Group on Cereals

SUMMARY OF STATEMENT BY THE REPRESENTATIVE OF THE EUROPEAN ECONOMIC COMMUNITY AT THE MEETING ON 8 APRIL 1964

1. The discussions in the Group on Cereals in recent weeks have made it possible to delimit the difficulties. The note presented by the United Kingdom delegation and the joint statement by exporting countries have furnished some additional material. At this stage of the discussions the EEC representative wishes to try to bring out the points on which there is approximation or convergence between the views expounded by the exporting countries, the United Kingdom and the EEC, and at the same time to identify the divergences. This might enable certain misunderstandings to recede and might permit further progress in the preparatory work for the negotiation of an agreement on cereals.

I. Points of approximation or convergence between the views expressed

2. The first point of approximation relates the taking into consideration of internal policies of both importing and exporting countries.

3. The taking into consideration of internal policies is a fundamental element of the method advocated by the EEC. The Community emphasizes that government intervention in agriculture has become general. A host of examples could easily be cited and there is apparently no country in which pressure is not brought to bear by producers. Support is indeed the common factor on which negotiations can take place. Exclusive recourse to customs duties itself reflects the existence of support, for in such case the margin of support is the incidence of the duty on the franco-frontier offering price. In this regard the EEC wishes to recall that its negotiating plan applies to all agricultural products. A Contracting Party may very well grant no support to production of cereals while affording aid on other products and this consideration should not be overlooked.

4. The exporting countries are in agreement that reciprocal commitments should be given on internal cereal policies and that such policies should be adjusted as required. They acknowledge the interest of binding the margin of support taking into consideration the internal price levels.
5. The United Kingdom also recognizes the importance of national policies for attainment of the fundamental objectives set forth in the Ministerial Resolution.

6. The second point of approximation relates to the reference price and its function.

7. The EEC stresses the stabilizing function of the reference price.

8. On the side of the exporters, matters are less clear. Although the document submitted by exporting countries makes no mention of the reference price, and the role of that price as a stabilizing element is contested by the United States delegation, certain Contracting Parties have indicated their interest in this aspect of the Community's proposals.

9. The third point of approximation relates to the level of the reference price.

10. In actual fact, this is not a point on which there is agreement to do something but there is a common desire not to embark at this juncture on a discussion of the future level of the reference price or, more precisely, not to attempt to express it in terms of figures at this moment.

11. Some references have, however, been made to a "modest increase" or again to the possibility of fixing the reference price at a level "slightly higher" than the minimum price provided for in the existing International Wheat Agreement.

12. In any case, there is agreement on recognizing the importance of the reference price in relation to production of and trade in cereals. The statement by the United Kingdom representative is clear evidence of this.

13. The fourth point of convergence relates to the general objective of the negotiations.

14. There was a broad measure of agreement on the need to reconcile, in the various contracting parties, "a significant development and expansion of world trade in agricultural products" with the claims of producers whose legitimate concern it is to maintain a decent income level.

15. Furthermore, it is generally acknowledged that trade liberalization cannot ignore the requirements of employment and social equilibrium. This aspect has been clearly perceived in the United States and it is the subject of important clauses in the Trade Expansion Act.
II. The divergences existing at the present juncture of the work of the Group on Cereals must be clearly distinguished.

16. These divergences differ in nature and scope and they should not be dramatized. Some are still due to misunderstandings and will probably be overcome easily, while others seem more fundamental.

17. The first difference between the respective positions of delegations relates to the scope of the binding of the support margin:

18. The exporting countries are opposed to a binding of the status quo which, in their view, would be inadequate.

19. In proposing that a maximum support margin should be bound, the Community has specified that so far as it was concerned, the support margin to be bound would be that resulting from the common agricultural policy. The Community could not possibly be reproached with wishing to bind the status quo, for since the Community prices and support margins have not been fixed, no Contracting Party yet knows what the Community really intends to submit for binding. The European Economic Community is conscious of its responsibilities in world trade and of the interests of the exporting countries; all the regulations so far adopted on the common agricultural policy refer simultaneously to Article 39 and Article 110 of the Rome Treaty, thus stressing the constant concern of the Community authorities to reconcile the interests of producers in each of the member States with a positive contribution towards the harmonized development of international trade. It is consequently difficult to make any valid assessment a priori which would minimize the EEC contribution to the Kennedy Round. On the contrary, it is clear that the member States of the European Economic Community are well aware of the requirements and possibilities of the Kennedy Round, and that the prospect of these negotiations is playing an increasingly important part in the cogitations and the decisions taken within the Community.

20. The second divergence relates to the application of the support margin method.

21. The exporting countries envisage the possibility of varying the nature of the commitments according to the Contracting Parties concerned. According to them, certain Contracting Parties would reduce and bind support margins and, consequently, would bind domestic prices, while others would merely agree to reduce their tariffs or would undertake to limit guaranteed returns to producers to specified quantities.
22. The United Kingdom note is discreet on the subject of commitments relating to domestic policies, and merely proposes that the nature and scope of instruments of protection applied at the frontier should be notified.

