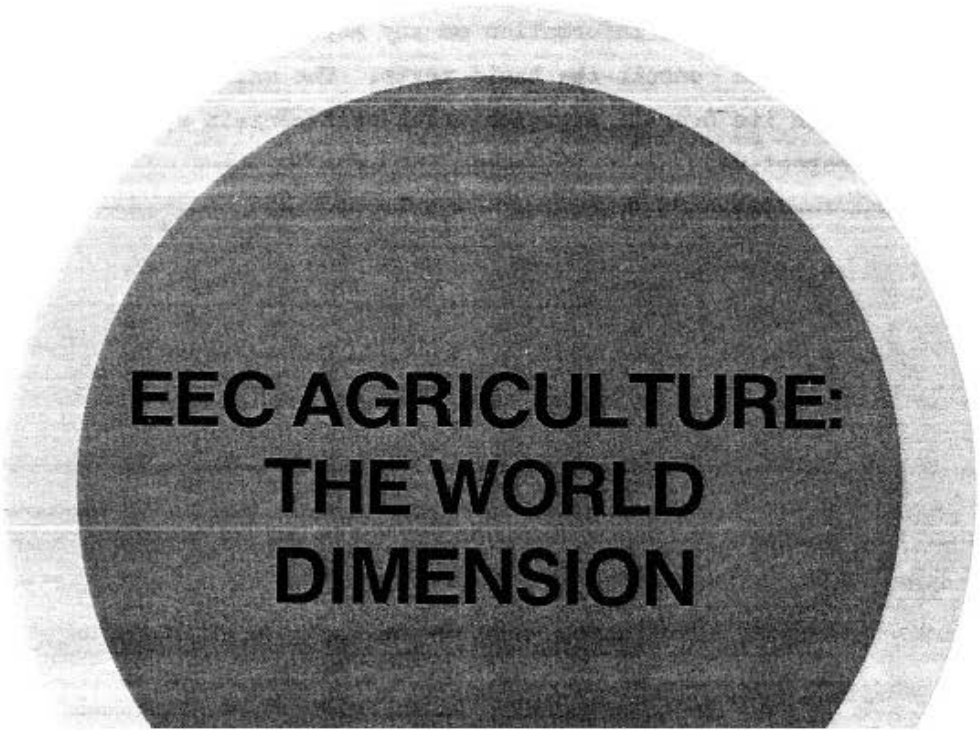


GREEN EUROPE

NEWSLETTER ON THE COMMON AGRICULTURAL POLICY



EEC AGRICULTURE: THE WORLD DIMENSION

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The object of this analysis is to provide a picture of the agricultural situation within the Community from the structural and commercial standpoints. It is in three parts: the first, based on statistics, describes the characteristics of Community agriculture and the share of world production accounted for by its main products; the second brings out the principal features of the Community's agricultural trade and the third analyses the commercial relations of the Community as concerns agriculture. It has not of course been possible to cover the subject exhaustively, and this is particularly true of the last part, and readers who require more detailed information on any aspects of the topics covered in this study should consult the basic texts. The main interest of this study resides in its overall approach which sets certain specific problems in better perspective.

Part I - Characteristics of Community agriculture

(a) The Community is an economic entity with a strong agricultural tradition:

- The Community extends from the North Pole to the centre of the Mediterranean and, accordingly, possesses an extremely wide range of climates and soil types. It is able to produce practically all temperate products but few tropical products.

- Excluding the area of Greenland, a large part of which is under ice, the total area of the Community is 1.6 million km². This is only 1.1% of the land surface of the world, yet the Community contains 3.5% of the world's arable and permanent crop area, 1.4% of the permanent pasturage and 0.8% of the forest. There has been some change in this breakdown during the last 15 years, since the world trend, as a result of efforts undertaken by developing countries is for the arable and permanent crop area to increase, permanent pasture to be more or less steady and for forest to decrease: the trend in the Community has been for arable land and permanent crop and pasture area to fall and for the forest area to increase.

- Within the Community, agriculture is the principal activity of 7.6 million people, and they represent 1% of those employed in agriculture throughout the world. While world numbers are tending to increase as a result of efforts in the developing countries, in the Community numbers employed in agriculture are falling, as they are in developed countries as a whole. The Community, indeed, leads this group since, between 1965 and 1977, the active farming population fell by 33% in all developed countries whereas for the Community alone the figure was 45%.

- The Community is the world's fifth largest cereal producer and possesses the second largest number of pigs and the fifth largest number of sheep and cattle, including the second largest dairy herd, in the world.

(b) Community agriculture tends to be of the intensive type:

- The average size of farms in the Community, at 17.2 ha, is for a developed economy very small, compared with the average farm sizes in the great extensive farming countries (120 ha in the United States and 180 ha in Canada). The average size in the Community is increasing, but rather slowly (14% in 7 years).

- The level of mechanization in European agriculture is very high. The Community is the world's major user of tractors, with more than one quarter of the total and the world's fourth largest user of combine harvesters, with 15% of the total; it is also probably the world's largest user of milking machines.

- The Community's fertilizer consumption per hectare is very high: with only 2% of the world's utilized agricultural area, it consumes 18% of potassium-based fertilizers, 15% of phosphate fertilizers and 13% of nitrogen fertilizers in the world.

- This high fertilizer consumption, sophisticated selection of varieties and the existence of suitable soil types and climates means that the Community's yields per hectare are among the highest in the world.

(c) The Community is one of the world's largest agricultural producers:

In respect of crop production, the Community's world placing is first for sugar, fruit and wine, second for barley, third for vegetables and fourth for wheat and maize. In livestock production the Community is number one in the world for milk and milk products, number two for pigmeat and poultrymeat and number three for beef and veal and eggs.

(d) The Community is one of the world's premier consumers:

On the basis of calories consumed daily, the European consumer is only tenth in the world but the 260 million inhabitants of the Community, representing 6.3% of the world's population, and their standard of living mean that the Community is a very important consumer, particularly as it consumes many high-grade products such as meat, sugar and fruit.

(e) The Community is the world's greatest agricultural trading block:

The Community, with its production potential and the wide range of its soil types and climate, is able to cover its requirements for most basic staple products (wheat, meat, sugar, milk products, temperate zone fruit and vegetables). It is an exporter of certain products such as cereals, milk products, meat, sugar and beverages. However, in spite of its achievements in agriculture, the Community cannot cover all its requirements:

- it does not grow tropical products such as tea, coffee, cocoa or tropical fruits for which there are no direct substitutes;
- it imports basic products which compete directly with Community products, such as tropical vegetable oils and fats, oilcakes and manioc;
- it does not produce a sufficient quantity of some products it requires, such as maize, wood, leather and skins.

However, it is not enough for our purposes to look only at the main headings in quantity terms, since to do so obscures trade based on considerations of quality. The Community, for example, imports wheat of high breadmaking quality and exports wheat of low or average breadmaking quality. The brief description of trade flows given in part II cannot of course take account of these aspects which are, nevertheless, very significant.

It should also be noted that the Community's agricultural production calls for substantial inputs in the form of intermediate consumption (fertilizer, pesticides, energy) and capital investments (agricultural machinery).

A final, important factor is the Community's high degree of dependence on the outside world for the achievement of its high agricultural production. There is, firstly, complete dependence for all the agricultural products, basically of a tropical nature, which are not produced within the Community, or for non-agricultural products which are required for the purposes of agriculture (fertilizers, oil, ...); there is then a certain degree of dependence for products which are not produced in the Community in sufficient quantities and, finally, technological dependence for low-cost products, such as manioc and soya, which contribute to the development of livestock production, particularly where this is not based on the land (for example, poultry).

