantities surplus to the Community's internal needs and international commitments. It is thus wrong to say that the Community has given its farmers a blank cheque to increase output, or that it is giving unlimited subsidies to its exports.

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As regards the traditional criticisms of the CAP, no-one could seriously support specious comparisons suggesting that the US has low farm prices fixed by the market, low expenditure on agricultural support, modern farms and believes in free trade, whereas the EEC has high prices fixed by the authorities, a high level of expenditure, backward farms and believes in interventionism. According to Mr. Dalsager, these are simplistic slogans intended for domestic consumption, such matters cannot be viewed in black and white terms.

However, if one power reponds by trying to impose its will on the other, the situation will rapidly turn into a conflict in which there will be no winners. "It is through cooperation and not confrontation that we will be able to continue achieving progress in our economies and our societies", concluded Mr. Dalsager.

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Address delivered by Poul DALSAGER,
Member of the Commission of the European Communities
at the Joint Meeting of
the US Chamber of Commerce and COPA/COGECA
Frankfurt-am-Main, 5 october 1982

It gives me great pleasure to be here today, for two quite special reasons.

The first is that in these difficult times, a joint meeting between the US Chamber of Commerce and COPA demonstrates a faith in dialogue which is a welcome departure from the monologues which seem to be all too prevalent at the moment.

The second reason is your decision to discuss the issues which in recent months have been souring relations between the Community and the United States. This is an important matter which causes me grave concern.

Economic crisis has been with us for several years; the Community has been in existence for a quarter of a century. But never until the present US Administration took office has the Community come under such sustained, if often contradictory, attacks and not only on agriculture but on other fronts.

This is indeed a cause for concern. If tempers on either side of the Atlantic cannot be restrained, things may be said or done which we will have cause to regret for a long time.

Initiatives such as this are therefore to be encouraged, and that is why I was so pleased to be able to accept your invitation.

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The world is not only in the economic doldrums. It is a crossroad. Old certainties are being called into question; the old patters of economic, political and social interaction in the broadest sense - the conformation of society in country after country - are in flux.

These changes are taking place in a climate of conflict which is now affecting both Europe and the United States. Who could have guessed that in 1982 a Member State of the Community would have to go to war in the South Atlantic? Who could have imagined that American, French and Italian troopes would be needed to eep the peace in Lebanon? We are living in dangerous times.

Amidst all these convulsions it is up to the democratic powers - the United States and the Community - to keep cool and safeguard the values of democracy and freedom.

Yet Europe and America are now drifting further and further apart. That is serious.

If we do not take care, what Gaston Thorn referred to in Chicago as "trouble in the family" could quickly flare up into bitter disagreement, and that could prove disastrous at a time of general instability which in the long run is neither in the interests of Europe nor of the United States.

.../...

Today I will, of course, be putting the Community's views on various agricultural problems, since that is the main object of this meeting and comes within my brief as a member of the Commission, but I should also like, if you will allow me, to look at the agricultural issues as part of a much broader framework.

There is nothing new about trade quarrels between the Community and the United States. The founding of an economic entity as large and powerful as the EEC was bound to bring about changes in some areas.

So far, however, such problems have always been resolved either by regular direct contact between the parties or in the course of big multilateral negotiations like the Kennedy Round or the Tokyo Round.

Matters of much greater moment than those currently at issue between the Community and the USA have been settled by these means, admittedly after some hard bargaining, but always in a climate of genuine cooperation.

However, relations between us have been going through a bad patch, and even talks at the highest level have so far failed to improve matters.

Before looking in detail at the agricultural issues, there are two major problems that I feel it is my duty to mention, for while they have nothing directly to do with the substance of the issues, they have everything to do with the way in which they are approached.

First, as the world's biggest economic power, the United States is expected to follow a consistent policy.

I am not referring to the policy adjustments which inevitably have to be made as circumstances change.

Many governments, in Europe and elsewhere, have had to review earlier policy decisions, sometimes very much against their will.

The suddenness of events today can force such changes on both Europe and the United States. These things happen.

The consistency I am speaking of is something else. However much one views the world in terms of black and white, it cannot be right for the USA on the one hand to export grain to the USSR while on the other hand beeing wrong for Europe to import Soviet natural gas.

One cannot reconcile unrestricted exports of corn gluten feed to the Community with barriers to the Community's exports of steel into the USA.

This is a policy of double standards.

Secondly, the present Administration's policy is dangerous. I should like to quote a statement made by a member of the Administration who said in a meeting:

.../...

This is a very strange interpretation of the rules of international trade.

Although I am obliged by current events to record these two points, which go well beyond the framework of agricultural trade questions, and I am presenting them to you today, it is not because I am trying to seek an external culprit for difficulties facing us at home.

I know that this is the usual line at the moment. It is not going to be mine.

