

TWO-WAY TRADE IN AGRICULTURAL PRODUCTS

ADDRESS PRESENTED

BY

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DELEGATION OF THE COMMISSION

OF

THE EUROPEAN COMMUNITIES

WASHINGTON D.C.

THE CALIFORNIA AGRICULTURAL TRADE SEMINARS

SAN FRANCISCO

OCTOBER 2ND, 1984

I AM VERY GLAD TO BE WITH YOU TODAY. I RECALL THAT I STARTED MY PROFESSIONAL CAREER IN THE FRENCH BOARD OF TRADE, TRYING TO STIMULATE THE EXPORTS OF AGRICULTURAL PRODUCTS ABROAD LIKE YOU ARE TRYING TO DO YOURSELVES TODAY FOR THE CALIFORNIAN PRODUCTS. SINCE I LEFT THE FRENCH BOARD OF TRADE (A LONG TIME AGO), I HAVE NOT BEEN INVOLVED IN DIRECT MARKETING ACTIVITIES, SOMETHING THAT I OFTEN REGRET SINCE IT IS ALWAYS FRUSTRATING NOT TO SEE THE POSITIVE RESULTS OF ONES' ACTIONS.

TODAY, I WOULD LIKE FIRST TO PROVIDE YOU SOME ECONOMIC AND MARKETING INFORMATIONS WHICH MAY HELP YOU TO ASSESS THE FUTURE OF YOUR EXPORTS TO THE EEC.

THEN I WOULD LIKE TO COMMENT ON THE CURRENT FRAMEWORK OF OUR COMMERCIAL RELATIONS WITH THE UNITED STATES AND ON SOME RECENT EVENTS WHICH MAY ENDANGER OUR TWO-WAYS TRADE. THE UNITED STATES IS EXPORTING TO EUROPE, WE DO THE SAME, EXPORTING TO THE U.S., AND IF THE RULES OF THE GAME, WHICH HAVE BEEN AGREED UPON DURING THE PAST TWENTY YEARS, ARE UNILATERALLY MODIFIED BY THE UNITED STATES, WE WILL BE OBLIGED TO REACT.

MOST OF THE AGRICULTURAL PRODUCTS PRODUCED IN CALIFORNIA ARE EITHER VALUE-ADDED PRODUCTS OR HIGH-VALUE PRODUCTS LIKE FRUITS AND VEGETABLES CONTRASTING WITH THE BULK OF U.S. AGRICULTURAL PRODUCTION WHICH CONSIST OF COMMODITIES. AS YOU KNOW, EXPORTS OF AGRIPRODUCTS FROM THE UNITED STATES INTO THE E.E.C. CONSIST MOSTLY OF COMMODITIES LIKE SOYBEAN, BUT WE DO ALSO IMPORT HIGH-VALUE PRODUCTS AND THE FUTURE OF THESE IMPORTS DEPENDS ON THE HEALTH OF OUR ECONOMY, SINCE THE PURCHASING POWER HAS A GREAT IMPACT IN CONSUMER DEMAND IN THE SPECIALTY CROP OR VALUE-ADDED

PROVENANCES :		VALEURS = Mtd ECU										
ou	ORIGINE :	EUR 9	DEUTSCH-	FRANCE	ITALIA	NEDERL.	UEBL	UNIT.	IRELAND	DANMARK	ELLE	
ou	ou 10	LAND	:	:	:	:	BLEU	KINGD.	:	:	:	
:	:	:	:	:	:	:	:	:	:	:	:	
:	:1973:	15,34	4,54	1,76	2,65	1,52	1,86	2,59	0,19	0,22	:	
:	:E :	74: 18,27	5,21	2,06	3,18	1,88	2,20	3,19	0,27	0,28	:	
:	:U :	75: 20,03	5,52	2,85	3,33	1,98	2,30	3,51	0,25	0,28	:	
:	:R :	76: 23,94	6,98	3,22	4,10	2,43	2,98	3,49	0,32	0,42	:	
:	:	77: 27,88	7,85	4,22	4,30	2,70	3,40	4,38	0,55	0,48	:	
:	:9 :	78: 30,56	8,62	4,79	4,73	3,08	3,81	4,45	0,54	0,54	:	
:	INTRA-	79: 33,89	9,03	5,07	5,61	3,54	4,18	5,08	0,72	0,65	:	
:	CE :	80: 36,34	9,64	5,44	6,06	3,96	4,43	5,28	0,82	0,72	:	

:	:E :	81: 42,02	10,97	6,36	6,61	4,27	4,84	6,26	1,08	0,96	0,66	
:	:U :	82: 48,07	12,19	7,30	8,20	5,11	5,33	6,88	1,09	1,00	0,96	
:	:R :	83: 51,89	13,31	7,79	9,03	5,42	5,39	7,60	1,16	1,08	1,11	
:	:10:	84:	:	:	:	:	:	:	:	:	:	