Table 1/1 EEC agriculture - the world dimension
(Structural data)

	Unit	Year and source	World	Community	World top three			Community position in the world
					1	2	3	
1. Total area, including inland water	million km ² (%)	1977 FAO	133 902 (100)	1 600 ² (1,1)	USSR - 22 402 (16,7)	Canada - 9 976 (7,4)	China - 9 597 (7,2)	18
2. Population	000 (%)	1978 FAO	4 182 440 (100)	259 785 (6,2)	China - 880 190 (21,0)	India - 660 976 (15,8)	USSR - 261 200 (6,2)	4
3. Density	persons ² per km ²	mi-1976 ONU	30,2	169,6	USSR - 11 ³	USA - 23 ³	China - 89 ³	45
4. Number employed in agriculture	000 (%)	1978 FAO	797 105 (100)	7 594 (1,0)	China - 252 259 (31,7)	India - 165 204 (20,7)	Indonesia 30 424 (3,8)	14
5. Active farming population Total active population	%	1978 FAO	46,2	6,8	USSR - 18,1 ³	USA - 2,4 ³	China - 61,4 ³	11th lowest rate in the world
6. Arable land and permanent pasture	000 ha (%)	1977 FAO	1 462 017 (100)	51 427 ² (3,5)	USSR - 232 404 (15,9)	USA - 187 600 (12,8)	India - 169 400 (11,6)	5
7. Grassland and permanent pasture	000 ha (%)	1977 FAO	3 057 986 (100)	41 979 ² (1,4)	Australia - 450 700 (14,7)	USSR - 373 600 (12,2)	USA - 241 200 (7,9)	17
8. Forest and woodland	000 ha (%)	1977 FAO	4 077 002 (100)	31 965 ² (0,8)	USSR - 920 000 (22,6)	Brazil - 509 000 (12,5)	Canada - 326 129 (8,0)	21
9. <u>GDP in agriculture</u> ¹ Total GDP	%	UN except for EEC (SOEC)	-	4,2 (197)	USSR - 17 ³ (1976)	USA - 3 ³ (1976)	Japan - 5 ³ (1974)	13

1 Gross domestic product or, for countries with planned economies, net material product.

2 Excluding Greenland: 3,4 million km², most of which is ice. There are also 5 000 ha of pasturage and 10 000 ha of forest.

3 Only statistics for the major world countries are given here, to avoid including unimportant information.

Table 1/2, end EEC agriculture - the world dimension

(Structural data)

	Unit	Year and source	World	Community	World top three			Community position in the world
					1	2	3	
10. Tractors, excluding rotary cultivators	Number (%)	FAO 1977	18 918 051 (100)	4 831 611 (26)	EEC - 4 831 611 (26)	USA - 4 370 000 (23)	USSR - 2 461 700 (13)	1
11. Combine harvesters	Number (%)	FAO 1977	3 200 565 (100)	474 470 (15)	USSR - 692 800 (22)	Japan - 638 000 (20)	USA - 635 000 (20)	4
12. Milking machines	Number (est.)	FAO 1977	not available	1 309 904	EEC - 1 309 904	USA - 750 000 farms with milking machines	USSR - 215 000	1
13. Nitrogen fertilizers (total consumption)	000 t N	FAO 1977/78	47 768 (100)	6 376 (13)	USA - 9 037 (19)	USSR - 7 523 (16)	EEC - 6 376 (13)	3
14. Phosphate fertilizers (total consumption)	000 t P ₂ O ₅ (%)	FAO 1977/78	28 279 (100)	4 272 (15)	USSR - 5 104 (18)	USA - 4 618 (16)	EEC - 4 272 (15)	3
15. Potassium fertilizers (total consumption)	000 t K ₂ O (%)	FAO 1977/78	23 314 (100)	4 106 (18)	USSR - 5 400 (23)	USA - 5 006 (21)	EEC - 4 106 (18)	3
16. Total fertilizer consumption per ha of arable land and permanent crops	Kg/ha	FAO 1976/77	63,6	270	New Zealand - 644	Japan - 431	Switzerland - 384	9
17. Total fertilizer consumption per ha UAA ¹	kg/ha	FAO 1976/77	20,8	148,1	Japan - 391	Singapore - 375	South Korea 285	13

¹ Arable land plus permanent crops plus permanent meadow and pasture.

Table 2/1 EEC agriculture - the world dimension
(crop products)

	Unit	Year and source	World	Community	World top three			Community position in world
					1	2	3	
Cereals (total including rice)	: 000 t : (%)	: FAO : "1977" ¹	: 1 514 796 : (100)	: 104 338 : (6.9)	: USA - 265 014 : (17.5)	: China - 256 778 : (17.0)	: USSR - 210 938 : (13.9)	: 5
Paddy rice	: 000 t : (%)	: "	: 365 802 : (100)	: 893 : (0.2)	: China - 130 731 : (35.7)	: India - 73 719 : (20.2)	: Indonesia - 24 132 : (6.6)	: 24
Cereals (total excluding rice)	: 000 t : (%)	: "	: 1 148 994 : (100)	: 103 445 : (9.0)	: USA - 259 681 : (22.6)	: USSR - 208 832 : (18.2)	: China - 126 047 : (11)	: 4
Total wheat	: 000 t : (%)	: "	: 415 624 : (100)	: 41 720 : (10.0)	: USSR - 103 282 : (24.9)	: USA - 54 227 : (13.1)	: China - 43 002 : (10.4)	: 4
Barley	: 000 t : (%)	: "	: 187 154 : (100)	: 35 731 : (19.1)	: USSR - 61 442 : (32.8)	: EEC - 35 731 : (19.1)	: China - 19 668 : (10.5)	: 2
Maize	: 000 t : (%)	: "	: 348 686 : (100)	: 14 404 : (4.1)	: USA - 172 225 : (49.4)	: China - 32 116 : (9.2)	: Brazil - 16 875 : (4.8)	: 4
Sorghum	: 000 t : (%)	: "	: 67 524 : (100)	: 363 : (0.5)	: USA - 19 146 : (28.4)	: India - 11 447 : (17)	: Argentina - 6 419 : (9.5)	: 16
Rye	: 000 t : (%)	: "	: 29 713 : (100)	: 3 155 : (10.6)	: USSR - 12 024 : (40.5)	: Poland - 6 857 : (23.1)	: EEC - 3 155 : (10.6)	: 3
Oats	: 000 t : (%)	: "	: 50 144 : (100)	: 6 459 : (12.9)	: USSR - 18 340 : (36.6)	: USA - 9 159 : (18.3)	: EEC - 6 459 : (12.9)	: 3
Millet	: 000 t : (%)	: "	: 36 143 : (100)	: 2 : (-)	: China - 12 340 : (34.1)	: India - 9 959 : (27.6)	: Nigeria - 2 972 : (8.2)	: -
Potatoes	: 000 t : (%)	: "	: 266 882 : (100)	: 35 324 : (13.2)	: USSR - 84 885 : (31.8)	: Poland - 45 900 : (17.2)	: EEC - 35 324 : (13.2)	: 3

¹ 1976-1977-1978.

Table 2/2 EEC agriculture - the world dimension

(Crop products)

	Unit	Year and source	World	Community	World top three			Community position in the world
					1	2	3	
Manioc	: 000 t : (%)	: FAO 1 : "1977"	: 116 633 : (100)	: 0	: Brazil - 25 347 : (21.7)	: Indonesia - 12 389 : (10,6)	: Zaire - 12 314 : (10,6)	: -
Soya beans	: 000 t : (%)	: "	: 74 167 : (100)	: -	: USA - 44 380 : (59,8)	: China - 12 888 : (17,4)	: Brazil - 11 180 : (15.1)	: -
Sunflower	: 000 t : (%)	: "	: 11 599 : (100)	: 137 : (1.2)	: USSR - 5 497 : (51,6)	: Argentina - 1 195 : (8,7)	: Romania - 799 : (7,5)	: 10
Colza	: 000 t : (%)	: "	: 8 575 : (100)	: 1 069 : (12.5)	: Canada - 2 095 : (24,4)	: India - 1 702 : (19,9)	: China - 1 355 : (15,8)	: 4
Vegetables (total) ²	: 000 t : (%)	: "	: 318 957 : (100)	: 28 390 : (8,9)	: China - 69 158 : (21,7)	: India - 37 968 : (11,9)	: EEC - 28 390 : (8,9)	: 3
Tomatoes	: 000 t : (%)	: "	: 45 584 : (100)	: 4 649 : (10,2)	: USA - 7 198 : (15,8)	: USSR - 6 180 : (13,6)	: EEC - 4 649 : (10,2)	: 3
Cauliflowers	: 000 t : (%)	: "	: 4 149 : (100)	: 1 476 : (35,6)	: EEC - 1 476 : (35,6)	: China - 642 : (15,5)	: India - 624 : (15,0)	: 1
Fruit ³ (total)	: 000 t : (%)	: "	: 259 017 : (100)	: 37 277 : (14,4)	: EEC - 37 277 : (14,4)	: USA - 24 795 : (9,6)	: India - 16 966 : (6,6)	: 1
Apples (total)	: 000 t : (%)	: "	: 30 297 : (100)	: 6 950 : (22,9)	: USSR - 7 193 : (23,7)	: EEC - 6 950 : (22,9)	: USA - 3 124 : (10,3)	: 2
Pears	: 000 t : (%)	: "	: 7 770 : (100)	: 2 230 : (28,7)	: EEC - 2 230 : (28,7)	: China - 1 043 : (13,4)	: USA - 712 : (9,2)	: 1

1 Ø 1976-1977-1978.

