CONTRIBUTION OF THE EUROPEAN ECONOMIC COMMUNITY TO THE REPORT
OF THE COMMITTEE ON AGRICULTURE CONCERNING THE STATUS OF THE
PREPARATORY WORK OF THE AGRICULTURAL PART OF THE KENNEDY ROUND

1. The European Economic Community gave its approval to the Conclusions of
the GATT Ministerial Resolution of May 1963 concerning the inclusion of
agricultural products in the trade negotiations, the creation of acceptable
conditions of access to import markets in furtherance of an expansion of
international trade in agricultural products, the determination of methods
and rules of negotiation adapted to the particular nature of the agricultural
products and of the objectives pursued.

2. During that same ministerial meeting the Representative of the European
Economic Community also declared that none of the factors likely to affect
the equilibrium of world agricultural markets should be excluded, a priori
from the negotiation.

I. The positions of the EEC concerning the agricultural part of the
Kennedy Round

3. The statement of the Representative of the EEC to the Committee on Agriculture
on the 18 February 1964 (Spec(64)AGR/1) enabled the CONTRACTING PARTIES
to examine the negotiating plan of the Community:

4. Convinced that a negotiation conducted according to traditional methods
cannot yield satisfactory results, the Community wishes to bring out the one
factor which is common to all the contracting parties namely the support given
directly to agricultural products, with a view to proposing to its partners
to proceed to the negotiation and binding of a margin of support.
5. The negotiation extends not only to protection at the frontier but to the agricultural and trade policies of the contracting parties as well, since the margin of support is equal to the difference to the reference price on the international market and the remuneration obtained by the producer.

6. From this viewpoint, reciprocity of commitments becomes a matter of fundamental importance.

7. The bound margin of support expresses the aggregate effect of the various support instruments used (customs duties, quantitative restrictions, direct subsidies, monopolies, etc.) on the conditions of production and of exchanges and is not to be confused with these instruments.

8. The contracting parties remain, in principle, free in their choice of instruments which they mean to use to support their agriculture. Some contracting parties have seemed to fear, quite wrongly, that the margin of support is designed to replace existing instruments whereas in reality it only expresses their aggregate effect in a form common to all the contracting parties. The binding of the margin of support may, however, require a change in the application of these instruments, so that their aggregate effect would be consistent with the commitment.

9. When, for a given product, the customs duty is the only instrument used, this customs duty provides a certain support to this product in the importing country and the margin of support then corresponds to the incidence of the customs duty on the reference price.
10. The European Economic Community makes the binding of the margin of support the fundamental element of the negotiation in agricultural products.

11. Certain contracting parties, taking into account the situation of some products or groups of products, expressed their preference for particular commitments. The European Economic Community does not preclude the possibility that such commitments may be assumed in certain cases but these should always involve commitments in addition to the binding of a margin of support.

12. The existence of bound customs duties may possibly result in some flexibility in the margin of support method.

13. The margin of support method does not automatically affect a customs duty which was bound during the previous negotiation if apart from this bound customs duty there exists other instruments of support, for example, quantitative restrictions or subsidies. In such an event the bound customs duty continues to be applied within the framework of the binding of the margin of support.

14. However, if the bound customs duty is the only instrument of support, it is possible, in order not to affect the previously granted concession, to undertake the binding of a margin of support corresponding to the incidence of the bound customs duty on the reference price.

15. In any event, if a contracting party decides to unbind a former tariff binding, such action remains possible as in the past, subject to the customary rules of compensation of GATT.
16. The European Economic Community considers that the support margin method must be applied to almost all products of the agricultural sector.

17. During the preparatory work for the negotiations, several tendencies have emerged among the members of the Committee on Agriculture. Some countries would like to apply a different method and different negotiating rules according to the products concerned or the support mechanisms used by Contracting Parties. Others would, in fact, like to revert to the traditional selective method under which each of the Contracting Parties is responsible for making known its list of offers as well as the modalities for negotiating the products concerned.

18. The EEC divides agricultural products into two groups of unequal size: on the one hand, the group of products to which the support margin method applies, comprising the majority of products; on the other hand, the residual group of products for which it is envisaged that the support margin method should be abandoned.

II. The support margin method must apply to practically the entire agricultural sector.

19. Agreement must be reached as quickly as possible on the content of the agricultural sector.

20. The Committee on Agriculture is already broadly in agreement on adopting as a working basis, at the present juncture of the work, the products contained in the first 24 chapters of the Brussels Nomenclature. Certain contracting Parties, however, have expressed a provisional reservation on this point. So far as the European Economic Community is concerned, more detailed examination is still necessary in order to be able to specify the list of products at present envisaged as falling within the agricultural sector.
21. **In the majority of cases, the computation of the support margin will be a far simpler matter than it might seem at first sight.**

22. A number of adjustments will have to be made to the reference price as well as to the remuneration obtained by the producer in order to take account of differences in the quality of products or again to bring the products to comparable levels of trade. Furthermore, in the case of products obtained after processing of primary products, agreement will be required on sufficiently representative processing co-efficients. During the negotiations, a great many of these elements could be settled on a flat rate basis.

23. **The European Economic Community does not, however, exclude the possibility that in certain cases the support margin method may have to be adopted.**

24. Indeed, it may sometimes be difficult and risky to determine the reference price and the remuneration obtained by the producer because of the inadequacy of available statistics or for some other reason. In order, however, to retain certain essential principles and mechanisms of the support margin method which are particularly well suited to the objectives of the negotiations, it would be possible merely to fix a reference price determined on a flat rate basis according to the data which appeared most appropriate.

25. The existence of the reference price might induce contracting parties to apply only support mechanisms consistent with the GATT rules. In addition, respect for the reference price would make it possible to remedy excessive fluctuations in commodity prices which are without economic justification but result solely from transactions of a speculative nature.
III. The European Economic Community acknowledges the existence of a residual group of products for which the support margin method might be abandoned.

26. First of all, this might be the case for products in which international trade is negligible. The same might apply if, in certain cases, technical difficulties relating to the implementation of the method proved insuperable.

27. For these products, the support margin method would be abandoned in favour of the traditional method of tariff negotiations. The negotiating rules applicable to the particular case of the products concerned will be determined at a later date.