

FOR THE DEVELOPMENT OF DYNAMIC
AGRICULTURAL COOPERATION BETWEEN THE
UNITED STATES AND EUROPE THROUGH
NEGOTIATION OF A NEW TYPE OF
INTERNATIONAL COMMODITY AGREEMENT

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and Trade Affairs, Delegation of the Commission of
the European Communities, Washington, D.C., before
the National Association of Wheat Growers, Denver,
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INTRODUCTION

I would like to thank Mr. Gene Moos, President of the National Association of Wheat Growers, Mr. Jerry Rees, his dynamic Vice-President, and the members of the National Association of Wheat Growers for giving a representative of the European Economic Community an opportunity to address its convention in Denver.

Relations between the United States and the European Economic Community, in view of the difficulties of the American balance of payments and of the enlargement negotiations of the EEC, have been a major focus of attention during 1971.

The December monetary accords in Washington have not brought an end to discussions relative to trade between the United States and the European Community and particularly to the positions taken concerning the real and supposed effects of the common agricultural policy on U.S. agricultural exports.

The common agricultural policy is seen by many Americans as an "apple of discord" between the United States and the European Economic Community. Reflection and objectivity must be exercised on both sides of the Atlantic in order to arrive at a better comprehension of the interests at hand.

But it is necessary also to use some imagination in cooperating in the search for solutions compatible with the agricultural policies of both parties and with the fundamental conditions of agricultural markets around the world.

Utilizing my past experience with the Kennedy Round and my daily confrontation with both American and European preoccupations, I would like to make some personal reflections today which may prove useful in helping to find mutually acceptable solutions. With this end in mind, it is necessary for me :

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- first, to examine quickly the agricultural policies of the European Community and of the United States in order to show how, in both cases, the formulation of the best possible agricultural policy is a difficult task.

- then, to try to show that finding solutions for the pre-occupations expressed in the United States as well as in Europe demands commitments on the very contents of the agricultural policies and translation into international commodity agreements.

I. THE DIFFICULTIES IN ESTABLISHING AN AGRICULTURAL POLICY COMPATIBLE WITH THE FARMERS' INTERESTS, THE DEMANDS OF TRADE AND THE SITUATION OF INTERNATIONAL MARKETS FOR AGRICULTURAL PRODUCTS ARE REAL, IN EUROPE AS IN THE UNITED STATES

A. It should be stressed that the common agricultural policy does not merit all of the criticism it receives :

1. It is easy to show the importance of agriculture in the European Community while recalling that in 1969, Community farm workers totaled 10 million as compared to 4 million in the United States. At that time, farmers comprised 14.2 % of the total Community population, but only 4.8 % in the United States. Agriculture represented 6.2 % of the Community gross national product in 1968, as compared to 2.9 % of the United States' G.N.P.

For the majority of European farmers, agriculture is not only a means of earning a living, but it is a way of life to which they remain very attached.

Even in the United States, the human and economic interest in maintaining the family farm is recognized. The new Secretary of Agriculture, Mr. Butz, before the House Agriculture Committee, declared himself to be in favor of family farms, providing they have sufficient flexibility to adapt to the conditions of the modern economy and to secure an acceptable profit for the farmer and his family.

European farmers ask for no more, and that is also the objective of the governments of the Member States and of the institutions of the Community.

2. It must be understood that the Community cannot renounce the principles fundamental to the common agricultural policy.

Among its fundamental principles are the Community preference and financial solidarity, both of which are absolutely essential
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for the integration of the different agricultural systems -- German, French, Italian, Benelux, and tomorrow, British and Scandinavian -- into a single market.

In a country such as the United States where the Buy American Act gives an advantage to American products in all kinds of government procurement, even if the American price is 50 % higher than the price of foreign products in the case of defense contracts, it is easy to understand Community preference.

As for financial solidarity, it corresponds to inclusion in the federal budget of the United States, that is, funding by all of the American taxpayers, of agricultural subsidies, the volume of which naturally varies according to state.

3. Another important element of the common agricultural policy is the variable import levy system.

The variable levies are intended to protect the level of internal prices while preventing products purchased externally from being imported at price levels lower than those judged necessary for domestic production.

The protection of internal price levels is one of the essential objectives of all agricultural policies, and only the means differ from country to country, certain countries preferring to use import quotas.

