STATEMENT MADE BY THE SPOKESMAN FOR THE ENLARGED COMMUNITIES AT THE MEETING OF THE WORKING PARTY ON 7 DECEMBER 1972

During the meeting of the Working Party on Accessions on 9 and 10 October, the representatives of three delegations made a number of comments about the possible impact of the enlargement of the European Communities on a few agricultural products. The representative of another delegation later made some similar comments on the same problems.

In the Community's view, these statements do not seem likely to make a useful contribution to the examination under Article XXIV:5 to be conducted by the Working Party, since they refer to only a few specific products and are thus based on a purely sectoral approach; in other cases they are concerned only with bilateral relations.

In the written statement circulated to the members of the Working Party on Accessions, the Community has already expressed its views on the global character of the examination under Article XXIV:5. The concept of globality applies to the products as a whole and to the contracting parties, as a whole, which are not parties to the customs union.

Although in general the statements referred to do not seem likely to provide useful material for an appreciation of the incidence of the protection in terms of Article XXIV:5, they nevertheless call for a few comments in order to clear up any misunderstandings that may have arisen from the practical point of view.

In the first place, any examination that relies on projections based on a supposed situation is wholly lacking in objectivity and is unacceptable, quite apart from the merits of the research work done. An examination on these lines contains too many elements of uncertainty to make it possible to arrive at any conclusions that are valid also for the few cases considered. Moreover, the fact that the inevitable interrelations between the various products or product sectors have been disregarded weakens still further the value of any approach based on projections.

Having made these few general observations, which are applicable to the statements made by the four countries in question, the Community considers it desirable to comment on each of them separately.
This statement refers in general terms to conditions of access and, having begun by asserting that conditions have been adversely affected in the case of a long list of agricultural products, it then selects some illustrative cases to demonstrate and emphasize the extent of these adverse effects. The products referred to are grains, tobacco, and citrus and other fruits.

By confining the illustration to three products, the statement fails to take into consideration the interaction between the various product sectors. One is entitled to ask whether these three cases are in fact illustrative of the present situation for the products of the agricultural sector as a whole, as is implied.

In the case of grains, the volume of the potential loss to exporters is estimated to be 15 million tons, and it is inferred that this will have a drastic effect on the world market situation. This loss, it is claimed, would be caused by the fact that the imports of the three acceding countries, which at present amount to about 10 million tons and which might have increased to 15 million tons in a few years, will disappear entirely.

It might well be asked what grounds there are for thinking that imports by the three acceding countries would have followed a trend so favourable that they would have increased by 50 per cent in a few years.

Again, it is assumed that the increase in the EEC's self-sufficiency ratio for grains will be obtained through a substantial and much exaggerated increase in production in the acceding countries and that this could only occur at the expense of other products and by using "grain substitutes" for animal feed, as the statement itself says. But the statement omits to mention that these substitutes would have to be imported.

This means that, supposing production shifted to the extent suggested in the document, the self-sufficiency ratio for the products used as animal feeding-stuffs as a whole would not rise as dramatically as the document predicts that it would do in the case of grains.

The other products referred to in the United States statement are tobacco, and citrus and other fruits. Here the main concern expressed in the statement arises from the existence of preferential tariffs introduced under agreements which have already been the subject of discussion under Article XXIV.

As regards tobacco, the document recognizes that there is no production in the three acceding countries.
When allowance is made for the fact that the degree of self-sufficiency achieved by the Community is a relatively low one and that production has remained almost stationary owing to the constraints and restrictions imposed by the limited amount of labour available, the fears expressed would appear to be unrealistic.

Statement by the Canadian representative (Spec(72)135)

Generally speaking, the proposition in the Canadian representative's statement, so far as agriculture is concerned, is that outside countries will be reduced to the status of residual suppliers. This idea (of being residual suppliers) has already been mentioned in connexion with third country suppliers vis-à-vis the six-country EEC.

Imports of all agricultural products were valued at $13,000 million in 1971, which would appear to be a respectable figure; besides, the Community's partners generally regard it as a large-scale importer of agricultural products.

As regards the estimates about the amount of trade which it is assumed would disappear, it is difficult to appreciate on what basis these estimates are made. It should be noted, however, that the comparison in the statement between "the terms of access" before and after the enlargement of the Community is related to the situation obtaining under the preferences previously existing in the United Kingdom market. Moreover, it is considered that the introduction of a Community preference is ipso facto, by its mere existence, an unfavourable condition.

The Community has already given reasons for its view that the situation as regards preferences should not be taken into account in examining terms of access.

Some further comments about the introduction of preferences between the countries in the Community are given below.

The abolition of customs duties on internal trade and the introduction of a common customs tariff are the very essence of a customs union. What ensues is a preference between the constituent territories. Despite this "preferential effect", of which they were undoubtedly aware, the authors of the GATT provided for the exception constituted by Article X:IV to the most-favoured-nation clause. The Community considers that the consequences to trade of this "preferential effect" cannot be invoked against it, since this effect is provided for in the General Agreement. The Community cannot therefore accept the argument put forward by Canada, among others.
Statement by the Australian representative (Spec(72)110)

The arguments recalled above in connexion with the statement by the Canadian representative also apply in case of the Australian representative's statement, so far as the previously existing preferences in the United Kingdom market and the introduction of a Community preference are concerned.

The arguments already adduced in connexion with the United States representative's statement on the subject of singling out two or three sectors or products from among all those comprised in the agricultural sector also apply to the Australian statement. It is hard to imagine that production of beef or mutton will simultaneously increase to such an extent that there will be a heavy decline in imports, because there is a natural limit to the sources of production. If the output of these products were to increase to the extent mentioned, it must be supposed that there would be recourse to animal feeding-stuffs, including grains. In that case, imports of fodder would be likely to increase substantially.

As to the situation in the world market for dairy products, one can say that it would be going too far to hold the Community alone responsible for it.

To single out one or two products and to maximize the effects to be expected from a change in the situation does not provide a meaningful idea of what will really happen later, since this method does not take into account the relationship between the various sectors of production - in this case between plant and animal production. Nor does it take account of the fact that the interaction between these sectors will produce repercussions, the result of which will be that the maximization of effects referred to will not materialize and that, even if it did, it would necessarily be counterbalanced elsewhere.

Statement by the Polish representative (Spec(72)121)

In referring to this country's relations with the United Kingdom, the Polish representative mentioned bacon, canned pork and butter.

Leaving aside the comments that might be made about the merits of putting forward these few illustrative cases, one must once again emphasize that this representative's statements amount to an a priori affirmation that exports of these products will be disrupted from 1 January 1973.

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By way of conclusion to its comments on the statements by representatives which have been referred to above, the Community wishes to draw attention to the weakness of the arguments used, either because they refer to quite a small number of products or because they fail to take into consideration the possible effects in terms of the inter-relationship between the various agricultural products.

Furthermore, the idea of basing all opinions on projections that are by nature rather problematical does not seem likely to be of any help in the Article 24:5 exercise.