:	:	:	:	:	:	:	:	:	:	:	:	
:	:1973:	24,14	5,58	3,88	4,24	2,36	1,08	6,04	0,22	0,76	:	
:	:E :	74: 27,99	6,15	4,43	4,60	3,15	1,35	7,14	0,27	0,91	:	
:	:U :	75: 24,18	5,75	3,67	3,55	3,10	1,24	5,84	0,23	0,80	:	
:	:R :	76: 33,35	8,06	5,54	5,00	4,02	1,86	7,40	0,29	1,17	:	
:	:	77: 37,68	9,47	6,41	5,49	4,68	2,10	7,88	0,23	1,42	:	
:	:9 :	78: 36,13	8,90	6,09	5,38	4,48	1,90	7,83	0,28	1,26	:	
:	PAYS	79: 40,15	9,66	6,54	6,67	4,96	2,14	8,44	0,32	1,42	:	
:	TIERS	80: 42,21	10,56	7,07	6,87	5,31	2,25	8,39	0,33	1,43	:	

:	:E :	81: 44,72	10,82	7,30	6,89	5,77	2,59	8,96	0,37	1,51	0,50	
:	:U :	82: 47,60	11,51	7,70	7,46	5,88	2,91	9,59	0,35	1,58	0,62	
:	:R :	83: 50,36	12,16	8,25	7,56	6,51	3,21	9,82	0,37	1,79	0,67	
:	:10:	84:	:	:	:	:	:	:	:	:	:	

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:	sdont:	:1973:	4,14	1,24	0,46	0,65	0,77	0,19	3,64	0,05	0,14	
:	:	:E :	74: 5,27	1,41	0,51	0,78	1,07	0,29	0,90	0,05	0,16	
:	:	:U :	75: 5,41	1,34	0,57	0,84	1,21	0,36	0,89	0,06	0,13	
:	:	:R :	76: 6,56	1,69	0,72	0,92	1,42	0,52	1,05	0,07	0,18	
:	:	:	77: 6,43	1,72	0,62	0,85	1,35	0,61	1,00	0,04	0,25	
:	:	:9 :	78: 6,51	1,60	0,70	0,90	1,28	0,48	1,30	0,06	0,19	
:	U.S.A.:	79: 6,96	1,63	0,73	1,06	1,40	0,56	1,28	0,07	0,17	:	
:	:	80: 8,02	2,13	0,82	1,22	1,69	0,68	1,21	0,07	0,18	:	

:	:E :	81: 9,26	2,40	0,84	1,32	2,00	0,96	1,35	0,09	0,19	0,11	
:	:U :	82: 9,63	2,47	0,96	1,43	1,84	1,16	1,42	0,10	0,16	0,15	
:	:R :	83: 9,48	2,28	0,96	1,26	2,05	1,21	1,30	0,12	0,17	0,13	
:	:10:	84:	:	:	:	:	:	:	:	:	:	

- (1) CTCI
- 0 = Produits alimentaires et animaux vivants,
 - 1 = Boissons et tabacs,
 - 21 = Peaux et pelleteries brutes,
 - 22 = Graines oléagineuses,
 - 232 = Caoutchouc naturel brut,
 - 24 = Bois et liège,
 - 261 = 265 + 268 = Fibres textiles naturelles + laine,
 - 29 = Matières brutes végétales ou animales n.d.a.,
 - 4 = Matières grasses,
 - 592.1 = Amidons, gluten

TABLE I

PRODUCTS AREA. THERE IS NO DOUBTS THAT FOR YOUR EXPORTERS, DEVELOPED COUNTRIES LIKE JAPAN OR THE E.E.C. ARE FIRST CHOICE TARGETS, SINCE THEY REPRESENT LARGE AND RELIABLE OUTLETS.

I WILL NOW TRY TO PROVIDE TO YOU SOME ELEMENTS WHICH MAY HELP YOU TO ASSESS YOUR PROSPECTS IN THE EXCHANGES OF AGRICULTURAL PRODUCTS WITH EUROPE. BUT, BEFORE DOING SO, I WOULD LIKE TO DISCUSS WITH YOU THE CURRENT STATUS OF OUR GLOBAL AGRICULTURAL EXCHANGES WITH THE UNITED STATES.