It is often forgotten that the introduction of variable levies in the Community for the most important products such as grains, has brought about the disappearance of quantitative restrictions which, in certain Member States, used to arbitrarily limit trade flows. Furthermore, the collection of variable levies on imports has positive aspects with regard to competition, for it neutralizes any attempt to penetrate the market by using abnormally low prices.

Thus, variable import levies assure the uniformity of the import conditions in the European Community, no matter the point of entry into Community territory.

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However, the situation has become complicated during the past two years since the changing of certain monetary parities and with the introduction of floating exchange rates. The Community has had to impose countervailing duties in addition to variable levies, among the Member States as well, in order to maintain the uniformity of the conditions of access to the Community and the free circulation of agricultural products among Member States.

The most recent import measures have, then, no discriminatory character regarding any one trading partner, but constitute only one example of the application of the fundamental principles of the common agricultural policy. Moreover, the variable import levies are not applied to all products, but only to the most important ones.

4. In the United States, the high prices for certain agricultural products in the Community are often criticized. The effort made in recent years to limit their increase is underestimated.

The European Community willingly recognizes that cereal prices, for example, were determined originally much more on the basis of political considerations, that is, by the necessity of arriving at an accord among the Member States, than as a function of their economic rationale.

One must not forget, however, the concessions made by agricultural producers of the Federal Republic of Germany when the common prices were first set in 1966.

Since then and until March 1971, the prices of agricultural products have remained unchanged in nominal value, which represents a decrease in real value in view of rising costs of production.

Since the monetary readjustments in France and Germany during 1969, French producers have not benefitted from all of the upward readjustments of agricultural prices made possible by the devaluation of the franc in relation to the unit of account of the common agricultural policy; and German farmers have seen the prices of their agricultural products lowered by the revaluation of the Deutsche mark.

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The Governments of the Member States and the institutions of the Community are confronted at this moment with a demand of revalorization of the prices of agricultural products based on the evolution of production costs, the constant rise of which has unacceptably reduced agricultural income. This situation has accelerated the rural exodus which, in the Community, will affect some 500,000 people per year.

It is however important to note that the Community is in the process of modifying progressively the method of fixing agricultural prices, basing itself, in the future, on the best run and most efficient farms. For the least competitive farmers, and notably for farmers between the ages of 45 and 55 and who would agree to retire after age 55, direct aid grants could be ultimately envisioned. Moreover, price policy is aimed at encouraging a transfer of activity toward animal production at the expense of vegetable production.

5. The Community is already engaged in an important reform of agricultural structures.

The great architect of the common agricultural policy, Mr. Mansholt, Vice-President of the Commission of the European Communities, has for a long time stressed the limits of price policy in assuring satisfactory income for the entire agricultural population. He insisted on a reform of agricultural structures.

From 1958 to 1969, the agricultural population decreased from 15 million to 10 million farmers, but there are still 6 million farms in the Community. The average size of Community farms is only 11 hectares, or about 27 acres, and farms larger than 50 hectares or 125 acres represent only 3 % of the total.

It is sometimes heard in the United States that after three years of discussion, not much progress has been made in the application of this plan. This notion results from the fact that the importance of the reforms envisioned has not been recognized.

The Mansholt Plan is aimed at reducing the agricultural population of 10 million to 3 or 4 million people in about ten years, and the total acreage under cultivation by 12.4 million acres, or about 6 % of the present acreage over the same period.

Mr. Mansholt is seeking also to increase the size of existing farms without however unduly increasing total production.

Among the measures envisioned for the implementation of this program, one must distinguish between the following categories : measures in favor of farmers who wish to retire from agricultural activity, selective grants for those who will be able to modernize their farms and become competitive, grants to groups of producers who apply restraints in production and marketing, and the vocational training of the sons of farmers.

The financial contribution of the Community will be 25 % of the total expenses for actions undertaken on the Community level. This contribution is expected to rise to 65 % in the least competitive areas.

The Mansholt Plan, debated in governmental circles, in agricultural organizations, and by the public, has led to an unprecedented awareness of the magnitude and the complexity of the agricultural problem. One is now convinced that no reform is possible for agriculture without the consent of the interested parties. It is apparent also that such a reform could not succeed if it were not accompanied simultaneously by the creation of jobs industry and services, by a regional development policy, by a social policy, and by considerations relative to the environment and to soil conservation.

