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AGRICULTURAL TRADE BETWEEN DEVELOPED NATIONS:  
PROBLEMS AND PROSPECTS

Introduction

I have concluded that by your kind invitation to me to take part in this symposium, you expected a forthright exposé of the EEC position on agricultural trade and my opinion on the effects this policy will have on other developed agricultural trading nations.

Therefore I shall try not only to comply with your Executive Committee's wish to give this symposium something concrete to discuss, but also to present in orderly form the current thoughts on these problems in the Common Market.

And this is not the only reason why, I think, I may be allowed to give this form to the assignment I was honoured to accept - of coming to San Francisco to talk about "Agricultural Trade between developed nations".

We in Brussels give close attention to reports from the United States whenever they mention the American view of our agricultural policy.

The official spokesmen of your Administration are not alone in keeping a vigilant watch on the evolution of the Community's farm policy: your farmer's organizations also speak up in plain language, as did Mr. Charles B. Shuman, President of the American Farm Bureau Federation, in a recent letter to President Johnson.

Thus I shall take this opportunity to make some detailed comments on a number of opinions on our farm policy that can be heard here in the United States.

I also believe that your choice of panelists was clearly affected by the fact that I am not speaking here today as a general expert on

trade in farm products - which I do not in any case claim to be - but rather as the representative of the organization in Brussels that thought up all those regulations for Community agriculture.

A friend of mine in Rotterdam, who imports a lot of California products, made things even clearer by telling me: "To introduce their symposium they are looking for someone who can speak for the European Community and tell them clearly what people in Brussels think about international trade in farm products; who will not confine himself to a few platitudes of a kind calculated to please the Americans but will really give his views on the state of affairs".

Well, I am not a politician, I have no political responsibility, but I do feel responsible for the task that has been entrusted to me. This task is to help in creating a farm policy which - as Vice-President Humphrey, then still a Senator, said about the farm policy that should be pursued by the Democratic Party - is intended "to provide a fair return to the farmer consistent with the goal of full parity of income to farm people".

During a speech he made in Fargo, North Dakota, Mr. Humphrey laid down ten criteria for a farm policy to be formulated in the United States, and most of these I can endorse myself.

By making a slight alteration of one of the criteria enumerated by Mr. Humphrey, I can also express my own opinion that farm policy, not only in the Community but in all developed countries, "must facilitate the expansion of foreign trade and maintenance of a fair share of world markets for farm products for producers elsewhere".

I shall try to give you an outline of the problems and prospects facing us when we consider trade in agricultural products among developed countries, with emphasis on the role played by the European Economic Community in the current situation and the role it hopes to play in future developments.

I need not tell you that I will not overlook the Kennedy round, since you may well be expecting me to answer the urgent question put by the President's Special Representative for Trade Negotiations in a speech in Amsterdam. Governor Herter wanted to know whether the European Economic Community would be outward-looking or would be content to look after its own narrow, internal interests.

1. The current situation in the Community

Since 1958 we in Brussels have been working out rules for the market machinery that will be applied to the major farm products in the Community. I don't wish to go too deeply into the reasons why we need a farm policy, but I may say that no single country, and therefore no combination of countries, can simply disregard the conditions in which farm products are produced and marketed.

It is also generally recognized that lack of equilibrium between supply and demand on world agricultural markets adversely affects agriculture and the national economy.

Most agricultural production is tied to the soil, which makes it difficult to introduce modern production methods - as the production units are often too small and can only be enlarged over a period of generations.

If there were no price stabilization policy, agriculture's dependence on good and bad harvests, which produce shortages or surpluses, would lead to strains and fluctuations in farmers' incomes, and for economic and social reasons this is unacceptable in our modern world.

Although the instruments of farm policy are not yet complete (for instance, we still have to issue regulations for sugar, oils and fats, tobacco and a few other products), we can say that some eighty percent of trade in farm products in the Community is already regulated

on a completely supranational basis.

Although we are not altogether clear about the final price level, we can point with satisfaction to the fact that a decision on common grain prices was made at the end of 1964. This decision is of great importance for the future. For the level of grain prices is not only largely responsible for the price of commodities derived from grain, it is equally important for the price of other crop products.