AS YOU CAN NOTICE IN THIS TABLE (TABLE I), OUR GLOBAL IMPORTS OF AGRICULTURAL PRODUCTS AMOUNTED TO 50 BILLION ECUS IN 1983, (ONE DOLLAR = 1.3 ECU CURRENTLY) OF WHICH ABOUT 20% (9.5 BILLION ECUS) CAME FROM THE UNITED STATES. THE E.E.C. IS YOUR FIRST CUSTOMER, AND OUR IMPORTS FROM THE UNITED STATES DOUBLED IN VALUE DURING THE PAST TEN YEARS. BUT AS WAS MENTIONED PREVIOUSLY, THESE IMPORTS ARE ESSENTIALLY MADE OF COMMODITIES:

- OIL SEEDS & PRODUCTS 4 BILLION ECUS
- CEREALS 1 BILLION ECUS
- TOBACCO 0.6 BILLION ECUS

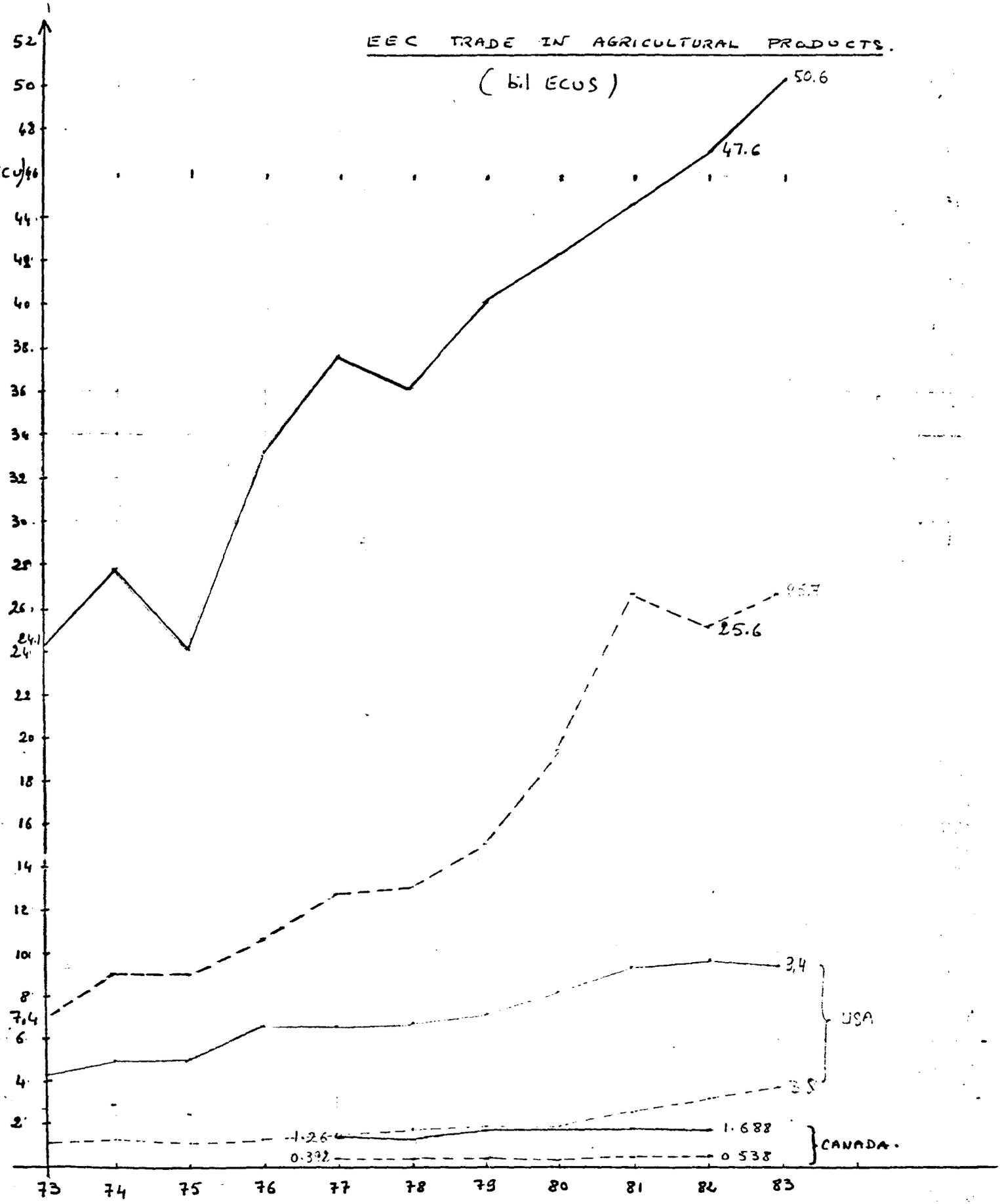
NEVERTHELESS, WE HAVE TRADITIONALLY BEEN IMPORTING HIGH-VALUE PRODUCTS LIKE SEEDS, CANNED FRUITS, FLOWERS, CANNED FISH AND MEAT, AND DURING THE PAST FEW YEARS WE HAVE BEEN TREMENDOUSLY DEVELOPING OUR WINE IMPORTS FROM YOUR STATE. FROM 1978 TO 1982, YOUR EXPORTS TO THE E.E.C. HAVE BEEN MULTIPLIED BY 20, IN SPITE OF THE DROP REGISTERED IN 1982 BECAUSE OF THE HIGH VALUE OF THE DOLLAR.