We are all having to face serious problems; the solutions we find to them will certainly seal the fate of the generations to come.

So it is high time we gave up the policy of trying to pass the buck to our neighbour, for the simple reason that the neighbour has had enough.

I know that over 20% of the United States' industrial output is exported, that one job in six in industry is dependent on exports.

I also know that the agricultural production of two out of every five acres is sold abroad.

"If the GATT Panel's determination on wheat is inconclusive or in favour of the EEC, then it could have a serious impact on future international trade. A decision against the USA could result in the United States withdrawing from the GATT Subsidies Code."

.../...

So it is obvious that the United States has become more vulnerable to fluctuations in world trade. This may well be one of the most important facts of the last few decades.

This being the case, when a world economic crisis starts putting the brake on international trade, not only is the United States affected by this slowdown - or even total lack of growth - but it also finds it hard to export its own domestic problems.

For the United States economy is in trouble, and believe me I am not rejoicing at this news, since I am fully aware of the role it has to play as driving force behind the world economy.

But I cannot accept that the troubles of US agriculture should be laid at the door of the European Community.

Although it is true that prices received by US producers have declined, it is not true that this is the result of the export subsidies of the EEC.

It is the worldwide increases in production, the general economic turndown, high rates of interest and the increase in value of the dollar.

If you do not believe me when I say this, then may I refer you to the words of John Block who said in Omaha on 13 September that "the lower commondity prices, both at the farm and at export terminals, were a result of large US and global supplies, a stagnant economic performance worldwide, the increased real cost of borrowing money and the stronger dollar!"

I was rather pleased to see this evaluation of the situation made by your Secretary for Agriculture.

I noted too that he went on to add that soya beans would emerge as a major factor in your export picture, with increased exports mainly to the European Community.

Given these facts, there are three solutions which can be considered.

The first is protectionism, not open or official, of course, but never the less a protectionism which tries to put the blame for one's own difficulties on one's neighbour - and sometimes even on one's friend - in an attempt to justify recourse to domestic safeguard measures in the name of "protecting legitimate interests". I cannot accept such protectionisme, and I shall fight it, for it leads to economic and social decline and to economic conflict.

The second solution consists in using economic force and political power to impose one's own economic dicisions on others, and particularly to export one's own domestic difficulties. I eannot accept this solution either. The world is not made up of winners and losers; it does not consist of two camps. And I am not just saying this in the secret hope of a two-camp world being replaced by a three-camp one, where the third camp would be Europe. I reject such a position because history has taught us that we cannot go on excluding peoples, societies and nations without ending up in an exploxive situation. I reject the division of the world into camps because it, too, leads to conflucts in the long run.

The third solution is the only possible one left in this case. It implies accepting the interdependence and, hence the solidarity of economies and peoples.

Today you have directed your attention towards the relations between the Community and the United States.

But there are other relations that are equally importent; there are East-West relations; there is the North-South Dialogue; there is the upsurge of the South-East Asian nations; there are the problems of South America, and so on.

This is just a part of the world context in which we are acting.

If we want to prevent its disintegration we shall have to acknowledge two fundamental principles, namely

- the interdependance of economies and peoples and

- the prime importance of international law and insitutions.

International law cannot be laid down unilaterally nor even bilaterally.

There is a GATT ministerial meeting scheduled for November; this meeting will not suffice, on its own, to solve the massive problems facing the world, but it could reveal

the spirit in which they should be faced. I remain in hope that common sense will prevail.

The present situation in agriculture must now be seen in a wider context, one which reveals the serious trends that I have just described.

The second reason is that the Community's position has been clearly explained in international forums, at meetings such as those you have organized here in Frankfurt or in bilateral discussions.

Nevertheless, I should like to summarize it briefly, knowing that you will be going more deeply into it in your coming discussions. So, I shall merely sketch a broad outline.

Since 1962, when the common agricultural policy came into force, agricultural trade between the EEC and the United States has continued to expand. And the EEC-USA agricultural trade balance has shown a constant deficit in favour of the United States.

The EEC's agricultural deficit vis-à-vis the United States rose from $ 3,6 billion in 1973 to $ 8,4 billion in 1980.

The EEC does not intend to cut down its imports of agricultural products.

.../...

This must be clearly understood, but on the other hand it does not intend to increase them to the extent that they prejudice the balance of its own production.

An agreement must therefore be sought which can be reasonably accepted by all parties concerned.

The Community intends to maintain its position on the world market as an exporter of not only cereals and sugar, but also poultry, flour, pasta and other agricultural products.

Our consumption of these products has reached a plateau, and it is normal that our production should therefore be oriented more towards the world market.

Furthermore, we intend to maintain our export refund system, on which GATT is regularly provided with information.

