At this stage it is not possible to be able to form a judgment as to whether the information submitted covers all aspects which are relevant to the job of this Working Party. This is a matter for consideration by all members of the Working Party. If some members consider that there are gaps in the information the task of supplying it should be given to them.

The fact that the data has not yet been assembled should not prevent the Working Party from having a preliminary discussion on the changes in barriers to trade brought about by the enlargement of the Communities, their likely effects on world trade and the relevance of these changes to the rules of the GATT. If some members of the Working Party are not ready for such a discussion they can at least listen to countries who wish to put on record their views on this matter. This can serve a useful purpose in indicating the kind of questions and analyses which the secretariat might give to the data when it has all been submitted.

I will talk about the probable impact of the enlargement of the European Communities on world trade on some items of trade of particular interest to Australia. Others no doubt will talk about items of trade of particular interest to them.

Later the Working Party can - aided by the analyses - make its assessments and judgments and arrive at the appropriate decisions and recommendations.

First of all I will discuss dairy products - butter and cheddar cheese to be specific. These are particularly relevant commodities to look at in this context because one of the acceding countries - the United Kingdom - is the most important import market for dairy products in the world. The other two - Denmark and Ireland - are significant producers and exporters.

There is no doubt that after entry to the EC, producer prices of milk will rise in the United Kingdom, Ireland and Denmark. In 1969/70 milk prices received by producers in the EC were higher than in any of the applicant countries.

In the United Kingdom the operation of a standard quantity of milk eligible for the guaranteed price has for the most part tended to discourage the production of butter and cheese. Until 1971 most of the milk produced in excess of this specified
quantity was channelled into the liquid milk market, or was sold at the relatively low manufacturing price. In effect, the system acted as a restraint on total milk production, particularly of milk for low-priced manufacturing purposes.

However, in 1971 prices of butter and cheese in the United Kingdom rose to such an extent that producers found it very profitable to sell milk, in excess of the standard quantity, for manufacturing purposes. Largely as a result of these high prices, butter and cheese production in the United Kingdom has risen sharply over the last eighteen months.

Because of the higher producer prices that will be received, the phasing-in of the EC system will result in an increase in butter and cheese production in the United Kingdom, Ireland and Denmark.

Consumer prices for butter and cheese in the applicant countries will also rise after entry. A measure of the disparity between prices in the EC and the United Kingdom, for example, can be seen in the EC intervention prices and the United Kingdom c.i.f. prices. These figures indicate that in the United Kingdom there will be a substantial increase in butter and cheese prices.

The higher consumer prices for butter will undoubtedly mean that the total demand for butter in the acceding countries will decline substantially. The level of butter consumption in the United Kingdom is very sensitive to changes in prices. This is illustrated by the fact that the high prices of 1971 resulted in a sharp fall in consumption. Butter consumption could fall by a further 25 per cent or about 100,000 tons.

Cheese consumption in the acceding countries will also be adversely affected by the higher prices although to a lesser extent. This would be in part a reflection of the greater consumer preference for higher protein dairy products such as cheese. Consumption of cheese in the United Kingdom could decline by 10 to 15 per cent.

The net effect of changes in demand and in domestic output implies a significant reduction in the import requirements of the United Kingdom, a substantial increase in the export availabilities of Ireland and Denmark. A substantial reduction in imports by the United Kingdom, the world's major importer of dairy products, will inevitably have a serious impact on world trade.

At present there are no duties and no import restrictions for imports of butter and cheese into the United Kingdom. Since 1971 the quota arrangements for butter have been superseded by a system of open import licensing. Also the voluntary restraint arrangements on cheddar-type cheeses has been suspended since 1971. Even when in operation the United Kingdom import quotas were not a hindrance to imports as they were designed to stabilize the market and not to protect the domestic industry. However, in the enlarged EC, butter and cheese from outside suppliers, such as Australia, will be effectively shut out. The Common Agriculture Policy system of the EC prevents imports from competing against
domestic producers on a price basis because variable levies bring the price for imports up to the threshold price whereas the internal market price can and usually does fall to the intervention price. In terms of access for outside suppliers, the United Kingdom market will, as a result of adopting the EC system, change from one of free entry to one that prevents any imports at all.