2 Including melons but not including vegetables for animal consumption.

3 Excluding melons.

Table 2/3 end EEC agriculture - the world dimension

(Crop products)

	Unit	Year and source	World	Community	World top three			Community position in the world
					1	2	3	
Peaches and mandarins	: 000 t : (%)	: FAO : "1977" ¹	: 6 896 : (100)	: 1 749 : (25,0)	: EEC - 1 749 : (25,0)	: USA - 1 446 : (20,7)	: China - 462 : (6,6)	: 1
Grapes (total)	: 000 t : (%)	: "	: 56 375 : (100)	: 21 143 : (37,5)	: EEC - 21 143 : (37,5)	: USSR - 4 966 : (8,8)	: Spain - 4 103 : (7,3)	: 1
Oranges	: 000 t : (%)	: "	: 34 137 : (100)	: 1 637 : (4,8)	: USA - 9 243 : (27,1)	: Brazil - 7 439 : (21,8)	: Spain - 2 207 : (6,5)	: 5
Tangerines, clementines, mandarins, satsumas	: 000 t : (%)	: "	: 7 069 : (100)	: 363 : (5,3)	: Japan - 3 241 : (50,9)	: Spain - 742 : (9,6)	: USA - 618 : (8,8)	: 4
Lemons and limes	: 000 t : (%)	: "	: 4 720 : (100)	: 781 : (16,6)	: USA - 832 : (17,6)	: EEC - 781 : (16,6)	: Mexico - 462 : (9,8)	: 2
Wine	: 000 hl : (%)	: "	: 29 633 : (100)	: 13 586 : (45,9)	: EEC - 13 586 : (45,9)	: USSR - 2 893 : (9,8)	: Spain - 2 506 : (8,5)	: 1
Centrifuged raw sugar	: 000 t : (%)	: "	: 89 422 : (100)	: 11 409 : (12,8)	: EEC - 11 409 : (12,8)	: USSR - 8 425 : (9,4)	: Brazil - 8 045 : (9,0)	: 1
Raw tobacco	: 000 t : (%)	: "	: 5 636 : (100)	: 173 : (3,1)	: China - 998 : (17,7)	: USA - 917 : (16,2)	: India - 405 : (7,2)	: 7

¹ 1976-1977-1978.

Table 3/1 EEC agriculture - the world dimension

(Livestock products)

Numbers of products	Unit	Year and source	World	Community	World top three			Community position in the world
					1	2	3	
Cattle (total)	: 1 000 head : (%)	FAO 2 "1977" ¹	1 211 500 (100)	77 386 (6,4)	India - 181 031 (14,9)	USA - 122 352 (10,1)	USSR - 111 357 (9,2)	5
Dairy cows	: 1 000 head : (%)	" 2	205 529 (100)	25 114 (12,2)	USSR - 42 165 (20,5)	EEC - 25 114 (12,2)	India 17 350 (8,4)	2
Sheep	: 1 000 head : (%)	" 2	1 041 003 (100)	44 984 (4,3)	USSR - 140 765 (14,2)	Austra- 138 540 lia (13,3)	China 87 000 (8,4)	5
Pigs	: 1 000 head : (%)	FAO	704 858 (100)	72 434 (10,3)	China - 283 312 (40,2)	EEC - 72 434 (10,3)	USSR - 63 822 (9,1)	2
Beef and veal, total net production	: 000 t : (%)	" 2	46 637 (100)	6 448 (13,8)	USA - 11 779 (25,3)	USSR - 6 813 (14,6)	EEC - 6 448 (13,8)	3
Pigmeat, gross production	: 000 t : (%)	" 2	47 575 (100)	8 855 (18,6)	China - 13 683 (28,8)	EEC - 8 855 (18,6)	USA - 5 900 (12,4)	2
Sheepmeat and goatmeat - gross production	: 000 t : (%)	" 2	7 270 (100)	499 (6,9)	USSR - 891 (12,3)	China 704 (9,7)	Australia - 551 (7,6)	5
Poultrymeat, net production	: 000 t : (%)	" 2	24 644 (100)	3 440 (14,0)	USA - 7 343 (29,8)	EEC - 3 440 (14,0)	China - 3 319 (13,5)	2
Hens eggs	: 000 t : (%)	" 2	24 883 (100)	3 850 (15,5)	China - 3 895 (15,7)	USA - 3 857 (15,5)	EEC - 3 850 (15,5)	
Whole cows' milk, fresh	: 000 t : (%)	" 2	401 685 (100)	96 887 (24,1)	EEC - 96 887 (24,1)	USSR - 92 362 (23,0)	USA - 55 171 (13,7)	1

1 Ø 1976-1977-1978.

2 For the EEC: SOEC - the "world" figure given by the FAO has been adjusted accordingly.

Table 3/2 end EEC agriculture - the world dimension

(Livestock products)

Products	Unit	Year and source	World	Community	World top three			Community position in the world
					1	2	3	
Butter	: 000 t. : (%)	: FAO : "1977" ¹	: 6 841 : (100)	: 1 809 : (26,4)	: EEC - 1 809 : (26,4)	: USSR - 1 445 : (21,1)	: india - 572 : (8,4)	: 1
Cheese	: 000 t. : (%)	: "	: 10 200 : (100)	: 3 031 : (29,7)	: EEC - 3 031 : (29,7)	: USA - 1 815 : (17,8)	: USSR - 1 446 : (14,2)	: 1
Skimmed-milk powder plus buttermilk	: 000 t. : (%)	: "	: 4 090 : (100)	: 2 080 : (49,8)	: EEC - 2 080 : (50,9)	: USA - 473 : (11,6)	: New Zealand - 220 : (5,4)	: 1

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¹ 1976-1977-1978: SOEC for the EEC - the "world" figures given by the FAO has been adjusted accordingly.

Part II - The Community's agricultural trade

(a) The Community is the world's largest importer of agricultural products and its net agricultural trade deficit is not falling: The Community accounts for more than a quarter of all world imports of agricultural produce and was thus, in 1978, the world's major importer. These imports also represented one-fifth of total Community imports in 1978, while agricultural exports represented only 7.6% of total exports and 9.8% of world exports of agricultural produce. The Community imports more than 50% of world imports of certain products: bananas, leather and skins (65% of world trade), fresh citrus fruits (57%), cocoa and cocoa products (53%) and oilcakes and oilseed meal (52%).

The Community is a net importer of agricultural products. In 1978 its net trade deficit amounted to 29 000 million US dollars. Although the Community's production is increasing sharply, internal demand is slackening and intra-Community trade rising substantially, the external trade deficit in agricultural products is nevertheless not decreasing. In 1977, mainly because of a sharp rise in the world prices for certain products (coffee) there was an increase of US \$3 600 million (or 14%) in the Community's deficit in agricultural products, but the deficit steadied in 1978. On average, Community farm exports cover one-third of farm imports.

(b) Foodstuffs represent a more or less constant proportion of the Community's external trade: imports of foodstuffs represent slightly less than 60% of the Community's total agricultural imports, and fruit and vegetables alone account for 15% of the total. Amongst non-food items, wood and cork account for more than 10% of agricultural imports and oilseeds for 8%. Exports of foodstuffs represent slightly less than two-thirds of the Community's farm exports, while beverages and tobacco are the most significant non-food items, amounting to 20% of total farm exports.