The EEC has always been ready to answer criticism and justify its actions in the GATT.

We have always complied with the rules. If the procedures of GATT show that we are not respecting those rules - which have never yet been the case - we shall adjust our actions accordingly.

.../...

The EEC has always observed the relevant international rules in exporting agricultural produce, and because it respects GATT rules, it is entitled to demand that its partners do likewise.

By this is meant both the general rules of the GATT and the agreements concluded under it, such as those resulting from the Tokyo Round.

This will be the general rule which the Community intends to follow in the forthcoming international discussions.

It is simply a matter of applying the principle of respect for the law and the international institutions.

It has been argued that the Community's domestic production is creating surpluses for export.

But in this respect I should like to refer to the new guidelines which we have established for the CAP, and to the closer relationship the Community has decided to establish between its internal production and its commercial policy by means of production thresholds and the principle of co-responsibility.

It is wrong to say that the Community has written a blank cheque to support its farm output.

.../...

It is wrong to say that European producers are cut off from the realities of the internal and the international markets.

It is wrong to say that the EEC is giving unlimited subsidies to its exports.

In creating quantitative production thresholds beyond which market support decreases the Community has decided to make its producers increasingly more aware of market forces by obliging them to share in the cost of disposing of quantities, surplus to the Community's internal requirements and international commitments.

This system already existed for sugar and milk. It has been extended to cereals, colza and processed tomatoes. It will be extended to other products if the need arises.

The system has an obvious effect on production. But we must be clear about one thing.

If having to bear part of the costs of disposing of surplus produce makes European producers limit the growth of some of their products, it is not with the aim of creating a vacuum to be filled by imports. Thus the Council rightly established a link between the production thresholds set for cereals and the importation of cereals substitutes. This is one proof of the CAP's coherence.

The protection required to shield European agriculture from erratic world market trends have never been, and never will be, considered as an instrument for maintaining outmoded production structures.

Agriculture is one of those sectors of economic activity in Europe where the productivity gains have been greatest over the past twenty years.

Modernization will be continued and will concentrate in particular on those farms and regions which need it most.

Special attention will be devoted to the Mediterranean regions, where financial instruments other than purely agricultural ones will be used to implement integrated development programmes.

A major effort must be made to ensure quality, to switch to alternative crops, and to deal with energy problems and improve productivity.

Lastly, just as we are fighting against protectionism or dumping internationally, so we will continue our efforts to break down obstacles to freedom of movement within the EEC and to eliminate national aids that are incompatible with the Treaty.

.../...

After studies and discussions which lasted several years, the Commission, in its reply to the Mandate of 30 May 1980, presented to the Council on 23 October 1981 a memorandum entitled: "Guidelines for European agriculture", in which it mapped out and quantified its programme for the next five years.

This programme is not an academic exercise.

In taking its decisions on prices and related measures on 18 May this year, the Council started implementing the programme, which of course includes the external aspect of the CAP.

It is because the CAP is a policy which is consistent both geographically and in terms of time that I have made a point of explaining to you our lines of action on both production and trade.

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Some of you have perhaps asked yourselves why I do not give the traditional replies to the traditional criticisms levelled at the CAP.

My answer is simple: it is precisely because the traditional way of thinking have shown their limitations. The time for making contrasts is over.

No-one in his right mind can seriously continue to support specious comparison like the following:

- Agricultural prices in the USA are the result of the free play of supply and demand; agricultural prices in the EEC are fixed by the authorities.

- Expenditure on agricultural support in the USA is low; in the EEC it is very high.

- Agricultural prices are low in the USA; in the EEC they are high.

- Farms are go-ahead in the USA; in the EEC they are backward.

- The USA is the champion of free trade; the EEC is the champion of interventionism.

.../...

No, I shall not repeat any of these simplistic slogans, which are above all intended for domestic consumption, or even for electoral purposes.

All serious studies have shown that such matters can not be viewed in black and white terms.

However, if one power responds by trying to impose its will on the other, and if it does so by exporting its own problems to the world market, the situation will rapidly turn into a conflict.

Now in this kind of conflict there can be no winners, but inevitably a weakening of both sides.

The Community and the United States have world-wide responsibilities.

States, peoples, nations have their eyes fixed on the powers which form part of the diminishing circle of societies where the terms democracy, freedom and pluralism still mean something in practice and are not just memories or hopes.

We must therefore work together, away from the noise and the fury, to resolve, as we have done in the past, the obvious problems facing us.

Let us not try to escape our responsibilities.

.../...

It is through cooperation, and not confrontation, that we will be able to continue achieving progress in our economies and our societies. And show other countries that the true democracies know how to resolve their problems in way other than by force.

That, ladies and gentlemen, is the message I wanted to convey to you today so that you in turn can spread it in your countries. Thank you.

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