INTRODUCTORY STATEMENT BY THE REPRESENTATIVE OF THE EUROPEAN ECONOMIC COMMUNITY AT THE CONSULTATION ON THE NEW COMMUNITY REGULATIONS ON BEEF, DAIRY PRODUCTS AND RICE

INTRODUCTION

1. The European Economic Community notes day after day the importance which "third countries" attach to its common agricultural policy. Yet it is still rather surprised at the great curiosity with which the regulations are awaited, and the vigour with which they are analyzed, discussed and criticized not only after they have been published and become public knowledge, but sometimes even while they are being drawn up.

   And yet the EEC took its precautions! It endeavoured to devise extremely elaborate mechanisms using very elaborate language. Are not apparently complex things the ones which inspire most respect? And what has an esoteric flavour assumes ever increasing importance to the layman and affords a guarantee of authenticity.

   Today we must recognize that there are many who are bent on trying to understand our common agricultural policy down to the smallest details. Our partners in GATT are among them. They are forcing us - and this is perhaps quite right after all - to explain and defend our policy, whereas we had wanted to surround it with some mystery. They are, so to speak, obliging us to desecrate our common agricultural policy and to come down onto the economic plane to show its relative simplicity underlying the appearances, coherence and requirements.

   In actual fact, still on the economic plane, the Community entirely understands the basic reasons for the interest of third countries and recognizes them as legitimate. That interest is commensurate with the importance which we ourselves attach to this original part of the Community's economic policy.
2. It is not my intention to analyze our regulations now. We shall come to that very soon and shall do our utmost to make clear to you the various components of our mechanisms, and give you whatever additional information you may consider necessary. By way of introduction to this consultation, I would merely like to refer briefly to two points:

- first of all to emphasize the significance of the Community in world trade in agricultural products and the care with which it is taking the interests of third countries into consideration;

- secondly, to make some comments on the scope, but also on what the Community considers to be the limitations, of consultations such as these.

3. The European Economic Community is aware of its importance in world trade. It is, however, convinced that it has measured up to its responsibilities as the largest importer in the world market. In 1963, the Community alone imported 20 per cent - one fifth - of total world imports of agricultural and industrial products, and if intra-Community trade is included, the figure rises from 20 per cent to 30 per cent. Since that time, although the final statistics are not yet available, imports have continued to grow. In 1963, United States imports were equivalent to only 70 per cent of Community imports, while those of the United Kingdom amounted to 56 per cent. Although these percentages should be taken only as an order of magnitude, they do nevertheless give some idea of the Community's significance in international trade.

4. In the field of trade in the agricultural products of particular interest to us here, the Community is still the major importing area in the world. From 1958 to 1963 its total agricultural imports from third countries rose by $2,000 million. In 1963 alone, the increase amounted to $500 million. Agricultural imports from third countries which amounted to $7,356 million in 1958, rose to $8,907 million in 1962 and $9,439 million in 1963.

It is important that third countries should not lose sight of the size of the Community's agricultural imports and the contribution that they make to world trade.

5. This consideration is all the more deserving of attention since the Community is among the major agricultural producers in the world: it is the largest producer of milk, dairy products and wine; it ranks second for meat, sugar and potatoes, and third for cereals.
Despite this production capacity, however, the Community's share in world exports of foodstuffs has been 15 per cent in recent years, while the EEC has taken up an average of 25 per cent of world imports.

This gap is reflected in the trade deficit which has increased considerably as regards trade in the agricultural products covered by Annex II to the Treaty: it has risen from $6,435 million in 1958 to $7,490 million in 1963, of which $4,170 million on account of foodstuffs alone, including tobacco, beverages, oilseeds, fats and oils.

It is important to bear in mind that in 1963 the trade deficit in respect of agricultural products was more than twice as large as the global trade deficit of the Community (only $3,024 million).

6. One must beware of the temptation to blame the policy of the importing countries for difficulties encountered in the market for a given agricultural product.

It is indeed very difficult to identify the real cause of imbalance between supply and demand and to attribute responsibility for it to the policy pursued by any particular country.

World market variations in supply and demand are never related to one factor alone, but are the consequence of various movements which, with no apparent logic, act in the same or a contrary direction. The development or reduction of production in several countries, the expansion or decline of consumption, the growth or shrinkage of stocks - all these are movements which sooner or later result in disturbances.

Importing countries cannot therefore contribute alone to the elimination of economic difficulties and the recovery of the world market by varying conditions of access to their markets to suit the requirements and offers of exporting countries which would remain free to determine their own production and export policy.

7. Furthermore, the criticism that the European countries protect their agriculture unduly and develop their production does not take sufficient account of their need to secure regular supplies at stable prices, while the so-called world market is a widely fluctuating one in which surpluses and shortages co-exist, and sometimes in fairly close proximity.
In general, industrialized countries in Europe are not always given enough credit for the fact that their agricultural purchases are rising and constitute an appreciable source of foreign exchange for exporting countries.

In so doing, they are making a substantial contribution not only to the expansion of international trade in agricultural products but also to the creation of capital flows of particular interest for certain parts of the world.

To give one example, imports of agricultural products from Latin America rose from $1,090 million in 1958 to $1,488 million in 1962, and $1,567 million in 1963.

9. While being alive to the interests of third countries, the common agricultural policy is simultaneously based on Articles 39 and 110 of the Treaty of Rome.

It may perhaps be useful to recall the contents of these two Articles for a better appreciation of the meaning of the reference which has been written into the regulations on beef, dairy products and rice.

Article 39 provides that the objectives of the common agricultural policy shall be to increase agricultural productivity, to ensure a fair standard of living for the agricultural population, to stabilize markets, to guarantee regular supplies and lastly to ensure reasonable prices to consumers.