(c) The Community has very many trading partners but has a very high volume of trade with only a few of these: the Community is an open trading group which trades with practically all countries in the world but 17-20% of its agricultural imports come from the United States of America and 5-6% from Brazil, whereas 13-14% of its agricultural exports go to the United States of America and 8-9% to Switzerland. More than 50% of the Community's agricultural imports come from 12 countries which are always the same, although their order of importance may vary from year to year and more than 50% of the Community's farm exports also go to 12 countries but, apart from the first four, these are different from year to year. However, although many countries only account for a limited proportion of Community imports, their exports to the Community are often of great economic significance for them.

(d) The Community's agricultural imports come increasingly from developing countries in the Southern Hemisphere: from 1973 to 1978 the percentage of the Community's agricultural imports from the United States of America remained more or less constant from year to year, at between 17 and 20%, whereas the percentages from Western Europe fell from 10.2% to 8.4%, the industrialized Commonwealth countries from 13.8% to 10.1%, State-trading countries from 8.9% to 7.3% and the Mediterranean countries from 11.6% to 10.5%. Imports from Central and South America, however, increased from 15.6% to 16.1% and imports from the ACP countries rose from 10.8% to 15.5%, which means that these two groups accounted for one-quarter of Community farm imports in 1973 and nearly one-third in 1978¹.

¹ It should, however, be noted, when comparing sets of external trade statistics expressed by value, that the choice of monetary unit is of great significance and that variations may reflect not only quantities but sometimes prices.

If the countries in question are grouped not by any particular connection they may have with the Community but on the basis of the standard international classification by economic zone, one finds that Community farm imports in 1978 from developing countries were higher, for the second time, than those from industrialized countries and that they accounted for nearly 50% of the Community's total farm imports. Community exports to developing countries are rising very rapidly and may be expected, in the future, to exceed exports to industrialized countries. It should be emphasized that these are all percentage changes, but it is also true that the Community's agricultural exports and imports are both rising in absolute terms; the Community is therefore making a significant contribution to the expansion of world trade.

(e) Community trade in farm produce and foodstuffs with Spain, Greece and Portugal is substantial: in 1978, it accounted for 5.6% of Community farm imports and 4.7% of exports, and is growing rapidly. However, agricultural trade is expanding much less rapidly than non-agricultural trade. In agricultural produce, the largest volume of trade is with Spain, but the greatest growth is with Greece.

TABLE 4

World exports and EEC external trade in all products, agricultural products¹
and other products

(million \$ US)

	1969	1973	1974	1975	1976	1977	1978
1	2	3	4	5	6	7	8
World exports ²							
- all products	334.7	468.0	704.0	720.0	820.0	929.0	1 078.4
including: agricultural products	64.7	99.0	126.0	129.0	140.0	157.0	172.5
other products	270.0	369.0	578.0	591.0	680.0	772.0	905.9
EEC external trade ²							
Exports							
- all products	73.1	99.5	132.0	143.0	158.3	189.8	221.6
including: agricultural products	6.3	9.4	11.7	11.6	11.8	14.0	16.9
Imports							
- all products	72.9	103.8	156.0	155.0	176.2	197.6	227.6
- including: agricultural products	21.1	30.0	33.3	32.3	36.9	42.7	46.1
World exports of agricultural products as a percentage of total world exports	19.3	21.2	17.9	17.9	17.1	16.9	16.0
EEC exports of agricultural products as a percentage of total EEC exports	8.5	9.4	8.5	8.1	7.5	7.4	7.6
EEC imports of agricultural products as a percentage of total EEC imports	28.5	28.9	21.3	20.8	21.0	21.6	20.3
Changes on 1969 taken as 100							
World exports:							
- all products	100	139.8	210.3	215.1	245.0	277.6	322.2
- agricultural products	100	153.3	194.7	199.4	216.4	242.6	266.6
- other products	100	136.7	214.1	218.9	251.8	285.9	335.5
Extra-EEC trade							
Exports							
- all products	100	136.1	187.4	195.6	216.1	259.6	303.1
- agricultural products	100	149.2	185.7	184.1	187.3	222.2	268.3
Imports							
- all products	100	142.4	214.0	212.6	241.7	271.0	312.2
- agricultural products	100	142.2	157.8	153.1	174.9	202.4	218.5

Source: GATT Statistics - international trade in 1977/78 and EUROSTAT.

¹ SITC 0, 1, 21, 22, 231.1, 24, 261 to 265, 29, 4.² Excluding intra-Community trade.

Note: When comparing series of external trade statistics (expressed by value), it should be remembered that, on account of changes in monetary parities use of one unit rather than another can affect the apparent trend. For example, between 1975 and 1976, the relationship between the \$ US and the EUA altered by some 10%.

TABLE 5

EEC imports of agricultural products¹ from various groups of countries

	Million EUA						Percentage of the EEC 9 total					
	1973	1974	1975	1976	1977	1978	1973	1974	1975	1976	1977	1978
¹	2	3	4	5	6	7	8	9	10	11	12	13
1. World total ⁵	39 857	46 108	45 874	57 013	65 331	66 689	x	x	x	x	x	x
2. EEC 9 total, intra-EEC	15 486	18 272	20 007	23 942	27 878	30 562	x	x	x	x	x	x
3. EEC 9 total, extra-EEC	24 371	27 835	25 866	33 071	37 453	36 127	100	100	100	100	100	100
4. USA	4 187	5 269	5 411	6 560	6 429	6 507	17.1	18.9	20.9	19.8	12.1	18.0
5. Japan	166	189	162	189	173	202	0.7	0.7	0.6	0.6	0.5	0.5
6. Western Europe ²	2 491	2 761	2 120	2 928	3 282	3 032	10.2	9.9	8.2	8.8	8.7	8.4
7. Industrialized Commonwealth countries ³	3 384	3 463	3 078	3 831	3 789	3 652	13.8	12.4	11.9	11.6	10.1	10.1
8. Yugoslavia	337	271	245	357	369	362	1.4	0.9	0.9	1.1	0.9	1.0
9. State-trading countries (class III)	2 474	2 380	2 147	2 729	2 718	2 651	8.9	8.5	8.3	8.2	7.2	7.3
10. Mediterranean countries ⁴	2 827	3 159	2 800	3 504	3 794	3 805	11.6	11.3	10.8	10.6	10.1	10.5
- Spain	983	1 026	983	1 237	1 349	1 359	4.0	3.7	3.8	3.7	3.6	3.8
- Greece	262	285	355	383	440	449	1.1	1.0	1.4	1.1	1.2	1.2
- Portugal	183	216	155	172	208	225	0.7	0.8	0.6	0.5	0.5	0.6
11. Central and South America (Lomé	3 819	4 148	3 838	4 854	6 573	5 813	15.7	14.9	14.8	14.7	17.5	16.1
12. ACP countries Convention)	2 640	3 356	3 318	4 336	6 185	5 591	10.8	12.0	12.8	13.1	16.5	15.5

Source: EUROSTAT - SITC.

¹ SITC.² Iceland, Norway, Sweden, Finland, Switzerland, Austria, Yugoslavia.³ Canada, Australia, New Zealand, South Africa.⁴ Spain, Greece, Tunisia, Morocco, Algeria, Malta, Cyprus, Israel, Egypt, Syria, Jordan, Portugal.⁵ Not including secret figures, ships' stores, etc.

TABLE 6: Community food aid

	Total commitments ¹ in							Total donations in 1978	
	1973 1000 t	1974 1000 t	1975 1000 t	1976 1000 t	1977 1000 t	1978 1000 t : 1000 EUA		1000 t	1000 EUA
1	2	3	4	5	6	7	8	9	10
Cereals ² : Total	1 287	1 287	1 287	1 287	1 287	1 287	:	:	:
of which, Community	580	643.5	708	720.5	720.5	720.5	88 800	849.4	114 355
Skimmed milk powder	27	50	46	150	105	150	76 050	130.7	:
Butteroil	6	39	45	45	45	45	56 340	52.3	:
Sugar ³	:	6.1	6.1 ⁴	6.2	6.1	6.1	1 520	6.1	1 425
Cash: - UNWRA	x	x	x	x	x	x	-	x	-
- Other	x	x	x	x	x	x	88,6	x	131
Community total	x	x	x	x	x	x	222 799	x	235 970

Source: Commission of the EC, DG for Agriculture.

¹ The actual deliveries are spread over more than one year.

² The quantities of cereals committed cover the marketing years (1973 means 1973/74, etc.).