UNFORTUNATELY FOR US, OUR GLOBAL BALANCE OF TRADE IN THE

EEC TRADE IN AGRICULTURAL PRODUCTS.

(bil ECUS)

(bil ECUS)



— imports.
 - - exports.

CHART # II

AGRICULTURAL SECTOR IS IN DEFICIT AS YOU CAN SEE ON THIS CHART (# II). THIS DEFICIT HAS BEEN GROWING DURING THE PAST YEAR FROM ABOUT 17 BILLION ECUS IN 1973 TO 24 BILLION ECUS IN 1983. WITH THE UNITED STATES, EVEN IF OUR TRADE DEFICIT HAS BEEN REDUCED DURING THE PAST TWO YEARS FOR REASONS WE SHALL DISCUSS LATER ON, WE WERE STILL FACING AN INBALANCE OF TRADE OF 4.5 BILLION ECUS IN 1983, COMPARED TO LESS THAN 3 BILLION ECUS IN 1973.

BUT INSTEAD OF LOOKING AT THE PAST, FROM WHICH WE CAN ALWAYS LEARN INTERESTING LESSONS, I WOULD PREFER, TODAY, TO CONCENTRATE WITH YOU ON THE FUTURE PROSPECTS OF YOUR TRADE WITH US AND PARTICULARLY BETWEEN CALIFORNIA AND EUROPE. AS I TOLD YOU BEFORE, THE SPECIFICS OF YOUR PRODUCTION MUST BE TAKEN INTO ACCOUNT TO ASSESS THE FUTURE PROSPECTS OF YOUR EXPORTS TO EUROPE.

ECONOMY

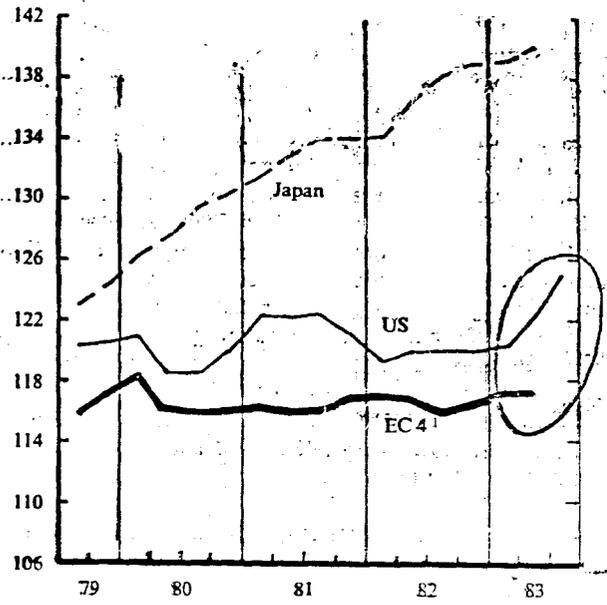
THE EUROPEAN ECONOMIC COMMUNITY REPRESENTS NOW AN ECONOMICALLY INTEGRATED MARKET OF 273 MILLION OF CONSUMERS. DURING THE SEVENTIES, ECONOMIC GROWTH WAS SUSTAINED AS IN THE UNITED STATES, AND THE GROSS DOMESTIC PRODUCT INCREASED AT A RATE OF ABOUT 3% A YEAR. THIS TREND STIMULATED THE PRIVATE CONSUMPTION WHICH INCREASED AT A YEARLY AVERAGE OF MORE THAN 3%. UNFORTUNATELY THESE TRENDS HAVE REVERSED SINCE THE ECONOMIC DEPRESSION OF THE EARLY EIGHTIES. THE PRIVATE CONSUMPTION IS STABLE SINCE THAT TIME.

AS YOU CAN NOTICE IN THESE CHARTS (# III & IV), MOST OF THE ECONOMIC INDICATORS ARE SHOWING THAT IN COMPARISON WITH THE UNITED STATES THE ECONOMIC RECOVERY HAS ONLY BEEN VERY SLIGHT IN EUROPE IN 1983.

