As you have just heard, it is my task to describe to the members of this Committee the cereals policy of the European Economic Community. With your permission I will first say a few words about the relative complexity of these texts. It is due to a number of reasons and in particular to the brevity of the basic text into which six sets of regulations - some of them very old, as much as thirty years old - have been condensed while at the same time innovations have been introduced on certain points including some of the most important ones. Another reason for this complexity is that, as already mentioned, Regulation No. 19 is, for us in the nature of a simple outline-law which has already been developed, is still being developed, and will be developed still further by means of the regulation and of jurisprudence which is being evolved in the Management Committees. As it stands, however, the excellent document prepared by the secretariat seems to be a readily understandable presentation of the machinery established to settle the problem of cereals in the Community.

In practice, to what does this system apply? It applies to about 56 million tons of cereals produced in the member States of the Community. It may be of some interest to contracting parties to hear a few statistics selected because of their particular significance. In 1951, the member States - which were subsequently to constitute the European Economic Community - produced 39 million tons of cereals. In 1957 this figure was 50 million, in 1961 it was again 50 million; in 1962 (subject to all the usual reservations since these are mere estimates), we expect the harvest to reach about 57 million tons of cereals, a record figure for the past twenty years. This abundance is due not to the area under cultivation, which is roughly the same in 1962 as it was in 1951, but rather to the combination of greater productivity (the yield has risen from 17 quintals per hectare in 1951 to 27 quintals in 1962) with very favourable weather conditions. As regards the volume of foreign trade covered by these regulations we find, taking dates other than those just mentioned because of the incompleteness of statistics, that the member States of the Community imported 12 million tons of cereals in 1951, again 12 million tons in 1957, 15 million in 1959, and 14 million in 1960. Over the same period and in the same years exports rose from 1 million tons in 1951 to nearly 6 million tons in 1957, and thereafter fell to 2,500,000 tons in 1959, and 2,800,000 tons in 1960. So much, Mr. Chairman, for the general outline of the area of trade covered by Regulation No. 19.

I will now turn to a more detailed analysis of this regulation and it seems appropriate to do so under two headings. First of all the price system which, as everyone realizes, is the very heart and driving force of the regulation. From this price system, there stems - and I might say, necessarily so - a certain trade technique which we shall consider in the second part of this analysis.
We shall now consider the price system laid down by the regulation and in the centre of this system and in some way governing all the rest of it, is the indicative price. In itself the indicative price is by no means a novelty, it existed in one form or another, with various functions, not only in the member States of the Community but also in a good many other contracting parties. For the purposes of this system, however, a certain number of new economic functions have been assigned to it. It may be appropriate to recall the traditional functions of the indicative price, which are to orientate production and therefore to modify to some extent the pattern of cultivation, and to make a decisive contribution to the formation of agricultural income. At the same time - and this is still part of its traditional economic functions - it has a directional influence on the market by determining consumer prices. To these traditional economic functions the Community regulation has added a number of others. First of all, the indicative price is, in regard to the whole price system laid down by the regulation, the mainstay on which depend the intervention prices above it and the threshold prices below, at the frontier. The indicative price is the central pivot for all other instruments; they vary as and when it does, always maintaining in the same ratios. The indicative price has another function in that it is intended for, and is also the instrument of approximation, i.e. in the last analysis of the achievement of the single market. Already, regulations have to some extent frozen the price differences existing at the time when Regulation No. 19 was adopted by the Council of the Community. Although the regulation lays down the bases for approximation, the time-table for its achievement still has to be determined and in this respect the Community is somewhat behind schedule. In addition, the indicative price helps to contain fluctuations on the internal market within fairly narrow limits. The indicative prices are scaled so as to take account of stock requirements and in certain cases are also derived so as to give producers more definite guidance. The intervention price is a function of the indicative price and here again there is nothing particularly novel. On the one hand, the intervention price is an immediate guarantee for the producer and on the other hand it is a rule for the stockpiling organization to have to protect the indicative price, to sell on the internal market on terms and conditions which enable the indicative price to be complied with. The incidence of the problem of stocks on the whole price system is relatively important for an understanding of the whole system. Among other things we have had to take as a market barometer certain repeated or abnormal interventions by the stockpiling organizations in order to qualify the situation which would exist in the Community in certain economic conditions.