In spite of the progress we have made, we cannot yet say that we are completely out of the woods. The agricultural policy still has to be completed before we are in a position to clarify our attitude towards non-member countries. We are in precisely the same case as other democratic countries, where first of all a clear and complete picture must be formed about internal policy and foreign policy before negotiations can effectively be carried on with other countries. For example, I may point to your Trade Expansion Act and the thorough discussion that was necessary within the United States before any action could be taken on trade with the outside world. Things are no different in the Community: for us, too, the appropriate institutions - particularly the Council of Ministers - must define their position. For this purpose the Commission puts appropriate proposals before the Council of Ministers. Once decisions have been made, the Commission is given a mandate to negotiate with our partners in GATT. General instructions have already been given the Commission, and further details are now being worked out.

## 2. Recent developments in world trade and the outlook in this field

I shall restrict this part of my introductory talk to those products which are of most interest to the Community and the United States, but I do not wish to give the impression that I will be covering them all.

I shall base myself chiefly on the trend of world trade since 1959, though for 1963 and 1964 statistical material is not always available. In any case, I don't wish to bore you with statistics but

just give you my own views, even if these cannot yet be backed up with figures. After all, we know what statistics can be made to prove.

There has, in recent years, been a considerable rise in the volume of world trade in grain. This applies both to bread grains and to feed grains, though it should be noted that trade in wheat expanded only slightly.

In the more developed countries, to which I must give particular attention, we find a tendency for consumption of bread grains to remain stable and for consumption of feed grains to increase sharply, and in any assessment of world trade in grain we shall have to take this into account. If we want to help produce a healthy situation on the grain market, we shall have to take special note of the steadily increasing demand for feed grains. When price policy is being determined, a further increase in the consumption of livestock products, with its corollary of heavier demand for feed grains, will have to be taken into account by producing countries that are also exporters. The days are gone in which governments could impose a high level of protection and high prices for wheat - the costs involved can be directly passed on to the consumer - coupled with a relatively low level of protection for feed grains.

In the Community we must take account of the fact that of the qualities we can grow in the Community, we already produce more than we consume. In my view too little consideration is given to this when prices are fixed. Narrowing the gap in prices between feed grain and bread grain is not therefore out of the question for the future. For a considerable proportion of the wheat produced - about thirty percent on average - is utilized as animal feed.

As this is happening in all developed countries, the changed situation will have to be recognized at the international level too - especially when arrangements on prices are being made.



Is the price level fixed by the Community for 1967 too high? Secretary Freeman has said that our prices will lead to autarky.

We believe that if no decision on prices had been reached, the situation over the next few years would have developed in such a way that national prices in 1967 would all be appreciably higher than they were in 1964, the year when the decision was made. I cannot say whether these price increases would have resulted from political considerations or from continuing increases in costs or from inflationary trends. We think we are safe in saying that if the decision still had to be made in 1967, prices would undoubtedly have to be fixed much higher. So if the rest of the world criticizes the prices we have set, I should first of all advise them to be thankful that the decision has already been made and to realize that this is an important contribution which the Community has made towards achieving a more balanced situation on the world market.

In addition, I should perhaps point out that the grain exporters concerned ought to bear in mind that these prices mean a very big reduction for a sizeable proportion of producers in the Community. This price reduction does not result from a cut in production costs, not even if we count on modernization of production methods. As I have already said, farmers' incomes in Europe too are much lower than those earned in other industries, and the cost of machinery and labour is steadily going up.

In conclusion, let me point out that although grain prices - particularly wheat prices - will be increased in large areas of the Community, this will very rarely exceed the rise of production costs, and in many cases it will lag behind.

As regards the Community's share in the world market, the need for better-quality wheat in the Community will certainly be maintained, and feed-grain requirements will be much greater than before as sales of livestock products grow. Although we must reckon with a gradual

increase in grain production resulting from technical improvement in cultivation, I believe that demand in the Community will stay far ahead of production.

And that brings me to the subject of livestock products - pork, eggs and poultry.

In the past it has been all too clear that international trade in these products is strongly influenced by protective measures and the commercial policies followed in the various countries. Let me illustrate this by a concrete example.