The first decisions implementing the Mansholt Plan were made by the Council of Ministers in March 1971, but one should not underestimate autonomous actions by the Member States which precede or are inspired by the contents of the Mansholt Plan.

6. The risk of creating surpluses through the common agricultural policy is often emphasized externally as well as internally.

The preferred example was that of the accumulation of "mountains of butter" but the experience showed that this situation was only temporary; today, the dairy surplus has totally disappeared.

As for cereals, the acreage under cultivation has not increased, and the growth of production is due exclusively to the improved yields.

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It is important to keep in mind that at the present time, direct control of production still presents great difficulties in the Community. The introduction of production quotas would have the effect of freezing the present situation and of opposing specialization of production in the different regions of the E.E.C.

A good example of the risks taken is given by the sugar policy. The introduction of production quotas for the cultivation of sugar beets led to the setting of quotas for each of the Member States which on the whole have permitted an increase of the total production of the Community.

Moreover, the enormous number of small farms makes it difficult to introduce in Europe a policy comparable to the American "set-aside" policy.

7. The Community feels that it has been very careful in its policy of export subsidies.

There has been too much emphasis in the U.S. on the Taiwan case which enabled some exporters, by taking advantage of loopholes in the Community rules, to export grains to the detriment of American interests. But this case was the result of an accident.

The Community has no intention of taking over traditional American markets by an aggressive use of export subsidies. It is ready to give assurances on this point.

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8. The Community feels/that the U.S. is too preoccupied with criticizing the CAP, while refusing to acknowledge what good markets it enjoys for its agricultural exports.

From 1960 to 1970, the U.S. had a trade surplus with the Community, averaging 2 billion dollars a year and this surplus reached \$2.4 billion in 1970, for total agricultural and industrial trade with Europe.

This trade surplus toward the Community is of particular importance in view of the concern shown by the U.S. Government about the balance of payments of this country.

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From July 1970 through June 1971, American agricultural exports amounted to 7.8 billion dollars, setting a new record and representing a 15 % increase over the previous year. In fiscal year 1971 as compared to fiscal 1970, these exports to Japan increased by 11.5 % while exports to the E.E.C. increased 27 %. Total agricultural exports to Europe during the same period rose from 1.4 billion dollars to 1.8 billion dollars.

It is interesting to note that these exports toward the Community of variable-levy commodities have increased more than the non-variable levy commodities, rising from one fiscal year to the next from 351 to 480 million dollars. Wheat exports rose from 42 to 82 million dollars and feed grains exports went from 248 to 348 million dollars. Exports of oilseeds and soya products rose to 760 million dollars in fiscal year 1970-1971.

It is necessary that the United States recognize that the E.E.C. cannot import simultaneously grains, feedstuffs, soybeans, meat, and poultry, that is, both raw and processed commodities. Likewise, regarding raw commodities, American exporters and the U.S. Government must admit that commodities serving the same purpose in the Community like feedgrains, soybeans and feedstuffs, compete against each other. Therefore, the outlets for individual commodities may fluctuate from year to year while the overall value of imports of these products continues to increase, demonstrating once again the importance of the Community market for American agricultural producers.

B. If one considers the situation of American farmers and the agricultural policy of the United States, one finds much in common with the common agricultural policy of the E.E.C.

1. Just as European producers do, American farmers complain about the inadequacy of their income. Discussions concerning the level of support prices in relation to parity prices during the recent period are a striking example of this.

European farmers noticed also the protests of their American counterparts against decreases in the October 1971 selling price of wheat as compared to the October 1970 prices--and they protested even more against the drop in corn prices.

Europeans are attentively following the development of the operations of the Commodity Credit Corporation, the plans aimed at raising price support by means of so-called strategic stockpiles of wheat and feed grains, and, especially, the proposal for a 25-per-cent increase in the support price of corn.

Happily, Community farmers have not yet had the idea of asking for a 25-per-cent increase in their guaranteed prices for wheat or corn !

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2. The prices of/cereals may appear high to American producers, but American milk prices are higher than those in the Community.