³ Sugar for food aid passes through UNWRA.

⁴ Of which the equivalent of 2 000 t took the form of a cash grant to UNWRA.

TABLE 7
EEC trade with ACP countries

(million EUA)

1	2	Imports		Exports	
		3	4	5	6
0 - 9	All products	12 485	11 870	12 448	12 701
0,1,21					
22,231.1					
24,261-	Agricultural products (total	6 185	5 591	1 298	1 448
265,29,4					
599.51/52					
00	Live animals	-	-	8	9
01	Meat	58	31	38	42
02	Milk and eggs	-	-	252	304
03	Fish	87	107	19	40
04	Cereals	18	31	257	297
05	Fruit and vegetables	276	290	59	62
06	Sugar and honey	407	450	183	237
07	Coffee, cocoa, tea, spices	3 526	3 086	21	24
08	Animal feedingsuffs.	175	108	13	21
09					
	Sundry foodstuffs	-	1	69	69
11	Beverages	27	35	246	161
12	Tobacco	85	154	47	60
21	Leather	60	64	1	1
22	Oilseeds	210	137	-	1
231.1	Raw natural rubber	63	62	-	-
24	Wood and cork	576	544	6	5
261 -					
265	Natural textile fibres	225	169	4	4
29	Agricultural raw materials, not elsewhere described	77	68	11	10
4	Oils and fats	316	254	59	99
599.51)	Starch, inuline				
599.52)	Wheat gluten	-	-	4	3

Source: EUROSTAT - SITC.

TABLE 8

EEC trade with Mediterranean countries.

(million EUA)

1	2	Imports		Exports	
		1977	1978	1977	1978
		3	4	5	6
0 - 9	All products	14 533	15 684	24 456	23 935
0,1,21					
22,231.1					
24,261-	Agricultural products (total)	3 794	3 805	1 758	1 969
265,29,4					
599.51/52					
00	Live animals	4	5	38	43
01	Meat	24	31	70	84
02	Milk and eggs	3	2	341	387
03	Fish	160	175	55	61
04	Cereals	41	22	237	408
05	Fruit and vegetables	2 399	2 343	129	95
06	Sugar and honey	26	31	175	165
07	Coffee, cocoa, tea, spices	51	40	64	49
08	Animal feedingstuffs	56	40	82	90
09					
	Sundry foodstuffs	20	13	60	56
11	Beverages	318	380	95	114
12	Tobacco	66	91	44	55
21	Leather	18	22	72	68
22	Oilseeds	19	18	5	3
231.1	Raw natural rubber	-	-	1	2
24	Wood and cork	65	65	56	53
261 -					
265	Natural textile fibres	229	262	61	44
29	Agricultural raw materials, not elsewhere described	125	153	89	65
4	Oils and fats	172	116	112	124
599.51)	Starch, inuline				
599.52)	Wheat gluten	-	-	3	2

Source: EUROSTAT - SITC.

TABLE 9

EEC trade, by product

		Million EUA		% Annual rate of change		
		1977	1978	$\frac{1978}{1973}$	$\frac{1977}{1976}$	$\frac{1978}{1977}$
1	2	3	4	5	6	7
:	:	:	:	:	:	:
:	EEC imports	:	:	:	:	:
0	Foodstuffs	22 352	20 979	9.2	15.5	- 6.1
04	of which: - cereals	2 931	2 344	0.3	- 25.3	- 20.0
05	- fruit and vegetables	5 336	5 398	10.1	10.1	11.6
11.1	- beef and veal	246	261	- 23.7	4.2	6.0
1	Beverages and tobacco	1 481	1 952	11.3	3.9	31.8
21	Skins and furs	1 186	1 120	4.4	1.8	- 5.6
22	Oilseeds	3 023	2 974	11.6	21.9	- 1.6
232	Raw natural rubber	581	548	8.6	10.9	- 5.7
24	Wood and cork	4 102	4 066	5.0	7.3	- 0.9
261 - 265	Natural textile fibres	2 344	2 194	0.7	4.4	- 6.4
29	Animal or vegetable matter	852	868	11.7	15.1	1.8
4	Oils and fats	1 514	1 421	8.0	37.1	- 6.1
592.11)	Starch, gluten, etc.	9	5	- 36.4	- 10.0	- 44.4
592.12)	:	:	:	:	:	:
:	:	:	:	:	:	:
:	Total	37 453	36 127	8.2	13.2	- 3.5
:	:	:	:	:	:	:
:	EEC exports	:	:	:	:	:
:	:	:	:	:	:	:
0	Foodstuffs	7 941	8 515	11.9	16.3	7.2
04	of which: - cereals	1 257	1 785	10.4	- 17.8	42.0
05	- fruit and vegetables	942	888	9.5	15.7	- 5.7
11.1	- beef and veal	115	112	10.8	- 27.2	- 2.6
1	Beverages and tobacco	2 348	2 811	15.5	16.8	19.7
21	Skins and furs	310	327	11.3	20.6	5.4
22	Oilseeds	25	22	- 7.8	- 34.2	- 12.0
232	Raw natural rubber	7	6	3.7	- 12.5	- 14.3
24	Wood and cork	215	203	10.4	- 0.5	- 5.6
261 - 268	Natural textile fibres	288	204	- 7.2	6.3	- 29.2
29	Animal or vegetable matter	576	567	10.5	16.4	- 1.6
4	Oils and fats	563	601	19.1	34.7	6.7
592.11)	Starch, gluten, etc.	34	31	2.8	25.9	- 8.8
592.12)	:	:	:	:	:	:
:	:	:	:	:	:	:
:	Total	12 308	13 287	12.1	16.5	7.9

Source: EUROSTAT - SITC.

TABLE 10

EEC trade by economic zone

	Million EUA		% Annual rate of change		
	1977	1978	$\frac{1978}{1973}$	$\frac{1977}{1976}$	$\frac{1978}{1977}$
1	2	3	4	5	6
A - Imports					
Intra-EC	27 878	30 562	14,6	16,4	9,6
Extra-EC	37 453	36 127	8,2	13,2	- 3,5
of which:					
I - Applicant countries	1 997	2 033	7,3	11,4	1,8
of which: - Spain	1 349	1 359	6,7	9,0	0,7
- Greece	440	449	11,4	14,9	2,0
- Portugal	208	225	4,2	20,9	8,2
II - Industrialized countries	16 185	16 330	6,3	3,8	0,9
of which: - USA	6 429	6 507	9,2	- 2,0	1,2
- Canada	1 261	1 183	5,1	2,2	-
- Japan	173	202	4,0	- 8,5	16,8
III - Developing countries	18 543	17 136	11,3	28,3	- 7,6
of which: - Argentina	1 558	1 646	5,8	31,8	5,6
- Brazil	2 368	1 880	4,9	36,2	- 20,6
- Morocco	355	356	- 0,3	0,3	0,3
IV - State-trading countries	2 718	2 651	4,0	- 0,4	- 2,5
of which: - Poland	501	487	1,6	3,5	- 2,8
- Hungary	364	380	3,8	15,5	4,4
- Romania	167	143	- 12,0	- 0,6	- 14,4
B - Exports					
Intra-EC	27 828	30 423	14,4	11,6	9,3
Extra-EC	12 308	13 287	12,1	16,5	8,0
of which:					
I - Applicant countries	584	620	5,2	6,8	6,2
of which: - Spain	301	319	4,4	10,7	6,0
- Greece	183	210	5,6	3,4	14,8
- Portugal	100	91	7,3	0,2	- 9,0
II - Industrialized countries	6 072	6 434	9,1	10,6	6,0
of which: - USA	1 644	1 877	8,6	10,5	14,2
- Switzerland	988	1 098	8,1	9,1	11,1
- Austria	528	528	12,6	16,0	-
III - Developing countries	5 396	5 888	18,9	27,5	9,1
of which: - Egypt	182	279	10,4	- 11,6	53,3
- Algeria	293	307	21,9	48,7	4,8
- Libya	264	183	12,4	35,4	- 30,7
IV - State-trading countries	818	935	4,2	0,7	14,3
of which: - USSR	256	198	- 0,7	7,1	- 22,7
- Czechoslovakia	96	76	- 12,5	20,0	- 20,8
- Poland	132	236	12,5	- 32,6	78,8

Source: EUROSTAT - SITC.

