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THE AGRICULTURAL PROBLEM IN EUROPEAN-AMERICAN
TRADE AND IN THE COMING TRADE NEGOTIATIONS

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Thanks to the courageous initiative of the United States Administration in passing the Trade Expansion Act, we will shortly be holding international trade negotiations in the framework of GATT. These negotiations, usually known as the Kennedy Round, will be among the most comprehensive, the most difficult, but also the most important, international economic negotiations in history.

The key problem in these negotiations is agriculture.

The immense task facing us in the agricultural sphere requires not only that each side should have full knowledge of the opinions, problems and demands of the other but also that these should be fully understood. Such understanding can grow from open and frank discussion.

1. USA interest in farm exports to EEC

The USA is interested in exports of farm products to EEC. The development of the Community's imports of farm products shows the important place which American farm products and foodstuffs have won on the European market.

The EEC imported agricultural commodities from the U. S. to the value of 960 million dollars in 1958, and to the value of 1.4 billion dollars in 1962, that is an increase of nearly 45%, whereas EEC agricultural imports from all third countries together increased by 27% during the same period. For products governed by the Common Agricultural Policy, U. S. exports to the EEC amounted to 227 million dollars in 1958, 454 million dollars in 1961, and 509 million dollars in 1962.

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It is, however, not certain that this impressive rise in exports of farm products from America will continue on the same scale.

It is therefore understandable that the USA should urge the further dismantling of the obstacles which hamper its agricultural exports to Europe and should attack the Community's common external arrangements for farm products with the utmost vigor. It is a proof of farsightedness that in this the USA is not merely attempting to bring EEC to reduce or abolish protective measures unilaterally. On the contrary, the United States is pressing increasingly for the establishment of fair conditions of competition between American and European agriculture in order to arrive at a division of labor within the Atlantic area on the basis of the economic conditions obtaining in its constituent parts.

2. The agricultural situation in EEC and the Kennedy Round

European agriculture is going through a process of technical revolution and profound structural transformation. Modern machines and scientific methods of production are making their entry into farming. The number of persons engaged in agriculture is constantly and rapidly decreasing. The active population engaged in agriculture in the EEC-countries went down from 19 millions in 1950 to about 15 millions in 1959 and 14 millions in 1962.

Parallel with this, the number of farms is falling and their average size growing. The consequence is an enormous rise in the productivity of agricultural workers.

Nevertheless we are not managing to reduce the gap between income per head in agriculture and in comparable occupational groups; in fact, with the persistence of the favorable industrial climate and the much less favorable trends in agriculture, this gap is even threatening to become wider.

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What is more, we in Europe are still, despite this rapid structural transformation, far from having attained such a rational farm structure as you have here in the United States. Whereas the average EEC farm should have between 70 or 80 acres of agricultural land in order to be under European conditions of intensive agriculture - comparable to the 225 acres average farm in the USA, the actual EEC average farm has only 25 acres.

While the upward trend in farm production, due entirely to technical advances, continues, consumption is growing more and more slowly.

In these circumstances it seems extraordinarily difficult to expect from EEC farmers concessions which would lead to sharper competition from American products or from other large primary producers overseas. In any case there seems to be no prospect of concessions which would result in higher imports at the expense of internal production.

You will rightly reply to me that at a higher general level you in the USA are quite as familiar as we are in Europe with the problem of a relatively inadequate income per head in agriculture, and indeed that this problem will always arise in all highly developed countries.

The consequence is that all farmers look around for new markets at home and abroad in order to be able to step up their production and income. A further result is that all countries endeavour to support their agriculture to a greater or lesser extent, directly or indirectly, by the most varied methods and in connection with the most varied products.

3. Initial position for the Kennedy Round

What conclusions are to be drawn from these facts as to the initial situation in the Kennedy Round and in particular the USA/EEC relationship in these negotiations?

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Basically US agriculture and EEC agriculture are in a very similar situation. Both are confronted with the problem of the gap between incomes in agriculture and incomes in other spheres. Both are faced, on the two continents, with markets which are growing only relatively slowly, and as food consumption rises, the rate of rise declines until finally it is only a trifle above the rate of population growth.

Starting from this situation we could analyse the problem of trade in farm products between Europe and America approximately as follows:

Behind the obstacles in the form of all the many measures by which States support and protect agriculture lies the fact - and here we have the real problem facing the expansion of trade - that United States and EEC agriculture are situated in the economically most highly developed areas of the world, and that as a result the problem of agriculture's position in industrialized States crops up again as a problem in the relations between Europe and America.

In the light of all this one could easily be inclined to consider the agricultural problem as insoluble and simply omit agriculture from the agenda of the international negotiations. This has in fact largely been the case in international tariff negotiations hitherto. EEC, and for that matter the USA, have bound few agricultural tariff headings by international agreements, that is, they have reserved their freedom of action for most headings, and in any case for all important ones.

In the coming negotiations all categories of products, including therefore farm products, will for the first time be included, following the decision of the GATT Conference of Ministers. At the same time, however, the method of negotiation will be very different from that of traditional tariff negotiations. Instead of tariff concessions for individual products being

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exchanged between individual countries, there will be a global procedure which brings together the importing and exporting countries in a negotiation on all agricultural products. Furthermore there will be no a priori exclusion of any factor which influences the balance of world agricultural markets. Thus the negotiation is not limited to customs tariffs.