The levies applicable in the EC on butter have generally been twice the United Kingdom c.i.f. price. In quantitative terms, between 1967 and 1971, these levies were between US$140 and US$160 per 100 kgs. With rising world prices during 1971 these levies fell sharply, but at US$95 in June 1971 they were still only slightly below the United Kingdom c.i.f. price. During 1968 and 1969 the ad valorem rate of protection on butter produced in the EC was over 200 per cent if the levy is expressed as a percentage of the calculated lowest world offer price. A similar situation existed for cheese with levies being at such a level as to prevent imports. However, in the case of cheese, the levies have generally been smaller in relation to the United Kingdom c.i.f. price and the ad valorem protection has been somewhat lower than in the case of butter. Nevertheless, the ad valorem protection is still over 150 per cent if levies are expressed as a percentage of the calculated lowest world offer price.

The enlargement of the Communities will inevitably have a serious impact on the size and direction of butter and cheese trade. As a result of larger domestic production and a decline in consumption, the United Kingdom's total import requirements of butter and cheese will fall. For example, during the 1960's British imports of butter were between 400,000 and 450,000 tons. However, with the expected changes in domestic consumption and production it is expected that imports will fall to about 200,000-250,000 tons by the end of the transitional period. These imports will be supplied from within the enlarged EC (Denmark, Ireland, Netherlands and France being important in this respect) and from New Zealand. Butter and cheese will be imported from New Zealand under special arrangement (Protocol 18 to the Act of Accession).

With a substantial reduction in United Kingdom import requirements following the adoption of the EC system, there will be an increased competition on world markets. Exports from the enlarged EC to third countries should fall although production and exportable surpluses are likely to grow in several of the EC member countries. Whether exports from the enlarged EC to third countries expand or not will be determined by the size of these exportable surpluses compared with the size of United Kingdom imports from the EC.

Apart from this factor it is apparent that the loss of the United Kingdom butter and cheese market to countries such as Australia and the partial loss of this market to New Zealand means that all of these countries will face increased difficulties in disposing of their exportable surpluses on the limited world market. World prices especially for butter will inevitably come under increasing pressure as the competition for available markets increases.
For beef and veal, the United Kingdom is a significant import market and the other acceding countries are exporters. In the United Kingdom there is at present a small duty (5 per cent) on certain types of beef and veal from sources other than Commonwealth countries, otherwise it is free of duty. For Commonwealth countries there are no import duties. There is a minimum import price scheme but levies have not been applied. Upon British entry to the Communities, imports of beef and veal will be subject to increased barriers to trade in the form of tariffs (20 per cent) plus import levies.

Production of beef and veal in the European member States of the EC is tied almost entirely to a dual purpose beef/milk producing animal. There are very considerable problems, despite extremely strong consumer demand for beef, in raising a higher proportion of calves than is managed at present for beef production. The reasons are complicated, but encompass such factors as the relative greater profitability of milk production, efficiencies of labour and land inputs, restricted availability of land, high cost of fodder and shelter and the small unit size of herds. It seems reasonable therefore to assume that producer prices in the enlarged Community will continue to increase.

On the other hand, in the acceding countries the transition to the CAP - with its significantly higher producer returns - will provide a considerable stimulus to expanded production, even after appropriate allowance is made for increased feed costs and the removal of certain indirect producers assistance subsidies which apply in some of the acceding countries.

The effect of any increased production benefiting as it would from the protection against imports offered by the CAP - including of course the 20 per cent CCT - will mean that imports will provide a smaller proportion of consumption and moreover will be forced to compete more vigorously for available import markets on terms which will offer considerably less predictable access. Moreover, any displacement of meat from markets previously available to third country exporting nations in the enlarged Community will lead to relatively lower returns than otherwise would have been the case.