Before the common agricultural policy came into effect, the Federal Republic of Germany had a high level of protection for grain coupled with comparatively little protection at the frontier for livestock products. In the past exporters of livestock products, such as Denmark and the Netherlands - and in the case of poultry the United States, too - benefited considerably from this. German producers were at a disadvantage in relation to their foreign competitors.

When the Community regulations were introduced, this situation came to an end. This could not fail to affect exporting Member States, though the consequences have not been as serious as was feared at the outset.

The establishment of common organizations for the various markets therefore gave rise to sharp criticism; I am thinking in particular of the chicken war to which I have referred.

I must now comment rather more specifically on the sluice-gate prices applied in the Community. At the same time as all quantitative restrictions on imports were eliminated, the Community made provision for supplementary levies that can be made on imports as soon as world market prices fall below a specified minimum. I shall not go into

detail here, of course, but I must mention the fact that our friends outside the Community considered these minimum prices (sluice-gate prices) much too high. The Commission is partly in agreement with this criticism and consequently laid proposals before the Council to have the prices reduced, but the Council did not accept these proposals. However, the Commission's acceptance of criticism from outside does not mean that we should accept the suggestions put forward in America lock, stock and barrel. We also consider that the other parts of the calculation on which these prices were based, and on which we have heard no American criticism, should be reviewed.

But the increase in production in the Community is not caused merely by protection imposed at the frontier.

Criticism was chiefly based on the fact that import duties in some Community countries were bound and the imports liberalized. On this point, mention should be made of an important factor. It is true that protection at the German frontier was low before the common agricultural policy came into effect, but that is why direct subsidies had been introduced in Germany after liberalization, with the result that total protection given to the producer by customs duty plus direct production subsidies was much higher than that resulting from the duty bound in GATT. As a result, the binding lost much of its significance.

Poultry production is also a good example of the changes which are taking place in agriculture and are appreciably modifying the pattern of production and trade in some farm products. Whereas the market used to be supplied with poultry mainly by small farmers, the current suppliers are often more or less industrialized concerns in which large units of production are used. This trend began in America.

Imports from America at relatively low prices - a result of low production costs - have made consumption increase so much that even



importing countries have gone over to these modern production methods. This in turn leads to a sharp increase in total production exceeding the rise in consumption.

In Europe this development has occurred at a rapid pace, partly owing to American firms settling there with American breeding stock at their disposal and propagating American production methods.

The introduction of the common agricultural policy is certainly not the main cause of these developments. Even without it, these new methods would still have been introduced in the individual countries, sending production up more rapidly than demand and consequently reducing import requirements.

These considerations lead me to the following conclusion. The efforts to modernize the methods by which we produce these livestock products that are not tied to the soil will result in the disappearance of the differences in efficiency at international level, and ultimately they will be produced where transport conditions are most favourable - presumably near the centres of consumption. I can therefore see no prospect of a favourable trend in trade in these products among the developed countries if the end product has to be transported over long distances. This holds good for poultry, eggs and pork, and the consequences will affect trade within the Community itself as well as trade between the Community and other countries.

Although it is very difficult to say anything concrete on the prospects for dairy produce, I cannot simply ignore this important group of agricultural commodities.

For a number of developed countries milk production is of the greatest significance. It is estimated that more than one third of farm income in northern Europe, for instance, is derived from milk, although the conditions of production are far from being favourable everywhere - and just cannot bear comparison with conditions

in countries like New Zealand. This is why milk prices in Europe are relatively high. A contributing factor is the point that the production of milk lends itself less to mechanization than that of other products. And in most cases it is impossible to switch production, as was done in the USA when some milk producers changed over to crops such as soybeans.

So I can foresee no trend in milk production comparable to what I have just outlined for pork, eggs and poultry; a much more gradual development is likely.

The Community has an important share of the world market in a number of dairy products; the EEC exports seventy percent of the world's condensed milk. This, together with the United States exports, makes up eighty percent of trade in this product. For milk powder the United States is by far the biggest exporter - with sixty percent of world trade; when we add the Community's fifteen to twenty percent, this again makes a combined total of nearly eighty percent.

Trade in cheese, apart from a few types used chiefly to make processed cheese, is more regional in character and is split up into various kinds of which each has its own market.

We are left with butter, in which the Community is more or less self-sufficient, but production of which in many cases results directly and almost solely from surplus production of milk. I shall come back to the prospects for butter when I talk about fats.