In my opinion such a procedure is the only one which has any chance of success. In view of the situation of agriculture, any considerable unilateral concessions by the importing countries are out of the question. There is hope of progress, however, if ways are found by which all parties to the agreement accept obligations which have the effect of imposing certain limits on their freedom of action and provide a starting-point for work towards an international solution of the agricultural problem facing us all.

4. Methods for dealing with farm products in the Kennedy Round

In view of the numerous and varied instruments used in such varying degree by importing and exporting countries to protect and support their agricultural markets, there would probably be no hope of successfully harmonizing interests by picking out only individual elements of the protection and support systems and negotiating about them.

The same reasons moreover made it impossible to establish the common market for agricultural products in EEC simply by abolishing duties and quantitative restrictions, and the method chosen was that of a common policy. National systems of marketing organization are being replaced by a common system. The farm prices fixed by the States are being aligned on a common level. This creates a common internal market in which the producers of all the Member States vie with each other on a completely competitive footing.

It is clear that we cannot use this method in the Kennedy Round. But it is equally clear that the farm policies pursued by the separate Contracting Parties cannot simply be left out of the negotiations.

In these negotiations, then, we must start from the point where agricultural and commercial support measures meet.

It is to be found at the level where support is given or, more exactly, in the support figures for the various products which result from the difference between normal world market prices and the income earned by producers per unit of weight. The support figure is in fact the sum of all measures by which a given product is supported within a country and at its frontiers.

The binding of this support offers the possibility of an all-round and uniform limitation on the freedom of action of the Contracting Parties in agricultural policy. This would be already a great achievement. It would mean that no Contracting Party could in future resort to unilateral measures in order to improve the market position of its own agriculture at the expense of other Contracting Parties.

The aims of the coming negotiations however go further. The GATT Conference of Ministers has formulated them as follows:

".... the creation of acceptable conditions of access to world markets for agricultural products in furtherance of a significant development and expansion of world trade in such products".

For various major agricultural commodities, the creation of acceptable conditions of access to world markets is a question of the stabilization and better organization of these markets. Again, because of the rules which govern the increase in food consumption, the development and expansion of trade in farm products depends in decisive measure on success in raising consumption in those places where it is low.

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These two factors will be of great moment for the coming negotiations. They are specially important for the world commodity agreements which have been placed on the agenda by agreement between all the Contracting Parties.

Much has already been said and written about these world agreements. There is no lack of ideas for reasonable possibilities of solution. Allow me to pick out only one important aspect - the expansion of world trade.

We have already spoken of trade between USA and Europe or, to speak more generally, trade between the industrial countries of the West.

The latest developments on the cereals market again draw our attention to the East bloc countries. It is possible that there too one day the growing purchasing power of the industrial population will release a wave of growing food requirements similar to what we have been experiencing in the Federal German Republic since 1950 and in Italy since 1960. It would be advisable, however, to leave it to the future to show us whether the grain purchases by the East bloc are only a passing phenomenon corresponding to acute shortages or whether they point to a fresh trend in Soviet economic policy.

The most important question for the future is to bring into play the demand, at present unbacked by purchasing power, of the major part of the population of the world which today is still hungry. It would certainly be a mistake to allow agricultural production in the industrial countries free rein because of the existence of this demand and then try to redress the balance by giving away surpluses, which, if we accept the opinion of several outstanding representatives of farming in Europe, would still be produced at relatively high prices. The experience of the United States shows that there are limits to the non-commercial disposal of farm products.

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The task lies elsewhere. It lies in the development of the apparatus of food distribution, in the development of the agriculture of the developing countries themselves, but even more in the development of their industry. Only this will generate the income which will make it possible for them to meet their food requirements.

The world agreements on certain important farm products must take this situation into account. It is a joint responsibility of the USA and of Europe to ensure that better organization of the world's agricultural markets is closely tied up with purposeful development aid. The world's potential food requirement is so great that if it is brought into play it will offer farmers many opportunities, including farmers in the Atlantic area. But this calls for higher outlay on investment aid for the developing countries which the industrialized countries of North America and Europe can provide only if they exercise moderation in economic and agricultural policy at home.

5. Concluding remarks

Ladies and Gentlemen,

In the few words I have been able to say to you on the agricultural problem in the coming trade negotiations, I have spoken in my quality as an official of the European Economic Community. A common EEC standpoint still has to be worked out in the EEC Council of Ministers. On many questions the ideas of the six Member States will at first diverge. In economic terms, however, it is in the interest of the Community to make its contribution to the expansion of world trade. The EEC economy is highly dependent on external trade - even more highly in fact than the American. We cannot have high exports without correspondingly high imports. Given the present structure of the world economy,

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this means that the Community cannot afford to reduce the overall volume of its agricultural imports. It is obliged to find a reasonable compromise between the interests of its own agriculture and its trading interests. This state of affairs is the best guarantee against any exaggerated agricultural protectionism on the part of the Community.

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