The support price of milk increased by 48 per cent between 1964 and 1970 in the United States but only by 5 per cent in the Community during the same period. The support price of milk has just been set at \$10.27 per 100 kg in the United States, higher than the Common Market guaranteed price of \$9.85 per 100 kg.

As far as American sugar producers are concerned, guaranteed prices in June 1971 were 8.4 cents a pound or nearly double the world market price at that time.

I do not mean to say that milk and sugar prices are too high in the United States ; I simply want to emphasize that the European Economic Community does not have a monopoly on high agricultural prices.

Perhaps we should admit, in Europe as well as in the United States, that not only do agricultural prices respond to economic conditions but also to political and social imperatives which do not always permit adoption of the most rational policy.

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3. It is surprising to find that in a country whose agriculture is as modernized and rationalized as is the United States, conflicts similar to those existing in Europe are found.

The American critics of the C.A.P. often point out that the price policy followed until now by the Community offers exaggerated profits to the most modern farming units without guaranteeing a satisfactory income to the very small farms. The Community, while pointing out that the C.A.P. is only a few years old, is more and more convinced of the limitations of a policy of high prices and of the inequities which it may cause.

However, when one hears that in 1970 out of 2.9 million farms, in this country, 226,000 or 8 % receive 55 % of the income from sales of agricultural commodities, one wonders whether the situation is very different in the U.S.

Also, I would like to refer briefly to the impact on American agricultural incomes of the set-aside policy which enables the biggest farming units, those which can set aside land, to receive subsidies.

In the U.S. as well as in Europe, one hears discussions of the family farm versus agribusiness. One hears too in the U.S. that the efficiency of big farms over traditional farms is debatable if it results in lower-quality products. For example, it is claimed that the quality of tomatoes has declined in the U.S. because machines can pick only hard-skinned tomatoes.

Therefore, there are a growing number of American farmers who think, as the European farmers do, that in order to determine the adequate level of agricultural prices, and the location and type of production, it is not sufficient to apply only the criteria of efficiency and profit in terms of industrial businesses.

4. It is also important to note that U.S. agricultural policy is not a policy favorable to free trade for all products. Like any other agricultural policy, it has its strong points and its weak points.

Since 1955, the U.S. has enjoyed a waiver to the G.A.T.T. rules on quantitative restrictions on imports, a situation which is no longer justified.

The U.S., while urging the opening of foreign markets to its grain exports, practically excludes dairy product imports from its own market. It has been noted in the G.A.T.T. that these

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quantitative restrictions are so effective that, from 1968 to 1970 imports of dairy products into the United States have been equivalent to only 1.5 to 1.7 percent of U.S. dairy production. It is feared that the political strength of the American dairy industry may worsen the present situation.

The Community has offered, so far without success, to respect a certain minimum price level when exporting cheese to the American market so as not to interfere with the American milk support policy.

The members of the National Association of Wheat Growers know very well that the U.S. policy of import quotas is not limited to dairy products.

- 5. When criticizing the protection and the financial support offered to Community producers, there is a tendency in the U.S. to overlook the protection and the support given to its own agriculture.

The E.E.C. had a comparative study made of agricultural support in the U.S. and in Europe. If all forms of support were eliminated on both sides of the Atlantic, the results would be a 44 % decrease in income for the American farmer and a 50 % decrease for the Community farmer.

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Actually, support/producer would be higher in the U.S. where it averages \$1300, whereas in Europe it is only \$900.

Such figures can always be challenged but the magnitude is nevertheless significant.

- 6. Partners of the United States are sometimes concerned by the importance placed on the role of agricultural exports in the U.S. trade balance and the balance of payments.

The set-aside policy produced unexpected results during the last crop year, if measured by the increase in acreage under cultivation, the size of the wheat and corn crops and the amount of carryover. These surplus crops may put considerable pressure on international markets.

Moreover, the goals defined for agricultural exports are a matter of concern. During FY 1970-71, the U.S. has set a new export record of 7.8 billion dollars, but from different sources one sometimes hears that everything must be done to reach a 10-billion dollar level of agricultural exports.

One may ask what are the products the U.S. plans to export to obtain, even after several years such a result, what are the solvent markets to which they can develop their exports and what commercial policy does the U.S. intend to follow to achieve such a goal.