TABLE 11

Trade between the enlarged Community and the three applicant countries for all products and for agricultural products

	Million EUA				Annual percentage change					
	Imports		Exports		Imports			Exports		
	1977	1978	1977	1978	$\frac{1978}{1973}$	$\frac{1977}{1976}$	$\frac{1978}{1977}$	$\frac{1978}{1973}$	$\frac{1977}{1976}$	$\frac{1978}{1977}$
1	2	3	4	5	6	7	8	9	10	11
All products	:	:	:	:	:	:	:	:	:	:
Total for the "3"	7 279	8 327	10 173	10 059	16.6	15.3	14.4	10.0	13.9	- 1.1
of which:	:	:	:	:	:	:	:	:	:	:
- Spain	4 765	5 431	5 331	4 998	17.8	19.9	14.0	7.9	10.6	- 6.2
- Greece	1 514	1 724	2 893	3 139	17.7	6.8	13.9	14.0	17.4	8.5
- Portugal	1 000	1 172	1 949	1 922	10.4	8.3	17.2	9.7	18.3	- 1.4
Agricultural products and foodstuffs	:	:	:	:	:	:	:	:	:	:
Total for the "3"	1 997	2 033	584	620	7.3	11.4	1.8	5.2	6.7	6.2
of which:	:	:	:	:	:	:	:	:	:	:
- Spain	1 349	1 359	301	319	6.7	9.0	0.7	4.4	10.7	6.0
- Greece	440	449	183	210	11.4	14.9	2.0	5.6	3.4	14.8
- Portugal	208	225	100	91	4.2	20.9	8.2	7.3	2.0	- 9.0

Source: EUROSTAT - SITC.

Part III - The Community's agricultural trade policy

In an economy where security was in every respect assured and the liberal economic principles of free competition had free rein, trade would serve to correct any imbalance and to supply goods and services which were not produced in a territory which had specialized, on account of the liberal law of the international division of labour, in specific products which that territory consumed and exported to pay for its imports. However, reality is often far removed from this theoretical situation. For this reason, all countries in the world have a trading policy and the Community as such is no exception. A trading policy implies the will to intervene in the free play of economic forces and this will is expressed by a series of instruments, the objects of which are: (a) to ensure the necessary supplies, (b) to protect the internal markets and (c) to promote outlets on external markets; these instruments may take different forms according to product and/or according to trading partners, under individual or general agreements. We shall therefore consider, in turn, the scope and limits of the Community's agricultural trade policy, the instruments of that policy and the specific arrangements the Community has with certain trading partners and which has required adjustment of those instruments.

I - The scope and limits of the Community's agricultural trade policy:

The scope is restricted by its two aspects: agricultural and sectoral. In respect of agriculture, the commercial policy is only one component of the common agricultural policy and from the point of view of the commercial policy, agriculture is only one sector of the overall economy.

- As to the agricultural aspect, Article 39 of the Treaty establishing the European Economic Community sets out the objectives of the common agricultural policy: to increase agricultural productivity, thus ensuring a fair standard of living for the agricultural community, to stabilize markets, to assure the availability of supplies and to ensure that supplies reach consumers at reasonable prices. The agricultural trade policy is thus directly concerned by two of the

objectives in Article 39(1): stabilizing markets and ensuring availability of supplies. However, these two objectives cannot be pursued in isolation and that is why the agricultural trade policy can only be one aspect of the common agricultural policy.

- As to the sectoral aspect, the agricultural trade policy, with its special features, forms an integral part of the Community's commercial policy; it must therefore "contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers", as stated in Article 110 of the Treaty. Although, in these circumstances, it is quite natural for the Community to grant a reasonable degree of Community preference to its farmers, it would be hardly conceivable for that preference to afford complete protection for Community agriculture: firstly, because the Community cannot cover its requirements in agriculture in all products, in respect both of quality and quantity; secondly, because external trade is one of the stimulators of the Community's economic growth and, if the Community is to be able to export, it must be an open economic entity, subject only to the need to avoid endangering its own producers. The interests at stake are substantial and sometimes divergent, and the scope for manoeuvre, which must be assessed according to the product and the trading partner, is a narrow one. Assessment according to the product becomes obvious if one analyses the instruments of the commercial policy; assessment according to the trading partner becomes obvious if one analyses the trading agreements.

II - The instruments of the Community's agricultural trade policy:

The basic instruments were established as the CAP developed and they vary basically in accordance with the market situation for the products to which they apply. There follows a description of the nature and normal operation of these instruments, while in point III the way in which they have been adjusted to take account of the agreements made between the Community and its trading partners is discussed.

1. For most agricultural products produced within the Community an attempt was made to attain the objectives set out in Article 39 by introducing a system of levies at the frontier, based on the intervention price, the target price and the threshold price¹. In fixing the threshold price close to the target price, taking account of internal transport costs, the Community seeks to maintain market stability, thereby insulating Community agriculture from erratic movements on the international market and ensuring equality of treatment for both imported goods and internal production. For an imported product to enter the Community, this system requires that a levy be paid to bring its price up to the level of the threshold price, thus protecting European agriculture. The levy is therefore a variable duty and, accordingly, is not a customs duty since, if the world price is at the threshold price level or above, the levy is zero. This indicates that, above the minimum threshold for safeguarding European producers' interests, European consumers' interests are taken into account since, at this level, imports from non-member countries enter the Community freely. And yet the system is even more flexible since, if the world prices exceed the threshold price, the Community can apply levies to its own exports, in order to prevent European products being exported to seek the higher world market price; the effect of this is to ensure "that supplies reach consumers at reasonable prices". This situation came about in respect of common wheat, barley and maize during 1974/75 and 1975/76, for olive oil from 1 November 1974 to 26 June 1975 and for sugar during 1974/75; the export of durum wheat was even prohibited for a few months in 1975. This should be enough to prove that the levy

¹The intervention price is the price at which the intervention agencies are obliged to buy in products which are offered to them. The target price is the price which the common organization of the market aims to ensure for the producer. The threshold price is determined so that the sale price of the imported product will be at the target price, after allowing for transport costs.

system is not solely aimed at ensuring complete protection for European producers but that it is intended to combine, as far as possible and according to the market situation, the objectives set out in Article 39. The system is not only flexible but works in both directions so that, on export from the Community, the price of the Community product is adjusted, by means of a refund, to the world price level. The products subject to this system in its simple form are cereals¹, rice, olive oil, sugar, milk and milk products.

2. An original combination of instruments of commercial policy is afforded by the joint use of the levy system and customs duties. Two variants have been employed:

- in respect of poultry products and pigmeat, two elements should be distinguished: a cereals component and an industrial component. The cereals component of these products involves application of the cereals levy, representing the variable degree of external protection; the industrial component is covered by an ordinary customs duty, which represents the fixed protective element. These two components are always applied together.

- on the other hand, in the case of imports of live cattle, fresh and refrigerated beef and frozen beef for direct consumption, the normal system is based on an ad valorem customs duty and on an additional variable levy.

3. For some products (wine, certain fruit and vegetables), producer income support through prices is more flexible; in view of the unusual features of the market in these products, protection is ensured by means of a reference price system rather than by a levy at the frontier. If the offer price in non-member countries (wines) or the entry prices (fruit and vegetables) are below the reference price, a countervailing duty is applied.

¹For oats, meslin, buckwheat, sorghum, millet and canary seed, since there is no target price for these cereals the threshold price is derived from the single threshold price for barley and maize.

4. The Common Customs Tariff is applied for other products. The customs duties, of course, vary according to product and, in some cases, according to the time of year.

It should be pointed out in passing that most Member States had quantitative restrictions on imports but these are not part of the Community's normal protective arrangements. Nevertheless, all the agricultural Regulations include provisions for taking measures to protect Community markets against abnormally low prices or disturbances on the market. However, each time that the Commission has made use of this exceptional procedure, it has done so without infringing its international undertakings. Conversely, when there is a shortage on the European market, the Commission can reduce or even abolish levies and customs duties, by invoking the scarcity clause.