The world market in these products has settled down somewhat in recent years, but we must be prepared for difficulties in the future.

The relative stability recently observed on the world market is in part a result of the self-restraint exercised by the United States. We must put it on record with gratitude that this has spared us greater difficulties.

However, there is still the risk of a surplus on the world market, partly because of the farm policy in producing countries (both those that export and those that import) and partly because consumption is still much too low in certain parts of the world where there is potential demand.

This does not alter the fact that we must endeavour to improve the world market situation; I shall be glad to come back to this point later.

After dairy products, I should perhaps deal with vegetable fats, although this may encroach on the territory to be covered by Mr. Cardenas, who is to talk to you on trade with less developed countries.

Of vegetable fats, the only one in large-scale production in the Community is olive oil, of which Italy is one of the foremost producers - and also one of the biggest consumers - in the world. Within the Community, production of other vegetable fats, such as rape seed, is of importance for crop rotation, but the total volume will be of no great consequence for world trade.

Of the Community's standpoint on vegetable fats, I may say that the Community intends to adopt a liberal attitude to imports.

We are rather concerned about future developments on the world market. Some of the countries associated with the Community produce a lot of vegetable fats, and the expansion of soya production in the United States and Canada is therefore causing great concern to these countries. There is a fear that this expansion will be more rapid than the increase in consumption, with all the adverse effects this will have on countries whose economy is wholly or in part dependent on these products.

You will also appreciate that in connection with sales of

butter our dairy farmers are extremely worried about the low consumer prices that will result for vegetable fats in the Community. So too are the exporters of butter on the world market. The quality of margarine is steadily improving, and this product is therefore continually putting butter in a more precarious situation. The low prices at which vegetable fats can be sold are a continual threat to the sales of butter. The prospects are therefore not very rosy for the butter market.

Talking of oils and fats brings up another kind of difficulty on the world market - the lack of a reasonable relationship between prices of primary commodities on the one hand and semi-manufactures or finished products on the other. If for example we compare the price of oilseed with the price of the corresponding oil and oilcake, we often find the oil and oilcake offered at prices as low as or even lower than the oilseed. This situation is not peculiar to vegetable fats, but occurs in other groups of products also - wheat and flour, for instance, or raw and refined sugar.

So you will not be surprised if the proposed regulation on oils and fats makes provision for adequate compensatory measures in such cases.

The world market prospects for olive oil give no cause for concern in respect of the relation between supply and demand.

I should now like to turn to beef. On this subject I cannot yet draw upon experience gained with the common organization of the market, since this has been operating for too short a time.

On the whole, we think beef is in a favourable position. This means that for this product we can attempt to attain remunerative prices by stimulating increased production without in any way endangering the world market. We consider that consumption will keep on rising and that this rising trend in demand will be followed only

very laboriously, if at all, by an increase in production. For there are strict natural limits to production that can only be overcome by dint of great effort.

Our endeavours will therefore be directed towards raising the output of beef, especially as this could help to ensure that farms dependent on stock-breeding will be less dependent on their output of milk, for which we are more or less at the extreme limit, as I have already pointed out.

From the producers' point of view, then, the longer-term prospects appear to be satisfactory. I would mention the fact that the prosperous citizens of Europe are not only becoming big meat consumers, but are also likely to turn out to be more and more connoisseurs, so that demand for best-quality beef will increase.

As evidence of this development I would point out that American exports of cattle and meat to the EEC have set a new post-war record.

Although I could certainly take a great number of other products into consideration, such as tobacco or sugar or coffee, I shall limit myself now to fruit and vegetables, which will be of interest here in California, the orchard of America.

I don't really think we can talk about international trade in vegetables. World trade is restricted either to early vegetables, whose high freight charges can be passed on in prices, or to trade between neighbouring countries. Fruit is of more importance to international trade, with citrus fruit at the head of the list, followed by apples, canned fruit and nuts.

