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RELATIONS OF THE EUROPEAN COMMUNITY AND THE UNITED STATES
IN THE AGRICULTURAL FIELD AND THE WORLDWIDE ECONOMIC
CHALLENGE OF A NEW EMERGING INTERNATIONAL ECONOMIC ORDER

Address by

Mr. Pierre S. Malvé
Director for International Agricultural Affairs
of the Commission of the European Communities

to the
American Agricultural Editors Association
in Chicago on December 4, 1974.

Being in the States for a European is always an experience!

Being in the windy city is really a pleasure!

But being in front of such an important association as this
is an adventure!

Let's take it.

The search for international economic security is becoming for all countries more and more important. The supply conditions for food have dramatically changed. One cannot consider the supply situation of a country in isolation anymore. Nowadays, economics are simply too intertwined. The cooperation between developed, producing and exporting countries is a necessity, even more so at a time of shortages of basic agricultural products. Cooperation among developed countries is a must. But we have to go further than that; the European Community is in favor of a broad effort to improve the framework of international concertation among countries concerned by world food supply conditions.

I. United States/European Community agricultural relations are evolving in a changing world.

- 1) The agricultural sector is deeply affected by the drastic modifications of international economic relations. The energy crisis has a tremendous impact on European economics. To give an example, the EEC's trade deficit with OPEC countries will go from 8 billion Dollars in 1973 to around 25 to 30 billion in 1974. Except for Germany, the rate of inflation is getting very high - close to 15 per cent in France and more than

20 per cent in Italy. In Europe as in the United States, the costs of agricultural production are skyrocketing. While consumers in developed countries are complaining about the increase in food prices, millions of people are starving in many developing countries. We must recognize that a solution to these problems can only be found in a common effort. Developed producing and exporting countries must produce more in order to face the problem of hunger and malnutrition in the world and, at the same time, they have to help poor developing countries to increase their own production. We have to bear in mind, that relationships between developed and developing countries are profoundly evolving. From now on the developing countries will, and rightly so, insist on obtaining fair prices for raw materials they produce.

2. Within the European Community, the Common Agricultural Policy is an important stabilizing factor by maintaining prices at a determined acceptable level, and by ensuring security of supply to all Member States. In contrast to previous periods, prices within the Community for important food products are much lower than in the so-called world market. This is particularly true for cereals and sugar. The mechanisms and the functioning of the Common Agricultural Policy have contributed significantly to price stability from which European consumers are now taking real benefits. Simultaneously, by ensuring European farmers a fair level of incomes, the Common Agricultural Policy reinforces the security of supply. Nevertheless, it is true that the Community also benefits greatly from natural advantages, most of all from climatic conditions which ensure a certain amount of regularity in crop levels.

II. The search for a new type of international cooperation in the field of agriculture.

1. In any case, the conditions of supply and the situation on the world market are presently such that an increased cooperation is needed.

We have too quickly overlooked the possibility of having to face, even in developed countries, severe shortages for important products. In these circumstances, it is essential not to try to solve current difficulties within the confines of a national framework, in a selfish manner, transferring problems onto others. At the present time, there is a great risk to revert to protectionist tendencies. Despite the fact that the Community had, for cereals, a carry-over at a very low level, it accepted in the past months certain export operations to smoothen the functioning of the world market. Right now, following proposals made by Mr. Lardinois, who is in charge of agriculture within the Commission, the Community is discussing some measures to reduce its own import needs of grain in order to cooperate with the United States administration to improve the critical United States supply situation for these products. On this point, Secretary Butz declared and I quote: "The Community's action represents a sharing of the burden of world supply fluctuation and could be an important step forward in our world trade relations."

2. The Community, like the United States, attaches great value to the coming GATT multilateral trade negotiations. The Community is anxious to see the Trade Bill passed by Congress and the United States negotiator provided with authority to negotiate. Sir Christopher Soames, who is in

4 charge of external relations within the Commission declared recently:

"A new attempt to further liberalize trade would be one of the most effective ways to prevent sliding back into protectionism." Nevertheless, a lot has been changed since the official launching of the Multilateral Trade Negotiations in Tokyo in September 1973; it is now necessary to give consideration, for instance, to the question of regular access to raw materials and to measures related to export restrictions. In the field of grains, the European Community is in agreement with the United States in building-up stocks and to accept the international concertation of the various national stock policies. Nevertheless, like the United States, the Community refuses an "International reserve system" which is not compatible with the responsibilities of producing and exporting countries such as the United States and the Community.

III. Nevertheless, the Community favors negotiation of a new type of commodity agreements which would provide a framework for a dynamic and permanent cooperation.

1. The European Community wants to go further in the search for a greater stability of the world agricultural markets. It is fundamental to go beyond the sterile confrontations between those who support the concept of "free market" and the supporters of the concept of "markets organizations". The successive fluctuations from surpluses to deficits, the disturbing price speculations, clearly demonstrate the limitations of the concept of "free market". Let's consider, for a moment, the sugar case or the grave discontent of the cattle producers in Europe or in the United States to be even more convinced. On the other hand, it is difficult to enclose economic forces at play in a rigid set of rules as the strongest supporters

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of "markets organizations" are sometimes tempted to do. The European Community does not believe that the building-up of stocks and the concertation of the various national reserve policies at the international level will be sufficient in themselves to ensure the most needed stabilization of the world agricultural markets, even if the above mentioned measures and policies already constitute positive components. Independently of a cooperative approach related to stocks, the European Community is convinced of the necessity to deal with price levels and policies and to combine as many significant elements of agricultural policies as possible in the framework of commodity agreements. The specific needs of developing countries, importing or exporting, must constantly be borne in mind in this approach.

2. The Commission has already made some proposals to the Council of Ministers of the EEC for a new type of commodity agreement for cereals. It is envisaged by the Commission to establish a "target price" to be negotiated as an "indicator" in order to appreciate the importance and the economic meaning of the variations of the effective price transactions on the different markets for cereals. The magnitude of these variations compared to the "target price indicator" would, in certain cases, trigger a mechanism for the building-up or reduction of the levels of stocks created at the national level, or at the community level in the case of the EEC. The Community will have to determine its definite position in accordance with the state of preparation of its partners for the forthcoming negotiations. Concerning export restrictions, it has already been advocated in some circles that a "code of good conduct" would be useful.

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Such a "code of good conduct" will certainly be easier to devise and to put into force in the framework of a commodity agreement. The immensity and complexity of the tasks require a full participation of the international community as a whole. It is no longer possible for a country, and a fortiori for a powerful country, like the USSR for instance, not to take its fair share of obligations and responsibilities.

In conclusion,

In a world more and more interdependent, there is no longer room for exclusive national solutions.

The European Community and the United States are facing together, politically and economically, a new emerging international economic order. It is a challenge for both! But it can also be transformed into an opportunity for a closer and far-reaching cooperation.

After all, agriculture, in the United States as in the European Community, is of great political, economic and social value!