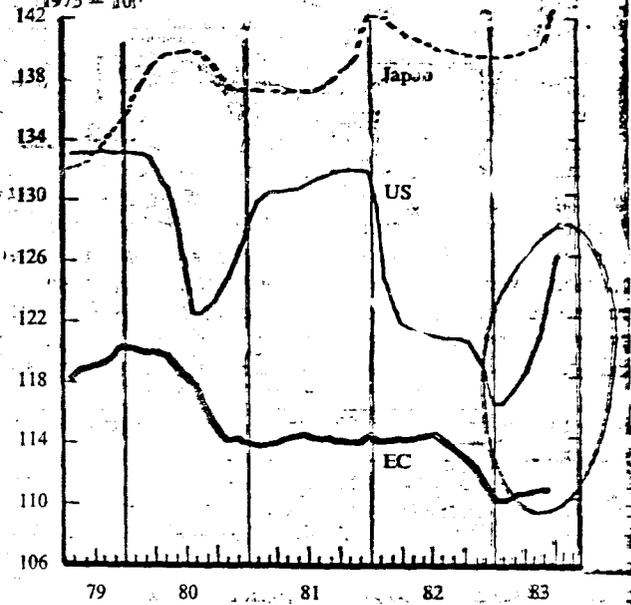
III

GRAPHS 1 to 4: Comparative evolution of the EC, US and Japanese economies, 1979-83

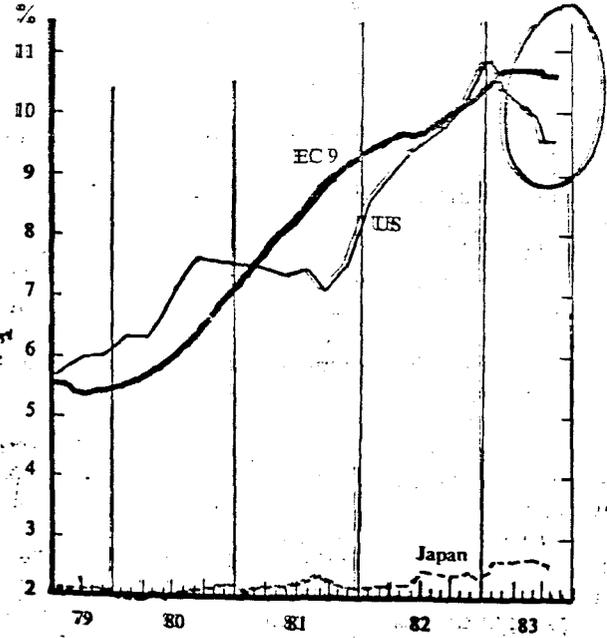
1. Gross domestic product, s.a.
1975 = 100



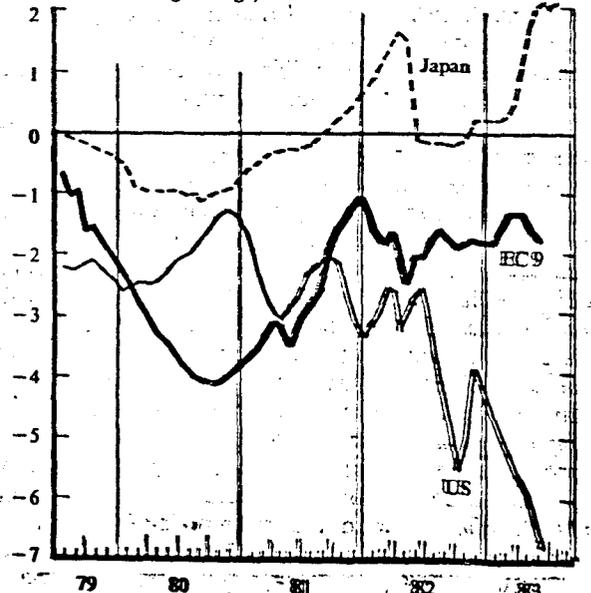
2. Industrial production
3-month moving average, s.a.
1975 = 100