For California's exports of these products to the Community I can see no great problems. The Community has introduced a policy in which quality control at the frontier is the main element apart



from customs duties. The quality standards introduced by the Community apply throughout Western Europe, even outside the Community. These standards are not the same as are applied here, but I have not noticed that this gives rise to great difficulties. Moreover, Californian producers of citrus fruit have the advantage that their products can be sold on Western European markets at a time when European home-grown fruit is no longer available. I will pass over the other details of our system, but as regards citrus I should like to point out that we do have problems in the Mediterranean area. For close attention must be given to the risk of over-production in view of increasing production, especially in Israel and a number of North African countries. Consequently, the Community will probably have to tackle this matter on a regional basis in order to forestall the serious consequences of surplus production.

The quality of European apples is such that it will be difficult for other countries to compete with them.

As regards openings for dried fruit and nuts on the world market and in Europe, rising living standards mean a practically cloudless sky.

As for vegetables, extension of the agreements on quality at regional level will have to be supplemented by further agreements to control dumping and put the market on a sound footing.

### 3. Kennedy round and an Atlantic farm policy

As you have asked me to talk about the problems and prospects of agricultural trade among developed countries, I think I must round off what I have already said about the most important matters falling under this head by covering the Kennedy round, together with the question whether these negotiations at GATT will not force us to make agreements among the developed countries on agricultural policy.

When recently I spoke to the American Chamber of Commerce in the Netherlands I used the title "The Kennedy round and an Atlantic farm policy" to cover the ideas with which I am now proposing the deal.

By this title I meant to show that in dealing with the Kennedy round I did not intend to confine myself to the conventional type of negotiations we are accustomed to in GATT - a matter of give-and-take regarding tariffs, co-ordination of tariffs, coupled sometimes with minimum prices or concessions on minimum imports, whether or not quantities are specified.

I will in fact be speaking about "Atlantic farm policy" as well. Now why such an ambitious objective all of a sudden? Why make things so difficult? I could just tell you that we hope to import, say, ten million tons of grain in the years to come and hope to dispose of a possible surplus of cheese in America.

In the past I have attended a large number of international discussions - in CEEC and FAO, for instance. In the technical and political meetings held in these organizations, those taking part did their best to criticize agricultural policy in other countries and to defend their own national policies. Although these meetings undoubtedly helped a great deal to increase our knowledge of the problems arising in the various countries and the way in which they were solved, the results were not such as to produce practical means of arriving at real agreement on the measures which could be considered most suitable for protecting agriculture at the frontiers, and which could at international conferences be looked on as comparable with the duties levied on industrial products.

Even for the problem of surpluses, on which the United States in particular came in for its share of criticism, I feel that no practicable, generally valid conclusion was ever drawn.

So when the late President Kennedy took the initiative with which all of us here are familiar, agricultural problems were obviously destined to play an important part, especially as the Community's reaction was that the negotiations had to include agriculture.

Nothing has been adduced to show that the Community's farm policy will result in an appreciable decline in agricultural trade in the near future, or that the Community is negotiating with the United States from an unfavourable position.

Recent figures show that there is no substance in such allegations. The Community still buys considerably more farm produce in the USA than it exports to the USA. The ratio is about two to one. Our purchases in America have shown a significant increase on 1958 - about ninety percent.

Our imports from non-member countries since 1958 have increased much more than America's imports from them. United Kingdom imports, too, have increased much less than the Community's.

Perhaps I may also point out that this situation applies not only to farm products: the EEC is in general the world's biggest importer. In 1964 our imports from non-member countries totalled \$26.5 billion, while the USA imported goods to the value of about \$18.3 billion. Between 1958 and 1963 our imports from outside the Community rose about fifty-three percent, while American and British imports increased by thirty-four and twenty-eight percent respectively.

The General Agreement on Tariffs and Trade is chiefly concerned, as its name would suggest, with tariffs and how they affect trade. It was proposed that tariffs should be cut by a certain percentage. What would this mean for agriculture?

The reduction of protection at the frontier would clearly lead to a sometimes drastic fall in prices if farm price policy were limited to the measures currently in force. This fall in prices would cause a considerable drop in farm incomes and in some cases a decline in production. We would then witness the impoverishment of the countryside and an abnormal flight from the land, with all the social and political consequences involved.

But I did make one important reservation. I said: if farm price policy were, despite a reduction in protection at the frontier, still limited to the existing measures taken under the regulations at present in force in the various countries. You will agree at once that this could never happen. If protection is reduced, and assuming that we introduce no quantitative restrictions in the Community, we should certainly have to adopt other measures. Without these measures, we should be detracting from the principles on which farm policy is based - not only in the Community but also in the other countries.