Export refunds constitute the main instrument in respect of the Community's agricultural exports. Exports of some products (cereals, some milk products) can be forecast, such as those covered by contractual undertakings in respect of food aid. In other cases, export contracts are normally concluded on a purely private basis. In these cases, the principal object of Community intervention is to limit the risks and uncertainties which exporters run in the current international context. The advance-fixing of monetary compensatory amounts and refunds may be cited in this context. However, in normal circumstances, the advance-fixing of the refund does not allow deliveries to be made beyond the end of the marketing year and the refund may, in some cases, be varied according to destination.

III - The Community's agricultural trade agreements express the Community's political will in this respect. However, the Community did not have complete freedom of action at the outset, since the existing national commercial policies had to be replaced by a common policy and at the same time an original policy appropriate to the substantial economic and commercial entity which the Community represents had to be devised. It is not possible here to analyse the normal or preferential arrangements for each agricultural product at the frontier, since there are about 2 000 tariff headings devoted entirely to agricultural products in the Common Customs Tariff (CCT) and the Community has more than 100 trading partners. It is, however, possible to touch on certain major considerations concerning trading partners and products. For the purpose of discussion a distinction may be drawn between preferential and non-preferential agreements and relationships.

1. Non-preferential agreements and relationships:

(a) multilateral:

- the classical solutions: since it was drawn up in 1947, the General Agreement on Tariffs and Trade (GATT) has been the framework for multilateral trade relationships. The special instruments of this Agreement for the development of trade are the use of the most-favoured-nation clause, the reduction and binding of customs duties and the elimination of quantitative restrictions. All the Member States were already signatories to this Agreement before the Community was created and had made a number of undertakings under it. The Community was obliged to take over the Member States' undertakings. It is for this reason that, whereas the introduction of a levy system for the major agricultural products prevented the binding of the duties in those sectors, the Community had to grant concessions for a large number of other important products, such as fruit and vegetables, rice, tobacco, fish and oilseeds; and the duties on most oilseeds and oilcakes were bound at zero. During the GATT negotiations following enlargement, the Community was also obliged to grant tariff concessions which did not cover new products, but consisted of further reductions in the

tariff barrier. Naturally, in respect of products for which concessions had become necessary, the Community sought through a variety of internal measures (use of direct subsidies, increase in support, improvement in the import arrangements) to ensure that the producers in question could earn incomes comparable to those of other agricultural producers.

- specific solutions: during the second half of the sixties, the Community was confronted under GATT, in connection with the Kennedy Round, with the problem of undertaking an overall effort with its trading partners within the meaning of Article 110, before it had finished working out its common agricultural policy.

In order to take account of the specific nature of agriculture, the Community proposed negotiating arrangements to stabilize world markets and improve international cooperation in agriculture. The partners to the negotiations did not achieve a result of this extent, but the Kennedy Round did make it possible to reach a better mutual understanding. Since then, the Community has continued to build up the common agricultural policy (CAP) and, after enlargement, confirmed its position as the world's major trading power, which lent further justification to the two main requirements the Community had always put forward in an international context, namely reciprocity and the maintenance of the principles and mechanisms of the CAP. At the end of the Kennedy Round negotiations, an International Wheat Agreement was, nevertheless, concluded and, in addition, a Food Aid Convention for cereals, which entered into force on 1 July 1968. The Community's share was fixed at 1 035 000 tons, 23% of the total of 4.5 million tons, whereas the United States' share was 42%. Under this agreement, Community deliveries subsequently rose to 1 287 000 tons in 1973/74, following enlargement. Community deliveries of skimmed-milk powder and butteroil commenced as from 1970. Deliveries of cereals were made partly by the Community as such (55% in 1977/78) and partly by the Member States (45%), whereas deliveries of milk products

were carried out by the Community as such from the outset¹. As at 31 December 1979, the Community had delivered 12 354 218 t of cereals, 289 125 t of butteroil and 728 046 t of skimmed-milk powder since 1968. Two points should be underscored in respect of Community food aid; (1) delivery of 1 287 000 t of cereals per year represents more than 1% of the Community's normal cereal harvest; (2) even at difficult times when world cereal prices were higher than the Community prices (1975), the Community was careful to respect its undertakings and continued deliveries to the developing countries which were in need².

After the Kennedy Round talks but still within GATT, the Community took part in the conclusion and implementation of a code of discipline for exports of milk products (skimmed-milk powder and butteroil). Under this code the Community, which is a major exporter of these products, entered into commitments to restrict the granting of export refunds on these products. A similar agreement was signed under OECD auspices in respect of whole milk powder.

The idea of multilateral trade negotiations was raised again in the joint initiative of the Community and the United States in Tokyo in 1973. After many years of discussion and negotiation the contracting parties to GATT signed, together with the developing countries who had been invited to participate, a number of important agreements in April 1979, which are in course of ratification. Without going into details about this agreement it may be stated that it covers three main subjects:

- institution of international agreements on meat and milk products, each of which includes provision for more intensive multilateral cooperation in case of crisis or likely crisis and in respect of milk products,

¹This does not rule out national measures in some cases, for which refunds are granted under certain conditions.

²The same remark may be made of the Community tariff quota for frozen beef, amounting to 38 500 tons, expressed as boneless meat, contracted within GATT and which the Community continued to honour even when the Community market was flooded in 1974 to the point where the protective clause had been invoked.

specific codes of discipline as regards exports of milk powder, butter and cheeses;

- reciprocal grant of tariff and non-tariff concessions which should enable the Community to consolidate, or, in some sectors, achieve a significant improvement in its exports of agricultural products to developed non-member countries;

- implementation of codes or general arrangements also covering agriculture, such as subsidies and countervailing duties, quantitative restrictions, value for customs purposes and technical barriers to trade, which introduce both a greater level of restraint in import and export practices and fulfilment of the GATT obligations on an equal basis by all the major countries.

It may therefore be said that these negotiations have brought about a measure of progress towards the stabilization of world markets for certain agricultural products and that our partners have recognized, to some extent, the specific nature of the problems posed by agricultural products in world trade.

(b) Bilateral: the Community has made some non-preferential bilateral agreements in which certain measures specifically aimed at agriculture have been incorporated. In the EEC - Yugoslavia Agreement, for example, provision was made for the reduction of the levy on a fixed annual quota of baby-beef to be imported into the Community. In the EEC - Switzerland Agreement, a fixed levy was laid down for Emmenthal cheese provided that Switzerland complied with a minimum price based on the Community milk price. Similarly, in bilateral agreements between the EEC and some Latin American countries, it was decided to adjust the levy on certain quantities of frozen beef for industrial processing. All these systems permit non-member exporting countries to obtain useful export revenue from the Community, without affecting the prices received by Community producers.

(c) Autonomous: The Community has implemented a certain number of arrangements within the common agricultural policy, for example those concluded with all the countries which supply the Community with wines subject to the reference price system; the arrangements provide that the supplier countries shall observe the reference prices.

Under the levy system for cheese, special levies have been fixed for individual types of cheese from particular countries, such as Tilsit and Kashkaval, provided that the countries in question observe the Community's free-at-frontier prices.

The sluice-gate price system established in the pigmeat, eggs and poultrymeat sectors means that, if a non-member country undertakes to observe these prices, the Community may then not impose additional amounts on imports from those countries. Undertakings of this kind have been made by some non-member countries, particularly in the East, in respect of a number of products in these sectors.

2. Preferential agreements and relationships

(a) Bilateral:

- Association agreements confer a privileged preferential status and, in some cases, ultimately lead to accession. They provide for progressive establishment of a customs union or free trade area, common arrangements at the frontier and, in respect of products which compete with Community agricultural products, generally a greater degree of alignment of internal policies. The Association Agreement with Greece had a happy outcome since it resulted in Greece's accession to the Community. The Community also has an Association Agreement with Turkey and with Cyprus.

- The Community has concluded bilateral agreements with the Member States of the European Free Trade Area (EFTA) which have not acceded to the Community, as have the United Kingdom and Denmark, nor applied for membership, as has Portugal, which therefore leaves Switzerland, Norway, Sweden, Austria, Iceland and Finland.

These agreements only cover industrial products and, in the case of Iceland, only certain fisheries products. In the case of the EFTA countries the Community did not have to inherit any commitments, since they had themselves deliberately excluded agriculture from their free trade area. However, just before the agreements were signed, Austria, Switzerland, Norway and Sweden on the one side and the Community on the other made provision for certain autonomous reciprocal preferential arrangements. The Community concessions covered arrangements for imports of beef and veal and, for Norway, imports of fisheries products. The EFTA countries made concessions in respect of some Community wines and fruit and vegetables and, in the case of Sweden, fisheries products.