The U.S. is not and cannot be the only exporter of agricultural commodities. Other countries compete with the U.S. on the E.E.C. market. Competitors include both industrial countries and developing countries. The devaluation of the dollar in relation to European currencies is going to make it more difficult for the other exporting countries to compete against U.S. exports of non-variable levy commodities.

Let us hope that the exporting countries do not develop policies of currency devaluations to regain their competitive position on the import markets.

In this respect, the U.S. and the Community should pay more and more attention to the interdependence of agricultural and commercial policies and to the community of interests resulting therefrom.

II. THE UNITED STATES AND EUROPE SHOULD BE ABLE TO RECONCILE THE PARTICULARS AND THE REQUIREMENTS OF THEIR AGRICULTURAL POLICIES AND THEIR OBJECTIVES FOR TRADE IN AGRICULTURAL PRODUCTS BY NEGOTIATING A NEW TYPE OF INTERNATIONAL COMMODITY AGREEMENT.

- A. There will be no possible cooperation and consequently no real solution to the agricultural difficulties between the United States and the Community without a global approach, taking into consideration the present agricultural policies of the principal producing and exporting countries and the objectives to be reached on the world market.
1. It is most important to be convinced of the limits of an aggressive export policy founded on the lowest possible prices to penetrate new markets.

The first limits of such a policy can come from agricultural producers themselves who will judge that the export price levels do not assure them satisfactory payment. In reality, within a given country, an export policy founded on very low prices quickly results in a divergence of producers' and traders' interests. Such a policy is certainly easier to practice in a country where representation of commercial interests in the decision-making bodies counterbalances or outweighs the representation of agricultural producers themselves.

Such a low-price policy is only partially justified by considerations of consumer protection. The expenses in the family budget are quite different in 1971 from what they were in the recent past. The share of basic agricultural products is smaller and smaller if one compares it either to the cost of processing, preparing, and advertising the products delivered to the consumer, or to other types of expenses in the budget.

Moreover, the industrialized countries with extensively developed agricultural sectors which defend the lowest possible agricultural export prices can harm developing countries whose export resources are not as diversified and

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who complain bitterly about constant deterioration of the terms of exchange and the decrease of their export income.

Finally, this low-price export policy is of little interest for the countries which export to the Community as the latter protects its internal price levels by variable import levies offsetting any downward fluctuation in pseudo-world market prices.

2. For the most important agricultural products, it is no longer possible to arrive at satisfactory settlements in a bilateral framework.

Relations between the United States and the Community have provided many examples of the insufficiency of bilateralism in the case where several countries agree to grant export subsidies on a specific market. Countries that develop their production of agricultural products are numerous. As a result, there is a limited number of solvable import markets, and competition for exports is accentuated.

The agreement which the United States and the European Community will certainly reach very soon concerns the policy of wheat stockpiling. This agreement is an indication of the good will of the American and European partners. But it is evident that the scope of such an agreement is bound to be limited if, at the same time, the other wheat producing and exporting countries do not impose the same constraints but, to the contrary, seek to profit from the policy followed by the United States and Europe.

3. It is not possible either to solve the problems of international agricultural trade without taking into consideration the content of the agricultural policies themselves -- that is, production policy and price policy -- together with commercial policy and the instruments of commercial policy in agriculture.

Experience in G.A.T.T. over the years should have convinced us that most countries have developed very complex agricultural policies, characterized by governmental intervention to protect the farmers and that agricultural support is generalized.

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Often, a country cannot agree to negotiations dealing only with a single aspect of its import policy, because this might unbalance its entire agricultural policy. On the other hand, the negotiation of a single instrument may turn into a fruitless exercise for an exporter if the instrument is only a secondary element of the import regulations.

Future agricultural negotiations, therefore, in order to be possible and effective, must deal with the content of these policies, the nature and the amount of the support given to the producers, and all the instruments which ensure this support.

4. An agricultural negotiation must also take into account the dimension and the characteristics of what is conventionally and too often called the world market.

The world market is a myth if by this one means a market in which the law of supply and demand operates freely. The world market, or rather the various agricultural markets which comprise the world market, is a place where a balance of power and price-fixing too often depend upon the existence or non-existence of surpluses and upon the amount of export subsidies available in the exporting countries.

The U.S. and the Community should recognize that free trade is a myth in agriculture, in view of the use by both of support measures and of the intervention agencies like the Commodity Credit Corporation or the European Agricultural Guidance and Guarantee Fund.