After all I have already said on the subject, I need not go into the details of the range of measures available. It will suffice if I mention acreage subsidies, compulsory mixing regulations, subsidies tied to products, consumers' contributions to the national product, monopolies, and so on. All of these are measures that at present escape control by GATT.

Thus assessment of agricultural policy on the international plane cannot be restricted to measures at the frontier, or at least that this has little meaning while reducing protection at the frontier can give rise to other measures that stabilize production at the level desired by the government and farmers without making any contribution to improving the trade situation.

What is really the purpose of our activities in GATT? A better distribution of production throughout the world is one aim. To



achieve this the countries will have to conclude agreements covering production throughout the world - in exporting as well as importing countries. Another aim is to ensure that countries producing a surplus and able to attain this level of production in some cases at relatively low cost do not bear the burden of the surplus, or at least not alone. To this end, rules will have to be drawn up for sales on foreign markets.

Moreover, GATT will have to enforce the elimination of quantitative restrictions on imports much more strictly. For in spite of the fact that this is one of the basic purposes of GATT, it is being passed over by sins both of omission and of commission.

I am not thinking chiefly of the general waiver permitted to America; this has lost much of its importance already. What I am thinking of in particular are quantitative restrictions, whose effect is to prevent free competition in quality products. And I can also point out that in a large number of cases monopolies are still being operated both openly and in disguised form. Measures of this sort, which are in direct conflict with GATT rules, must in any case be speedily removed.

Before I turn to a more detailed discussion of the idea of an Atlantic farm policy, I would mention that with the European Economic Community we are establishing an economic community of countries that can be compared in importance with the United States. It is not only advantages which stem from this: Europe will also have to shoulder a much greater share of responsibility for what happens on the world market. In the past the United States has shown that it is aware of its responsibility for occurrences on the world market. Measures taken in the form of stockpiling and even attempts to cut back production are overwhelming evidence of this.

The Community must now share this responsibility with the United States and others. And the United Kingdom will have to do the same in view of its EFTA and Commonwealth links, as long as it is outside



the Community.

Although I could perhaps give still more reasons, such as the responsibility we must all assume towards the developing countries, I shall make only two major points to show that we shall have to work out an Atlantic farm policy. First, normal GATT procedure cannot solve the problems presented by agriculture, either as regards making a reality of existing concessions or as regards improving the situation on the world market. Second, the joint responsibility of the countries that have combined to form the European Economic Community is far in excess of the aggregate responsibility of the six individual countries.

Experience at international level so far has shown that as soon as agricultural policy is mentioned - or even a code of good conduct for agriculture - all the countries concerned become hard of hearing.

The Kennedy round is the proper forum for such a discussion for three reasons. First, these negotiations cover all farm products and the major importing and exporting countries are taking part. Second, the customary item-for-item method has been abandoned in favour of a linear procedure, which means that all the Contracting Parties assume obligations in respect of each agricultural product. And third, the basis of the Kennedy round is reciprocity, which means that obligations assumed by each participant for each commodity must be of equal value.

The conclusions drawn from all these considerations can be seen in proposals put by the Community to our other partners in GATT. Broadly, these are as follows:

The EEC believes that this opportunity of reorganizing trade in agricultural products within the GATT framework must be seized. First and foremost, those taking part will have to exercise restraint in applying measures of protection. Obviously, I mean not only measures at the frontier, but also other measures of support, which in some cases will perhaps have to be so arranged \_\_\_\_\_

that we have a yardstick by which to assess protection. In the best English we call this the "montant de soutien" (others have called it the margin of support).

So that this "montant de soutien" can be reduced to figures, we must express the total of all support measures as the difference between the ultimate return to the farmer for each unit of production and a reference price to be agreed jointly. This last may be the world market price in a given reference period, but for some products a higher or lower price may be agreed. As tariffs on industrial products are kept at a level agreed upon after negotiation, the same will have to be attained for the "montant de soutien".

