My colleagues representing the member countries of the European Economic Community have asked me to make, in the name of the Community, a statement which relates partly to the principles suggested by the United States representative, and partly to certain passages in Sir Edgar Cohen's statement.

You will recall that the first of the principles submitted by Mr. Blumenthal relates to the GATT rules and their role in the concept of any arrangement on agriculture and in particular on cereals; it may first be said that as regards agricultural products the application of the GATT rules leaves much to be desired. This has been recognized on many occasions in this conference room and also at the ministerial meeting in November 1961. That is so, whether because the CONTRACTING PARTIES have been unable to ensure respect for those rules, or because by granting a waiver they have agreed to give legal sanction to a de facto violation. We believe that in many respects the common agricultural policy of the Common Market constitutes progress as compared with the situation previously existing, and in particular because it provides for the abolition of quota restrictions. The present state of affairs would be improved by any new system which at the international level would lead to the elimination of the export subsidies which GATT tolerates in the agricultural sector. We can therefore state that we agree with the idea that the GATT rules should be applied to the fullest possible extent, and that waivers should be granted only prudently.
Secondly, Mr. Blumenthal has suggested that temperate agricultural commodities should be considered on a commodity-by-commodity basis, and he has emphasized that one should bear in mind the possibility of substitution which exists in the case of certain agricultural commodities. While not disagreeing with the approach suggested, the EEC considers that some distinction should be made in the idea of a commodity-by-commodity approach. As far as method and studies are concerned, a commodity-by-commodity approach is not only necessary but in a way inevitable. When it comes to practical application and final decisions, however, it seems to us that account must be taken of the treatment accorded to other products, and any finding must be based on the overall view.

In the third place, Mr. Blumenthal has advocated arrangements which would be non-discriminatory, would derive from an overall approach and would not be designed, through quotas restrictions, to fix shares of the market. He has also emphasized that from the United States point of view, long-term preferential arrangements are not satisfactory, and has indicated that he is opposed to purely temporary solutions.

As we all know, the Common Market falls within the scope of Article XXIV of the General Agreement. This is beyond dispute. In the hypothetical cases considered yesterday and the day before, the scope of preferences is restricted. Accordingly, we would agree to an overall approach excluding the fixing of shares in the market. In order to avoid any misunderstanding I would add that the problem is largely covered by the reply which we have already given to question 1. The six countries parties to the Rome Treaty are contracting parties to GATT. They intend to respect to the full the letter and the spirit of the General Agreement, but only the letter and the spirit. Any temporary arrangements must not provide for new preferences, but must rather furnish a mechanism for the progressive elimination of existing preferences.
I turn now to the fourth point raised by the United States representative, the principle that any solution should take into account the right of an individual country to determine internal prices and that consequently national programmes should either limit production or limit the quantities placed on the market. In reply to the Argentine representative, Mr. Blumenthal said that, although fixed at the national level, prices or rather their repercussions could give rise to international discussion. The European Economic Community considers that that is a normal attitude which takes account of facts and of various international clauses such as Article XXII of the General Agreement or, as regards wheat, Article 21 of the International Wheat Agreement.

The question is whether or not this could change in the future. In our view, for any change to be made in the present doctrine, all the countries concerned, without exception, would have to be prepared to abide by an arrangement which would introduce a new commitment that is, the commitment to negotiate on the domestic price.

I would add, however, that any relationship which might exist between traditional markets and the domestic price, and which seems to exist in the thinking of the United States representative, is not clear to us; for so far as the Common Market is concerned, two factors must be taken into account in order to assess the extent to which its import policy is a liberal one — first of all, of course, the domestic price, but also the price at which any imports are offered for sale. The latter price is perhaps too frequently lowered artificially by means of subsidies.

The fifth principle is to see whether international prices that are agreed upon ought to be reasonable, to check production by less efficient producers, and to encourage the more efficient producers.
The EEC has authorized me to state that we are entirely in favour of reasonable prices. We believe that the fifth principle fits into a hypothetical case which is not far removed from that outlined by Mr. Baumgartner.

As regards the effect of a reasonable price on production, depending on whether the producers concerned are efficient or less efficient, this is a very difficult question to settle and it is somewhat theoretical since the behaviour of producers is always unpredictable. Some of them react to a drop in prices by endeavouring to maintain the level of their returns, in other words by increasing their production.

To the extent that one can have a more specific opinion on this subject, it should be noted:

(a) that the member countries of the Common Market are not affected by this fixing of the international price, provided that price is not higher than the common price applied in the Community;

(b) that the fact of a price internationally agreed upon depends essentially, for the other producing countries, on whether their respective governments sterilize the product of the price increase or on the contrary allow it, so to speak, to seep through to the producers themselves. In this regard the representatives of the producing countries will have to tell us what their experience has been and how they envisage the future.

To conclude these remarks on the interesting principles which Mr. Blumenthal has presented to us, I should like to say that the European Economic Community might perhaps be prepared, if by Friday the various points of view can be reconciled sufficiently, to request a single working party to continue our study. I say single working party deliberately, for we do not think that it would be a good method to separate secondary cereals from wheat.
I turn now to Sir Edgar Cohen's statement.

In stating the British delegation's reactions to any plan which would bring about an increase in prices, Sir Edgar said that such a plan was not "in the interest of the United Kingdom". That argument is a very strong one, it is very legitimate and it deserves respect. He also noted that Mr. Baumgartner had considered the levy technique to be a factor which might bring about higher prices, and Sir Edgar Cohen is apparently prepared to accept that trend as inevitable, at least if events bear out prophecies. We appreciate the distinction made, and we appreciate that at this stage he does not wish to take any positive part in any action which would result in higher prices.

But Sir Edgar resorted to a third argument. He said that in any event the plan was not "feasible". We should like to go into this question more thoroughly.