There is also likely to be a consumption pattern change resulting from higher beef prices - particularly in the acceding countries - as consumers are likely to substitute relatively cheaper protein foods. The greatest impact of such a transfer would be experienced by imports which of course only find a market when domestic production has been cleared.

In summary, the enlargement of the Community seems certain to lead to significantly increased producer and consumer prices, expanded protected production, reduced imports and greatly increased uncertainty of access for imports as well as increased levels of protection against imports which occur as a result of the CAP mechanism and increased import duty levels.

A direct comparison of producer prices for sheep meat in the EC and the United Kingdom is not possible because of the lack of available data. However, it is apparent that EC prices are considerably higher than those in the United Kingdom.
With respect to the import régime, the CCT of 20 per cent applies to all sheep meat imports into EC member countries. In addition, individual member States maintain their own restrictive import régimes.

The effect of these arrangements is to guarantee the EC producer a considerably higher return than in the United Kingdom where present arrangements for mutton and lamb imports consist of a specific rate duty (half rate for mutton carcasses) which constitutes an ad valorem equivalent of only 4 per cent.

The effect of EC enlargement will, therefore, result in higher mutton and lamb prices in the acceding countries particularly the United Kingdom and Ireland. As beef and veal prices rise in these countries with the introduction of the CAP, it can be expected that demand for meat protein other than in the form of beef and veal will rise accordingly, thus forcing up prices for other meats. The application of the CCT of 20 per cent will reinforce this trend.

The overall effect on mutton and lamb production of price increases in the acceding countries will depend on the relative profitability of sheep to cattle production. It is possible that there could be a reduction in national sheep flocks in order to release land and resources for beef production.

Overall, except in the United Kingdom and the Republic of Ireland and parts of France, sheep meat production is generally on a small scale and of relatively minor importance to the total agricultural economies of the countries which will comprise the enlarged Community.

For the enlarged Community mutton and lamb imports should greatly exceed exports owing mainly to the United Kingdom being the largest world importer and a large consumer of lamb.

Until July 1971, access to the United Kingdom was free of import duty, and unrestricted from all sources. However, from July 1971 import duties have commenced to be phased in and currently amount to 0.83 new pence/lb. on mutton and lamb and 0.42 new pence/lb. on mutton carcasses.

The specific rate duties for mutton and lamb have an ad valorem equivalent of roughly 4 per cent (except for mutton carcasses). It is proposed that in February 1973 the specific rates be increased to 1.25 new pence/lb. for mutton and lamb (half rate for mutton carcasses) or, say, an estimated ad valorem incidence of about 6 per cent on current lamb prices.

During the transition period the specific rate will have to be increased to the standard 20 per cent CCT applicable to imports into the Community. Obviously this will represent a significant additional impost against imports.

In Denmark imports of mutton and lamb enter duty free. Enlargement of the Community will mean considerably more restrictive conditions of access for third country suppliers.
Any displacement of significant quantities of sheep meat from the British market would have very severe ramifications on prices obtaining in markets other than the enlarged Community given the dominant import position occupied by the United Kingdom in the world sheep meat market.

There is also the possibility of additional barriers to trade being erected in the context of the introduction of a possible common regulation of the market. It is noted that national import régimes continue to operate in the existing Community - for instance in France a reference price system which operates to exclude imports of fresh chilled lamb unless French sheep prices are at relatively very high levels and a strict licensing system for frozen sheep meat. The Federal Republic of Germany maintains quantitative restrictions. Licensing also applies in Belgium, Luxembourg and the Netherlands.

The Republic of Ireland already enjoys free and unrestricted entry to the United Kingdom market under the provisions of the Anglo-Irish Free Trade Agreement. Ireland's access to the other markets of the enlarged Community will become increasingly less restricted and will provide considerably expanded opportunities for Irish sheep meat producers as the transition period proceeds.