3. Unemployment rate
%



4. Trade balance
fob/cif, '000 million ECU
3-month moving average, s.a.

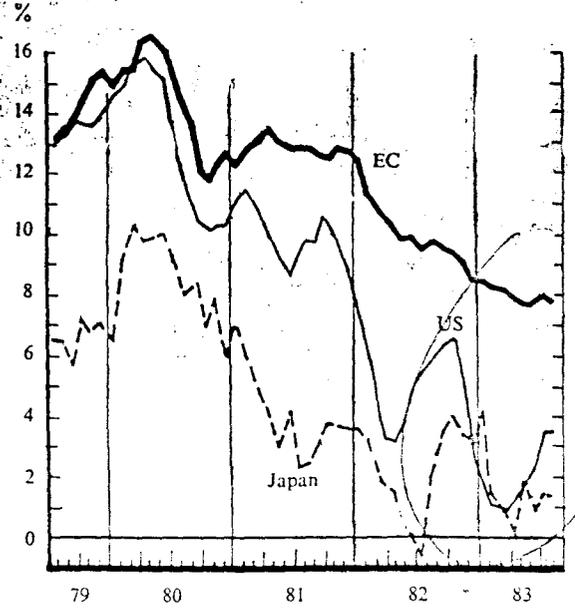


D, F, I, UK

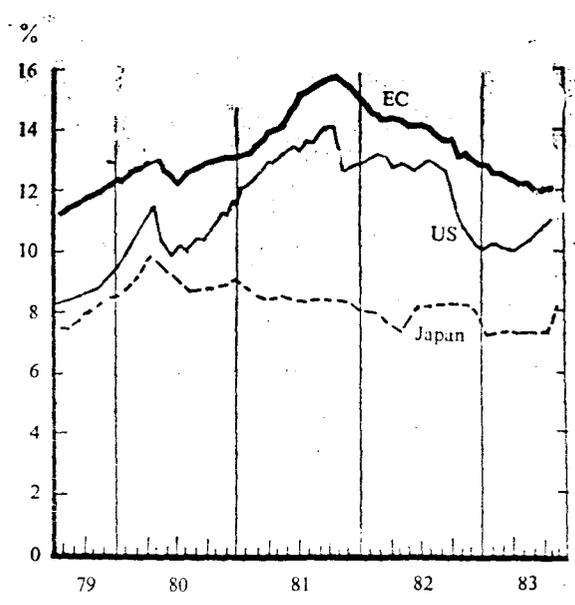
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GRAPHS 5 to 8: Comparative evolution of the EC, US and Japanese economies, 1979-83

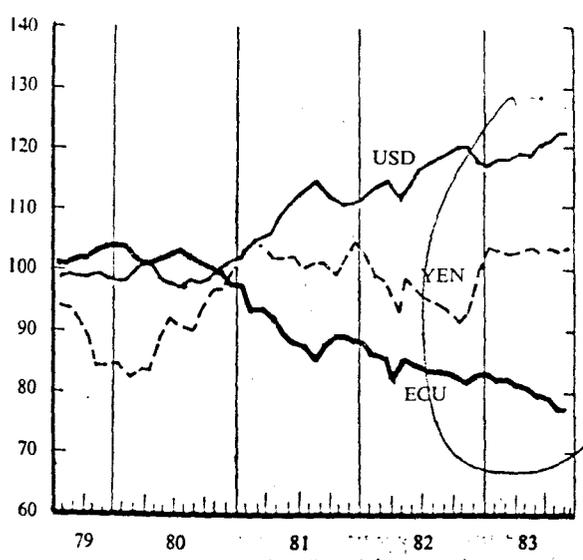
5. Consumer prices
6-month change, s.a., annual rates



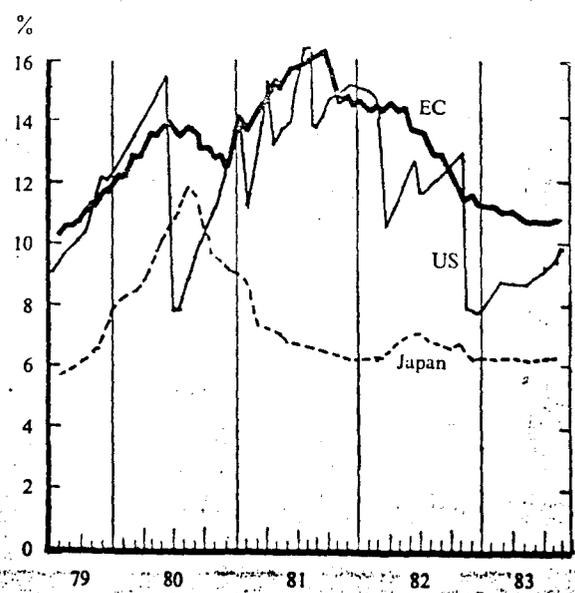
7. Long-term interest rates



6. Exchange rates
Index of SDRs per currency unit
March 1979 = 100



8. Short-term interest rates



- GROSS DOMESTIC PRODUCT HAS BEEN STABLE
- UNEMPLOYMENT RATE DETERIORATED
- INDUSTRIAL PRODUCTION DID NOT INCREASE
- CONSUMER PRICES WERE STILL VERY HIGH AROUND 8%
- EXCHANGE RATES DETERIORATED VERSUS THE DOLLAR AND THE YEN.

THE ONLY POSITIVE ASPECT HAS BEEN THE IMPROVEMENT OF OUR GLOBAL TRADE BALANCE WHICH IS, OF COURSE, DUE TO THE EXCHANGE RATES. IN OTHER WORDS, WE DEVELOPED OUR EXPORTS AND REDUCED OUR IMPORTS. THE PROBLEMS THAT YOUR INDUSTRIES FACED WITH US DURING THIS PERIOD WERE DIRECTLY LINKED TO THIS PHENOMENA.