- The Mediterranean approach: the problem of competition between imported and Community agricultural products arose in a rather more acute form in the discussions with the Mediterranean countries which have traditionally traded with the Community. Initially, trade relations with these countries were the subject of individual arrangements prompted by economic pressures and the political situation in the Mediterranean area. In this way, the Community entered into association agreements aimed at subsequent accession with Greece and Turkey as long ago as 1962/63, and then, at the end of the sixties, concluded association agreements of a different type with Cyprus, Malta, Morocco and Tunisia. In the early seventies, agreements of a purely commercial nature were signed with Israel, Spain, Egypt and the Lebanon. It was then found necessary, with an eye to the first enlargement of the Community, to strive for an overall approach in the Community's relationship with the Mediterranean countries. In 1972 therefore, in parallel with the trade agreement with Portugal, a policy was worked out providing for an overall Mediterranean approach and this led to a type of agreement known as a cooperation agreement, in which the commercial aspect is only part of a package including financial, technical and, in some cases, social assistance. Agreements of this type have been concluded with Israel, the three Maghreb countries (Tunisia, Algeria, Morocco) and the four Mashreq countries (Egypt, Syria, Jordan and Lebanon).

Within the framework of this overall approach to the Mediterranean area, individual solutions had to be sought in respect of agricultural products which compete with European products, so that the objectives and mechanisms of the CAP were not jeopardized. Accordingly, for fresh products, tariff reductions were generally granted so far as possible during off-season periods for Community production (for example, tomatoes and fresh grapes). For processed products, the tariff reductions for sensitive products were fixed within tariff quotas or within a system of self-restraint on quantities exported (for example, tomato concentrates, fruit salads, etc.). For certain products subject to levy, the concessions were adjusted to give them an economic, rather than a commercial value; for example, the levy on olive oil entering the Community was reduced but exports to the Community were made subject to a tax to be levied and retained by the exporter country. For wine, the tariff reduction was made subject to observance of the reference price. The CCT duties on agricultural products which are less competitive with Community products were reduced substantially and even, in some cases, abolished (spices, pulses, etc.). While this new Mediterranean policy was being implemented, certain market organizations were strengthened or adjusted (fresh and processed fruit and vegetables, wines, etc.).

In the application of this policy the confines of the Mediterranean are indeed substantially exceeded since a total of twenty-two countries, such as Mauritania, Somalia and the Sudan, which are members of the Lomé Convention, are also members of the Arab League.

The object of the partners to this overall Mediterranean policy was to bring about the progressive establishment of a free trade area. It was therefore necessary to seek special solutions for those agricultural products which compete with European products so that the objectives of the common agricultural policy could be safeguarded. For agricultural products which did not so compete, the CCT was either completely scaled down or reductions were granted for periods when non-Community Mediterranean products were less competitive or were even complementary (particularly certain fruits and

vegetables for which the CAP does not lay down reference prices). For products with a threshold or minimum price (olive oil, citrus fruit, some typical wines) and in which the Community generally has a shortage; although it does produce them, Articles 39 and 110 were reconciled by means of special arrangements.

(a) With a number of African, Caribbean and Pacific countries (ACP countries) the Community signed the Lomé Convention which includes financial aid, a system for stabilizing the ACP countries' export income (STABEX) and trading preferences. Under these preferences, the Community for the majority of products from these countries, applies neither customs duties, nor quantitative restrictions nor measures of equivalent effect. Between 99 and 99.5% of Community imports from ACP countries qualify for free access. The only products excluded from these arrangements are agricultural products subject to market regulations; even for these, however, the import system is more advantageous than that available to third countries. Community imports of beef from the ACP countries, for example, are free of customs duty and, within an annual quota of 27 523 t, achieved of 90% of the Community levy which however has to be offset by an equivalent export tax in the ACP countries. This means both that the exports of the ACP countries have access to the Community and that prices within the Community are maintained. When the Lomé Convention was renewed (Lomé II), this annual quota was increased to 30 000 t with effect from 1 March 1980. Another very interesting example is sugar under Protocol 3 to the Lomé Convention. The Protocol lays down a reciprocal purchase and delivery undertaking within an annual limit fixed in white sugar value at a guaranteed price negotiated annually with the ACP countries within the price bracket prevailing inside the Community. This Protocol was also, at the same time (1976) extended to include India and covers a total of some 1.3 million t. This is an ingenious solution, without quid pro quo, and guarantees prices and outlets for developing countries for which sugar is often the main source of foreign currency earnings.

This represents a substantial effort on the Community's part since the Community is itself a net sugar exporter, and indeed also exported about 1.3 million t in 1978/79. It is therefore obliged to dispose of the ACP sugar on the depressed world market. The ACP countries are therefore able to sell their surplus sugar at prices higher than the world price and the difference between the prices paid by the Community to the ACP countries and the world price is made up by the Community. This sugar is of course, not taken into account for the purposes of Community producers' production quotas.

(b) Autonomous: the Community has continued its open policy towards developing countries within the generalized preferences system, since the Lomé Convention covers only 57 developing countries, whereas the Community wished to take a step further and cover all developing countries¹. The Community was the first to implement a generalized preferences scheme, on 1 July 1971; other countries followed, including finally the United States on 1 January 1976. In principle, tariff preferences are granted by all individual industrialized countries on a non-discriminatory basis without any requirement for reciprocity to all developing countries. In this way, the number of beneficiaries has increased from 91 in 1971 to 112 in 1977. It should also be emphasized that the Community implemented its offer of tariff concessions on tropical products within the multilateral trade negotiations (see above) as from 1977, no comparable effort being forthcoming in this respect from the other industrialized countries. The generalized system of Preferences (GSP) applies to semi-finished and manufactured industrial products, textile products, processed agricultural products and some agricultural produce, particularly of tropical type.

¹The Community had proposed during a GATT meeting in May 1963 that the industrialized countries should grant preferential tariff treatment to imports of manufactures from developing countries, in order to help them expand their industries. Agreement in principle to the introduction of a system of this kind was reached during the second UNCTAD meeting in New Delhi in 1968.

We are here concerned only with the GSP as it affects agriculture. The system as applied is arranged to take account of the interests of exporting countries while safeguarding those of Community producers. The GSP takes the form of reduction or abolition of the customs duty on specified products. The tariff reduction is granted without quantitative limitation except in the case of six sensitive products for which there are separate rules: soluble coffee, cocoa butter, pineapple whole, in slices, half slices or spirals and flue-cured Virginia tobacco. The list of agricultural products increased from 147 products in 1972 with total imports of 45 million u.a. to 307 products in 1978 with a total volume of some 1 300 million u.a. Improvements in the GSP for 1979 consist in the inclusion of thirteen new tariff headings and reduction of the preferential duty rate for fourteen new products.

It is difficult to give an account of the Community's commercial measures in respect of agriculture in a general document such as this. Nevertheless, the significant contribution that the Community has made to the harmonious development of world trade should be emphasized. A survey of the Community's external trade based on the figures for 1976 shows that only 18% of the Community's farm imports were subject to levy, 38% were at nil duty and 44% at positive duty rates. It should also be pointed out that the Community's farm imports from developing countries received particularly favourable treatment, since only 10% of these imports were subject to levy, 36% were at nil duty and 54% at positive duty rates, although most of these rates were very low.

The foregoing general outline of the Community's agricultural trade relations and their principal characteristics is basically factual; it can give only a partial view of the constant effort made by those responsible for the trade aspects of the common agricultural policy in constructing and consolidating this policy while taking account of our partners' interests. The Community's presence on the world stage is not merely a matter of agreements or trading relationships; it is a day-to-day task and, to illustrate this, one can point to the positive contributions the Community has made to the efforts of many international institutions dealing with agricultural problems, from the point of view both of producers and consumers: the Food and Agriculture Organization (FAO), the Organization for Economic Cooperation and Development (OECD), the World Food Council, the Codex Alimentarius, the Economic Commission for Europe, etc.

In this way, the Community consistently faces up to its responsibilities as the world's major agricultural bloc.

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