Turning now to the threshold price, this is something new. Its rôle is two-fold: within the Community it is intended to afford protection to the indicative price either for the cereal in question or for cereals used for the same purpose. It is naturally computed on the basis of the indicative price and for the same period; it follows the same pattern and in particular it reflects carrying costs, in other words it is on a sliding scale. It takes account of differences in the quality of production and in particular of those existing between cereals produced by a member State and the qualities for which the threshold price is fixed.
As it depends on the indicative price, the threshold price is different for each member State and, like the indicative price, it is intended to be fixed at a single level in the final stage. From the external point of view, of course, the threshold price is the last stage of access by the contracting parties to the Community market, in the sense that it fixes the upper limit of the levy charged at the frontier. I might also say a few words about two other prices referred to in our regulations - c.i.f. prices and franco-frontier prices. These are no more than the materializing of the lower limits of access. They reflect world prices as addatum, with their excessively unstable character, and differences in the qualities offered on these markets. On the basis of these c.i.f. or franco-frontier prices, the most favourable purchasing terms are calculated in order to determine the amount of the levy. So much, Mr. Chairman, for the price system established under the regulation.

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From this system a trade technique has been evolved which actually consists of a single measure at the frontier: that is the levy. When reversed, it is called a refund; when modulated, an intra-Community levy. The instrument of modulation is the "montant forfaitaire", or fixed amount. The levy is no novelty either; it was already used by certain States, both inside and outside the Community. It is a single measure which is substituted for all the measures which hindered trade in cereals. The Community adopted it as it considered it to be one of the most adequate means of dismantling all these measures. At the same time it seemed conducive to a simplification of procedures and particularly well-suited for the progressive construction of the single market. This practice also seemed to be the minimum intervention which we could apply at the frontier in this complex trading system. It is variable, and logically so, as it links together a stable system and an unstable one. One might say that it is on the one hand a measure intended to control short-term business fluctuations, one which offsets transitory disparities, and on the other hand it also reflects structural disparities, whether of a technical or of a social and economic nature. In both these cases it acts as an essential stabilization measure. Although it is variable, the Community considered it possible to impart some inertia to it in order to make it more manageable and to allow trade circles to make their plans in a more reliable manner. As regards the external implications of this levy, it is clear to all, I think, that it conditions non-discriminatory access for third countries to the European market; it is a tariff hurdle to be cleared so that the products of other contracting parties can compete on equal terms with Community products. The levy is extended by a certain number of techniques, such as premiums, to permit the functioning of futures markets, or the system of certificates issued on request and intended to provide information on the trade situation. Those are the conditions for access for imports from third countries to the market of the Six.
The refund is, in a way, the condition for access by member States to the world market. It is designed to place them on the same competitive footing in third markets. It would have been logical, therefore, for the refund to be exactly the converse of the levy. But the Community has granted some limitation of this principle of symmetry, in particular by not taking account in the refund calculation of the consignment costs for exports to third markets. It is recognized, however, that in order to remedy certain situations, exceptions may be made to this limitation.

The fixed amount, the instrument of the modulation of the levy, makes it possible to introduce a normal element of preference in intra-Community trade. This fixed amount is also a technique for adjustment during the transitional period. Everyone is well aware of the importance of avoiding any large scale and probably ruinous upheavals in trade flows within the Community. On the contrary, we have endeavoured to achieve the smooth development of trade between member States as gradually as possible. This is, moreover, by its very nature an extremely flexible technique. The fixed amount can be adjusted depending on trade developments.

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Those are the broad outlines of the system drawn up by the Community to orientate its production and organize its trade. We shall unflaggingly affirm that the system is in essence a liberal one. The very abundance of regulations might, it is true, if viewed in the wrong perspective, give the impression that the market, market prices, and the functions of the market have become blurred and have even disappeared in some cases. In fact, however, these measures are essentially nothing but indicators, controls, instruments of supervision for the markets. Moreover, as we have already said, these techniques are in themselves perfectly neutral; any general economic implication they may have is only due to the range of their coverage, i.e. prices. These measures are not of a discriminatory nature; they replace quantitative limitations, mixing regulations and State-trading practices.

Furthermore, in our opinion they appear to comply with the objectives set forth in the preamble to the General Agreement. Within the common market, this is self-evident since they are designed to lead to the formation of a single market in which there would be complete freedom of trade. So far as world trade is concerned, this process seems to us to be a move in the direction of free trade which is made by planning and fulfilling the prerequisites for such freedom.

The Community is fully aware that the interdependence of economies makes it impossible for it to prosper alone.

This brings me to the end of my statement. I should like, Mr. Chairman, to support your suggestion that representatives of contracting parties should ask any questions and request any clarifications they may desire in the order followed in the report prepared by the secretariat. We shall reply to the best of our ability and if some questions are so learned that we cannot answer them forthwith, then we shall ask for time to do so. Thank you, Mr. Chairman.