IN THE COMMUNITY THE RECESSION, WHICH HAS LASTED WELL OVER TWO YEARS, APPEARS TO HAVE BOTTOMED OUT IN THE FOURTH QUARTER OF 1982. THE RECOVERY SINCE THEN HAS BY NO MEANS BEEN REGULAR OR RAPID.

TURNING NOW TO THE FURTHER PROSPECTS FOR 1984, IT IS EXPECTED THAT THE RECOVERY, WHICH BEGAN LAST YEAR, WILL CONTINUE AND GATHER STRENGTH AS THE YEAR PROGRESSES. THE UPTURN IN WORLD TRADE IS LIKELY TO BE CONFIRMED AND IT IS NOT EXPECTED THAT THE E.E.C. COMPETITIVE ADVANTAGE WILL BE LOST RAPIDLY OVER THE YEAR. WITH IMPROVING DEMAND PROSPECTS, GREATER PRICE STABILITY AND NO FURTHER MAJOR DETERIORATION IN LABOR MARKETS, IT IS EXPECTED THAT INVESTMENT WILL RECOVER AND PRIVATE CONSUMPTION WILL CONTINUE TO GROW AT LAST YEAR'S TEMPO.

THE FORECASTS PRESENTED HERE CONFIRM THE RECOVERY OF ECONOMIC ACTIVITY IN THE COMMUNITY, BUT THE RATE OF GROWTH IS UNLIKELY TO BE SUFFICIENT TO REVERSE THE UPWARD TREND OF UNEMPLOYMENT.

THE PRINCIPAL FEATURES OF THE FORECAST FOR THE COMMUNITY AS A WHOLE ARE AS FOLLOWS:

- GDP GROWTH AT CONSTANT PRICES IN 1984 IS REVISED UPWARD, COMPARED TO THE JANUARY FORECASTS, FROM 2.0% TO 2.2%, AND FOR 1985, GROWTH OF 2.1% IS EXPECTED.
- INFLATION, AS REFLECTED IN THE PRIVATE CONSUMPTION DEFLATOR, SHOULD FALL FROM 6.3% IN 1983 TO 5.1% IN 1984, AND DECLINE FURTHER TO 4.5% IN 1985.
- GDP AT CURRENT PRICES IS FORECAST TO RISE BY 7.6% IN 1984 AND BY 7.1% IN 1985.
- THE MAIN SOURCES OF GROWTH IN 1984 AND 1985 WILL BE THE EXPANSION OF EXPORTS AND A SIGNIFICANT RECOVERY IN FIXED INVESTMENT, PARTICULARLY IN EQUIPMENT.
- WHILST GROWTH WILL BE SUFFICIENT TO HALT THE DOWNWARD TREND OF EMPLOYMENT, CONTINUED EXPANSION OF THE LABOR FORCE WILL RESULT IN A FURTHER INCREASE IN UNEMPLOYMENT TO AN AVERAGE OF 11.4% IN 1985.
- THE AGGREGATE CURRENT ACCOUNT SURPLUS OF THE MEMBER STATES IS FORECAST TO INCREASE FROM USD 9.2 BILLION IN 1984 TO USD 19.5 BILLION IN 1985.
- THE GENERAL GOVERNMENT DEFICIT SHOULD CONTINUE TO DECLINE, REACHING 5.2% OF GDP IN 1984 AND 4.6% IN 1985.

THE IMPROVEMENT IN DOMESTIC DEMAND, ESPECIALLY PRIVATE CONSUMPTION, THAT HAD ALREADY BEEN OBSERVED IN SEVERAL COUNTRIES EARLY IN 1983 WAS REINFORCED AND AMPLIFIED IN THE SECOND HALF-YEAR BY A CLEAR ACCELERATION IN EXPORTS. DESPITE PERSISTENTLY WEAK DEMAND FROM DEVELOPING COUNTRIES, THE COMMUNITY'S SALES ABROAD ARE CLIMBING RAPIDLY THANKS TO ECONOMY RECOVERY IN NORTH AMERICA AND THE STRENGTH OF THE

TABLE 1: World GDP/GNP (at constant prices)

	Percentage change on preceding year					
	1980	1981	1982	1983	1984 ¹	1985 ¹
EC	1.1	-0.4	0.6	1.0	2.2	2.1
USA	-0.3	3.0	-2.4	3.3	5.9	2.6
Canada	1.0	4.0	-4.2	3.0	4.7	2.8
Japan	4.8	4.0	3.2	2.9	4.7	3.6
Other OECD	2.4	1.5	0.8	1.4	3.0	2.7
OECD total	1.2	2.0	-0.5	2.4	4.4	2.6
OPEC	-0.1	1.9	-4.0	-2.5	2.0	1.0
Other developing countries	5.0	3.0	0.9	0.2	2.4	3.3
Other countries	3.2	2.3	2.2	3.8	3.5	3.7

¹ Forecasts.