Because the United States and the Community have at their disposal financing that is not available to other countries, they have an ever greater responsibility in the functioning of the world market. The U.S. and the Community should, for certain commodities, make a common effort to promote the determination of an adequate price level on the world market and to contribute to price stabilization. The result would be not only the normalization of the conditions of competition by obliging exporters to respect these prices, but also a response to the expectations of numerous developing countries.

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B. The United States and the European Economic Community should consequently cooperate in the drafting of and in the negotiation of international commodity agreements which reflect their community of interests while offering a framework within which to conciliate those aspects which may be divergent.

1. It seems to me necessary to return to the proposals of the European Economic Community in the Kennedy Round for the conclusion of international agreements for a large number of agricultural products such as grains -- and not only wheat -- dairy products, meat, . fats and oils.

Without dwelling too long on lost opportunities in the Kennedy Round, some ideas advanced at that time might inspire reflections that would be useful for future negotiations. The most interesting example is grains.

The Community proposed simultaneously 1) to proceed with the negotiation of a minimum-price level to be respected in international trade for each kind of grain, 2) to consolidate the margin of support to be given by each country to agriculture, 3) to make a commitment on a self-sufficiency ratio, and finally 4) to accept to include in such an international agreement provisions for food aid.

The negotiation of a minimum price for grains sold on the world market appeared necessary in order to assure the maintenance of an adequate level of payment to the exporters and to avoid a competitive lowering of prices. It was hoped that under the future agreement, prices would normally remain above the minimum reference price. The Community proposed to negotiate also the quality differentials to take into account, for each grain, quality differences in relation to the reference quality chosen to be the subject of the negotiations on the minimum price level.

The margin of support represented the amount of government aid given to the commodity under consideration. The consolidation of the margin of support meant, in the case of the Community, that it was ready to freeze the difference between the internal grain prices of the E.E.C. and the new world

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prices negotiated, this freeze being valid for a period of three years. The Community accepted thus not to raise its internal prices during this period. The consolidation of the margin of support meant also that the amount of subsidy given to exports was henceforth limited by the requirement of respecting the level of the international minimum prices negotiated in the agreement. The commitment to a policy of Community prices doubled thus into a commitment to its export subsidies.

The negotiation of a self-sufficiency ratio completed the preceding agreements. By self-sufficiency ratio is meant the relationship between internal production and consumption. If the ratio were to increase in the future, resulting in an increase of internal production, the Community committed itself to refrain from offering surpluses on the commercial market. This was in fact an indirect Community commitment on production policy. Such a commitment obliged the Community to increase its stockpiles, or to increase its food aid, or, eventually, to take autonomous steps to reduce its production.

2. The international agreements would permit an easier conciliation of divergent interests of the U.S. and European agriculture.

It is important to point out that these proposals of the E.E.C. had been agreed to by the agricultural organizations of the Community after much discussion.

The sacrifices which the Community farmers had accepted at the time of the Kennedy Round concerning price policy or the eventual consequences of the ratio of self-sufficiency on production policy, were, in their opinion, balanced by the possibility of obtaining a better organization of the world market, a price level which would be recognized and respected in international trade, a confrontation of the substance of the various agricultural policies, and equitably distributed commitments for support. International agreements facilitate reciprocity and a balance in the commitments.

The notion of self-sufficiency ratio appeared as a kind of safeguard against the proliferation of anarchistic production policies and showed the interdependence of the production policies.

Such agreements, if they could have been concluded, would have been additionally important because of their development.

The observance of the commitments would have promoted acceleration of the structural reforms in the various countries. Attention could have been directed progressively to the coherence of the self-sufficiency ratios and the volume of the commercial and non-commercial demand. Food aid could have been conceived not as an obligation to assume in order to achieve signature of the Kennedy Round, but as an element of a policy of the industrialized agricultural producers in support of development assistance.

3. From now on, considerable effort has to be made to persuade certain groups within the American Administration and within certain large U.S. organizations that there is a sound basis for international commodity agreements.

Actually, this is also true for the Community, for it is not at all certain today that the producers, not to mention certain Member State governments, would be prepared to make commitments on price policy of the type envisioned in the Kennedy Round, which are felt to be too constraining.