In summary, enlargement of the Community stands to encourage higher producer and consumer prices, a possible downturn in consumption due to the likely rise in domestic sheep meat prices supported by the imposition of higher tariffs than currently apply in acceding countries. Further, any displacement of imported supplies as a result of such developments, given that the United Kingdom occupies a dominant stabilizing role in world sheep meat markets, would adversely affect producer returns for exporting countries.

A substantial proportion of the existing Community's total exports of fresh apples and pears go to the three acceding countries. Access to these markets is currently restricted by quotas, licensing, and considerations of profitability. On the assumption that most of these restrictions will not apply in the enlarged Community, exports of fresh fruit to the acceding countries from the existing Community seem likely to increase with a consequent decline in imports from non-EC suppliers. This conclusion is reinforced by the fact that Denmark and Ireland production since 1968 has declined slightly.

The SSR for the enlarged Community will be approximately one. Exports of the enlarged EC to the rest of the world will not be less as intra-Community trade will increase to the extent that imports of third country suppliers to the acceding members fall. The over-supply situation in the existing EC will be relieved at the expense of other suppliers. Under these circumstances it is expected that world prices for apples and pears will decline.

Under existing EC regulations, imports of fresh fruit are potentially subject to a compensatory tax which is in marked contrast to the situation which exists in the United Kingdom where conditions of access for Southern Hemisphere fruit delivered during the European "off-season" enable apples and pears to be sold at remunerative prices and without prejudice to local producers.
When the Community is enlarged "off-season" imports into the United Kingdom will be subject to a duty of 8 per cent for apples and 10 per cent for pears. The rates of duty will be higher during the other parts of the year. In addition, a further compensatory levy may be imposed on all suppliers to the United Kingdom market during the transitional period. From the point of view of tariffs alone, access to the markets, Denmark and Ireland, will be easier for Southern Hemisphere fruit. However, it should be remembered that these supplies would then be subject to the safeguard measures of the enlarged Community should these be imposed.

In all the cases I have mentioned, the enlargement of the Community will mean increased barriers to trade and adverse effects on world trade. I could continue to illustrate the matter by describing the situation in relation to other commodities important in world trade and to Australia. Products such as wheat (particularly soft wheat as far as Australia is concerned), sugar, other grains, canned fruit. The same effects will apply to them as to the products I have described. Perhaps other countries will describe the situation in relation to some of these products.

I will make a very brief statement regarding two of the commodities just mentioned, which are of particular interest to Australia - soft wheat and canned fruit. For soft wheat the barriers to trade will increase, prices for the internal producer will increase, prices to the consumer will increase. The effect of these changes will be a substantial decline in imports from the rest of the world. In fact, the trade could be lost altogether and the traditional suppliers will have to look elsewhere for their markets in competition with exports from the Community. For canned fruit the story is the same, increased trade barriers - these will be particularly severe for countries receiving Commonwealth preferences and they will take the form of sugar-added levies as well as tariffs - increased prices within the Community, and a consequent decline in world trade.

In this statement I have not specifically mentioned the effects of the enlargement of the Community on Australian trade as such. Perhaps the Australian delegation may wish to do so at some other meeting of this Working Party, but in the meantime I will sum up the position in a few words. The United Kingdom is by far the biggest market of the acceding countries from the point of view of Australia. There will be no cases at all where upon entry of the United Kingdom to the Community trade barriers against Australian exports will be lowered. For certain raw materials, for example, greasy wool and iron ore, there will be no increases in trade barriers. For all other items, trade barriers will be increased - for non-agricultural items there will be tariffs in the place of free entry, for the agricultural items there will be the system of the Common Agricultural Policy in the place of free entry, except for those few items where measures have been recently introduced in anticipation by the United Kingdom. In these cases, the barriers against Australian trade will increase upon the United Kingdom joining the Community.

As I said at the beginning, when the Working Party is preparing its Report and recommending the decisions to be taken by the CONTRACTING PARTIES it should pay proper regard to the effects which the enlargement of the Community will have on trade and trade barriers for the products referred to in my statement and in the statements made by others.