23. For the European Economic Community, the support margin method should be applied generally and it is not conceivable to envisage any diversification of commitments according to which some countries would bind a margin of support, others would merely reduce a customs duty, while others would limit guaranteed returns to producers to specified quantities. The European Economic Community attaches extreme importance to the margin of support as a factor common to all the Contracting Parties and as a subject for negotiation. It is not a matter of harmonizing support margins which are not justified by the diversification of agriculture, but the European Economic Community considers that the commitments entered into by all participants in the negotiations should relate to the margin of support, that is to say, in the last analysis to producer prices and to domestic policies in all the producer countries.

24. Positions differ also with respect to the reference price.

25. The exporting countries have made no allusion to the reference price in their joint statement.

26. The Community, on the contrary, considers that the reference price merits great attention, whether in the search for criteria for eventually determining its level, or in connexion with the definition of mechanisms for ensuring its observance. For the Community, reference price, internal cereals policies and trade flows are closely bound up with each other.

27. There is no use denying that the essential divergences at this stage of the work of the Group on Cereals relate to the problem of access to import markets. In this field, there is great uncertainty and the positions taken by delegations are still far apart.

28. The exporting countries are asking the importing countries to undertake to maintain their future imports at levels equal to those of a representative reference period. Furthermore, they want to share in any growth in consumption in importing countries. Lastly, they want the importing countries to take prompt and effective remedial action in the event of any disturbances in import flows, the nature of such action being at the discretion of the importing country.
29. The United Kingdom representative has stated that his Government is prepared to enter into commitments on the maintenance of import flows and also to give exporters the opportunity to share in any growth of domestic consumption in a fair and reasonable way. In relation to the position adopted by the exporting countries, however, there are new elements regarding reciprocity of commitments: importing countries would have to maintain their import volumes, and, for their part, exporting countries would have to undertake to remain within the limits of their traditional exports. The representative of the Community notes that such commitments go far towards the sharing of markets and seem to imply veritable administration and strict control of trade flows. Briefly, while more thorough consideration may be necessary on this point, one may well wonder whether that is not a form of organization of markets which would not be the most rigid or the most compelling. This would bring out once more the impossibility of relying entirely on market mechanisms and the concern to organize the world market for cereals.

30. So far as the European Economic Community is concerned, it wishes to recall and specify as much as possible its position on the problem of access:

(i) The negotiation and binding of a reasonable margin of support, coupled with a thorough re-examination of production and trade conditions at the end of each three-year period, should suffice to afford acceptable assurances of access to exporting countries.

(ii) This assertion is strengthened further if one brings out the fact that, for the first time, the support margin creates a flexible and permanent link between each of the national markets and the world market. Thus, the support margin is a real barometer recording the particular conditions of price and income formation on the various markets. In combination with the reference price, it can be a valuable instrument for the proper functioning of the world market.

(iii) The European Economic Community considers that, as the preparatory work for the negotiations progresses, the Contracting Parties are tending to lose sight of the novel character and the positive aspect of the Community's proposal to negotiate on the support margin and to renounce part of its freedom by entering into commitments on its internal policy and price level.

(iv) For the Community, the binding of the support margin enables exporting countries to have clear knowledge of conditions of access to its market. It is true that the Community refuses to give any quantitative commitments. Its partners can, however, conceive perfectly well that between the support margin and the levy there is a relation so close that any binding of a maximum support level
inevitably sets a ceiling on the existing levy. That means that the instability of access to the extreme variability of levies with which the Community has been reproached in the past due is bound to disappear. Exporters will have advance knowledge of the support afforded to Community producers and will be able, with full knowledge of the facts, to adjust their production policies and commercial strategy to import markets in the EEC.

(v) The Community observes that the method of the support margin is not rigid; on the contrary it permits any adjustments and adaptations which may prove necessary to be made at the end of each three-year period, by amending either the reference price or the support margin, as the case may be; thus, increased productivity with a consequent lowering of production costs in all countries could result in a downward revision of the reference price, while on the other hand any general rise in production costs would be reflected in an increase in that price; similarly, a marked drop in production costs limited to one Contracting Party, or again an adverse trend in production in one country, could lead to negotiations and reduction of the support margin.

(vi) With respect to the three-yearly review of commitments, it seems necessary to clear up a misunderstanding. It has sometimes been stated that the EEC negotiating plan did not guarantee the stability and permanence of concessions since the Community intended to limit them to three years and to be able to denounce them at the end of that period. In actual fact, the reason for reviewing commitments at the end of each three-year period is not to authorize the revoking of concessions. The regular reviews envisaged by the Community should on the contrary provide an opportunity for examining and comparing agricultural and trade policies and for adjusting the support margins originally bound to current requirements. It is in these provisions that the Contracting Parties can find positive assurances of the Community's desire to institute permanent co-operation on the basis of data which are clear, precise and known to all and in the perspective of the Ministerial Resolution of May 1963.

31. In the last analysis, the European Economic Community is convinced of the significance and scope of its negotiating plan and of its concordance with its objectives of the Ministerial Resolution. It is necessary, however, to specify all its terms and to refrain from any hasty judgment. Perhaps then one will better be able to appreciate what it offers and recognize that it provides an opportunity to negotiate in a positive manner - an opportunity which should not be allowed to slip by.