Article 110 deals with the commercial policy of the Community, its relations with third countries and the need for it to be a positive creation so far as they are concerned. Article 110 specifically provides that "the member States intend to contribute, in conformity with the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international exchanges..."

10. The Community is trying, not to make agriculture a separate isolated sector, but on the contrary, to make it participate in the economic evolution while using methods appropriate to its peculiar features.

The Community considers that the orderly conduct and rational development of international trade in agricultural products is not incompatible with the what is needed in order to raise the standard of living of the agricultural population and to bring about a better economic and social equilibrium within its territory.

11. Third countries must realize, however, that the development of agricultural imports into the Community can be to the overall advantage of exporting countries, even though it may be less satisfactory for one or other product or country in particular.
12. The Community is still surprised at the doubts continually cast on its intentions, at the anxiety caused by any policy even when hardly formulated, and at the difficulties which some contracting parties have in acknowledging that the Community cannot and does not wish to be considered as an "object" in international trade for which exporting countries are competing, but as a "subject" of rights and obligations with its own power of initiative and force of persuasion.

13. The Community has endorsed the provisions of the original terms of reference of Committee II and also those in the subsequent Decision of the CONTRACTING PARTIES of 7 December 1961 which set forth, though in rather loose terms, the guide-lines for the consultations.

The Community would not, however, wish to see more obligations imposed on it than the other contracting parties are prepared to undertake.

The common agricultural policy is being drawn up practically in public and it has been the subject of notifications to GATT and of very detailed consultations in Committee II. But that does not seem to satisfy all the contracting parties yet, and some of them seem to want a procedure of "quasi-permanent consultation" on the common agricultural policy, which is unacceptable to the Community.

14. The EEC considers that the agenda for the present consultation is limitative and it could clearly not support any attempt to extend the scope of the consultation through some procedural device.

15. Reference may have been made to "substantial changes" alleged to have been made to the regulations on products - in particular cereals - which were examined at the 1962 consultation.

At the time, the contracting parties were able to form a clear idea of the mechanisms provided for both in the basic regulations for the products concerned and in the implementing regulations, and the Community considers that there have not been any "substantial changes" which would affect the basis of the examination made in 1962.

16. If contracting parties had in mind changes not in the mechanisms but in certain financial elements based on those mechanisms, then the problem would be much more delicate, for in this regard there is a wide margin of uncertainty as to the exact scope of Committee II's terms of reference.

The Community has not yet taken a definite stand on this point. Clearly, it could not accept any obligations which were not multilateral.
17. In addition, it should be recalled that at the end of the first consultation on the common agricultural policy, the representative of the Community gave an assurance that the regulations on other products covered by the common agricultural policy would be presented to Committee II. That is why the regulation on rice, was recently notified to the Committee.

However, the Community considers that it must draw the Committee's attention to the fact that its own position at international level is rather insignificant so far as this product is concerned. Production of paddy rice in the EEC amounts to approximately 750,000 to 800,000 tons, including some 500,000 tons of milled rice. It accounts for 3 per cent of world exports and 5 per cent of world imports. The volume of Community imports is relatively stable since it involves particular qualities which are not produced in the Community.

The Community would not wish to be the only one to discuss its rice policy, and would like to know whether other contracting parties would be interested in discussing this product in Committee II.

Such a multilateral confrontation would be all the more desirable since, on the one hand, several exporting countries apply price-support policies and grant export subsidies which in one case amount to, from 20 to 30 per cent of export prices, and on the other hand, half of the export contracts for rice are in the form of Government contracts, which shows the importance of Government intervention as regards this product.

While making this suggestion, which might be put into practice at some subsequent consultation, the Community will not refuse to answer the few questions which might be put to it at this meeting of Committee II on its own policy regarding rice.

18. Leaving aside rice, of which the Community is a slight net importer, the other products to be discussed are of great importance whether for Community producers, for importers or for exporters.

Beef production accounts for 14 per cent of agricultural income in the EEC. Moreover, the Community imports about five times more than it exports.

Dairy products constitute a still more important sector of agriculture. Milk production in the Community accounts for 20 per cent of the total value of agricultural output. Consequently, one third of agricultural income in the EEC is derived from the production of milk and beef, while income from cereals in the region of 12 per cent. The EEC is a large net exporter of dairy products and exports about twice as much as it imports.
19. In conclusion, the European Economic Community re-affirms its great interest in the procedure of consultation on agricultural policies. In the economic world of the 1960's - and the agricultural sector is no exception to the rule - isolation is no longer possible: interdependence is now an obvious fact and has its inherent requirements.

20. That is why the Community proposed to its partners a negotiating plan for the agricultural side of the Kennedy Round, based on the confrontation of production policies and trade policies on agricultural products, and involving commitments on the resulting support for the various products. In so doing, it is firmly convinced that it is demonstrating its desire not to envisage itself or turn itself into an inward-looking world, centred on its own prosperity or egoism. But the Community could not go very far in this direction unless its partners shared the same intentions.

21. At the end of 1964, the adoption of a common price for cereals proved the ability of the EEC to develop a dynamic economic policy on the internal level; and the member States showed, perhaps still more forcefully than in the past, that they were capable of achieving a compromise between the very different interests concerned, and of making great sacrifices in the name of the Community.

The European Economic Community believes that its common agricultural policy can progressively be a very positive element in the development of international economic relations. It goes without saying that this implies that the Community's partners must not only recognize its legitimate interests, but also, where obligations and undertakings are concerned, that they must accept to meet the requirements of reciprocity.