It can be difficult to go back to certain ideas advanced in the Kennedy Round without first modifying them, such as the freezing of the prices for three years. It would be necessary to find formulas which take into consideration modifications of the general price index, the rate of inflation, allowing some flexibility in the commitments made concerning the margin of support. It should even be possible to vary these commitments according to the commodities, the countries and even the policies adopted as long as it is possible to prove that they are equivalent from one country to another.

In the same way, it would be necessary to find a formula giving greater flexibility to the level of the international minimum prices fixed in the agreements as well as to the quality differentials determined for each category of products. Notably, it is necessary to be able to adjust these prices and these quality differentials in the course of the duration of the agreements if adjustment proves necessary, entrusting these powers to an ad hoc committee created in the framework of the agreement, closely associating all interested countries in the decision. The international agreement in this area must be an instrument of permanent cooperation.

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Commitments on production policies must certainly be very progressive. Such commitments would be easier to make if they left to the countries concerned the responsibility of independently adapting their production measures with respect to the commitments made.

Likewise, it is desirable that the agreements should not be uniform, the agreement on dairy products differing in its contents and form from the agreement on grains, and the agreement on meat being of still another type. What is essential is that the commitments deal with the actual content of the policies.

International commodity agreements must allow for change and must adapt to circumstances. To wish to organize the international markets does not mean to formulate rigid rules and a narrow framework incompatible with the expansion of trade, the dynamism of trading companies, and the constant adjustment to new situations.

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4. International agreements constitute/the appropriate framework for cooperation between the United States and Europe to expand food aid to developing countries.

In the developing countries great hopes for the increase of agricultural production have been placed in the Green Revolution. Spectacular results have been obtained in India, which is not to say that even in that country food problems have been actually solved.

In reality, the most recent studies show that improvement of agricultural production has only followed the demographic advancement. One could calculate that in Brazil, for example, if the rate of increase of agricultural production per inhabitant were maintained at its usual level of 0.7 %, it would take 100 years to double a food supply that is insufficient today. In Egypt, it would take 140 years.

Present rates of growth of agricultural production are even declining in Algeria, Tunisia, and Morocco.

Food aid is not however a cure-all and should certainly not constitute an easy way of exporting surpluses. But the United States and Europe have sufficiently diversified agricultural production so that they can be adapted to the production of commodities which are most necessary to the undernourished countries.

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The effect of price stabilization of products exported by developing countries by means of the negotiation of a minimum price in international agreements, combined with an improvement in the present conditions of food aid, would be to accelerate the promotion of these countries to the rank of consumers of more and more diversified agricultural products which cannot be produced on their soil, thus beginning progressively a new phase in the expansion of international trade in agricultural products.

CONCLUSION

In conclusion, the U.S. and Europe, whether it be the Europe of Six today or, very soon, the Europe of Ten, with the entry of Great Britain, Ireland, Denmark, and Norway, have many reasons to seek the means of a true cooperation in agriculture. On both sides, the number of producers is very large, the economic interests at stake very important, and the political problem cannot be underestimated.

The enlargement of the EEC requires, no doubt, a new definition of the economic and commercial relations between the U.S. and Europe, which will result notably from a large scale negotiation in which the EEC has already stated it is ready to participate at the appropriate time.

The negotiations concerning agriculture will be an important and sensitive part of these negotiations and consequently, require thorough preparation.

The negotiation of international commodity agreements, adapted to the particular characteristics of the commodities, of agricultural policies and of the markets for these commodities, is desirable because it substitutes dialogue for brutal confrontation and conciliation of interests for shows of strength.

By taking into account the substance of the various agricultural policies, international commodity agreements would make it possible to take advantage of the vitality of the family farm as well as of the dynamism of the big enterprises.

Agreements would also enable rich and industrialized countries, by means of a food aid program, to help in the economic development of those parts of the world which are the most disadvantaged.

European agriculture is going through a complete transformation, but it is enough to look at American policy to realize that there is no ready-made solution and that it requires time. American and European farmers should readily admit that they cannot thrive to the detriment of each other.

Farmers, in Europe as in the U.S., are an important political force. That fact emphasizes their responsibility, along with the responsibility of governments, to develop dynamic cooperation between the U.S. and Europe in the agricultural sector.