It has of course been said that this method will be difficult to put into practice. I submit that there are such major objections to the present system in GATT, that the arrangements proposed by the EEC Commission will still have better and more balanced results, even if they are applied imperfectly at the outset. Of course, we agree that this is only a modest beginning for an international code of behaviour. The first thing to do is to lay the foundation: the details of the code can be dealt with later.

How we intend to proceed can be illustrated by the following example. At the moment the Community is studying the draft for an international grain agreement. This provides for binding the level of protection and joint responsibility for the level of prices on the world market. Stabilization of the market would be attempted in two ways. First, by arrangements for stockpiling where there are structural surpluses on the world market. These measures must be seen as a first contribution towards the stabilization of world market prices. Second, minimum export prices must be laid down for all exporters who will have to take the requisite measures. In this way we can at the same time meet the demand for restraint in, or even rules to limit, the granting of refunds on exports.

Another important element in such a grain agreement would consist of special provisions for developing countries, whether exporters or importers of grain. The financial burdens involved would have to be borne by the better-off countries. Naturally, I can give no more than this general outline. I had not intended to go into the details of a possible grain agreement; what I have just said is intended merely to illustrate the lines along which I am thinking.

Grain was obviously the first commodity to which we turned our attention, but these ideas can also be applied to a number of other products, especially those for which the quantity produced is closely tied to the soil, such as sugar and vegetable fats.

We consider this kind of agreement desirable for beef and also for a number of dairy products such as condensed milk, milk powder and butter. Butter will give rise to more difficulties than condensed milk or milk powder, since a greater number of countries have a share in trade in this product, and the situation on the world market is strongly influenced by vegetable fats.

Naturally, there is much more that we for our part would like to see, and the same doubtless applies to our partners in the GATT negotiations. For instance, we should like to have normal price relations among the various types of grain and between primary commodities and the final product (raw sugar and white sugar, oilseeds and refined oils or oilcake, to name but a few).

Protection for livestock products (poultry and eggs and the relevant sluice-gate prices) is one of the problems raised by other parties to the negotiations, for which we shall somehow have to find answers.

Protection for horticulture is sure to be on the agenda too. A reduction will be asked for, but the negotiations with the United Kingdom have already made it clear that an assessment of customs



duties is not sufficient in this connection.

We must expect that the United States and a number of other major grain exporters will ask us to guarantee imports of given quantities of grain. My personal opinion is that this must be rejected, which I shall illustrate by referring to the situation in the grain sector. In the first place, if the import-guarantee method is applied to grain, only grain-importing countries accept obligations. What would be the reciprocal obligations for grain undertaken by exporting countries? Secondly, the import-guarantee method for grain enables both importing and exporting countries to determine production policy as they think fit, independently of any international arrangements. Now without such arrangements it is impossible to restore equilibrium on the world market. But persistence of the present disequilibrium would have serious political, commercial and agricultural consequences.

To sum up, I believe that the following should be the objectives of the GATT negotiations:

- (a) There must be a clear yardstick by which to measure the binding to be agreed upon, and it must not be possible to nullify them by other measures. We have called our yardstick the "montant de soutien", it should cover all measures exercising a direct influence on the farmer's return per unit of production;
- (b) Joint responsibility must be assumed for the temporary or permanent surpluses that cause disturbances on the world market;
- (c) The negotiations must make a contribution to stabilizing world market prices by laying down minimum export prices in trade between the countries participating;
- (d) They must contribute towards a fair competitive relationship between primary commodities and finished products, whether imported or exported (oilseeds, refined oils and oilcake);

- (e) Quantitative restrictions on exports and imports must be removed so that quality can play its full part in competition;
- (f) Joint efforts must be made to improve the economic situation of developing countries, whether exporting or importing.

As is evident from the action taken by the Community, it is prepared within such agreements to help ensure fairer price formation on the world market and where necessary a better balance, if agreement can be obtained on the joint responsibility to be borne in this matter. It is in a framework such as this that the Community is prepared to accept sacrifices.

As we shall doubtless have at the outset to confine ourselves to countries with advanced economies, I think I may call these plans an "Atlantic farm policy".

I hope that I have been able to give you some idea of the importance we attach to further negotiations on agricultural policy. I also hope that I have been able to convince you that President Kennedy could have no better memorial than if the GATT negotiations that bear his name led to an improvement in the world market in farm produce and so benefited both the industrialized and the developing countries.

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