Source: Commission services.

¹ The following text summarizes the results of the Commission's spring forecasting round. The cut-off date for information used in the forecast was 5 June 1984. The previous forecast for 1983 and 1984 was summarized in Supplement A, No 2 (February 1984).

TABLE 10: Balance on current account (per cent of GDP, EC countries, EC, USA, Japan, 1972-85)

	1972-81	1980	1981	1982	1983	1984 ¹	1985 ¹
B	-1.4	-4.5	-4.3	-3.6	-1.6	-0.6	0.7
DK	-3.2	-3.7	-3.1	-4.1	-2.1	-2.2	-1.7
D	0.3	-1.8	-1.0	0.6	0.7	1.2	1.9
GR	-1.4	0.3	0.3	-3.7	-4.3	-4.7	-5.3
F	-0.7	-1.4	-1.4	-3.0	-1.6	-1.0	-0.8
IRL ²	-7.6	-9.9	-13.1	-8.3	-2.3	-0.9	0.1
I	-0.7	-2.4	-2.3	-1.6	0.1	0.2	0.1
L	24.5	22.6	28.2	40.2	39.0	37.7	35.8
NL	1.1	-1.6	2.2	2.8	2.7	3.5	4.8
UK	0.1	1.8	2.5	2.0	0.7	0.7	0.5
EC	-0.3	-1.3	-0.6	-0.5	0.0	0.4	0.7
USA	0.0	0.2	0.1	-3	-1.2	-2.5	-2.8
JAP	0.3	-1.0	0.5	0.7	2.0	2.6	2.6

¹ Forecasts.

² After these forecasts were made, the Central Statistics Office of Ireland published revised figures for the current account balance back to 1979. The revisions are substantial: in 1983 the deficit on the new basis is estimated to be equivalent to 6.1 % of GDP.

Source: Commission services.

TABLE 5: Gross domestic product, volume (percentage change at constant prices on preceding year, EC countries, EC, USA, Japan, 1972-85)

	1972-81	1980	1981	1982	1983	1984 ¹	1985 ¹
B	2.8	3.2	-1.1	1.1	0.0	1.3	0.8
DK	2.0	-0.4	-0.7	3.6	2.5	2.7	3.0
D	2.5	2.0	0.0	-1.0	0.9	3.0	2.5
GR	3.9	1.6	-0.4	0.0	0.2	1.7	1.6
F	3.1	1.1	0.3	1.6	0.8	1.1	1.4
IRL	4.1	3.7	1.6	1.2	0.5	2.4	2.5
I	3.0	3.9	0.1	-0.3	-1.3	2.4	2.9
L	2.5	1.7	-1.8	-1.1	-1.4	0.3	1.6
NL	2.9	0.9	-0.8	-1.6	0.8	2.1	1.7
UK	1.4	-2.6	-1.3	2.3	3.5	2.7	2.1
EC	2.6	1.1	-0.3	0.5	1.0	2.2	2.1
USA	2.9	-0.2	3.0	-2.4	3.3	5.9	2.6
JAP	4.8	4.9	4.0	3.2	2.9	4.7	3.6

¹ Forecasts.

Source: Commission services.

TABLE 2: World imports (at constant prices)

	Percentage change on preceding year ¹					
	1980	1981	1982	1983	1984 ¹	1985 ¹
EC	1.9	-2.9	2.4	2.6	5.5	4.6
USA	2.5	1.1	-4.6	11.6	17.1	3.6
Canada	-5.4	2.9	-16.1	14.8	10.2	4.4
Japan	-5.0	-2.4	0.6	1.5	9.2	5.5
Other OECD	4.8	-0.6	1.7	-0.9	4.1	4.4
OECD total	1.4	-2.1	-0.6	4.4	8.4	4.4
OPEC	12.0	27.4	1.2	-8.2	2.4	0.0
Other developing countries	6.0	4.3	-7.0	-1.7	4.2	5.3
Other countries	4.0	1.7	-2.0	1.6	3.3	3.8
World	3.6	3.8	-0.1	2.0	6.7	4.1

¹ Forecasts.

Source: Commission services.

TABLE 13: General government lending or borrowing (-) as percentage of GDP (EC countries, EC, 1972-85)

	1972-81	1980	1981	1982	1983	1984 ¹	1985 ¹
B	-5.6	-9.9	-12.6	-11.6	-11.7	-10.9	-9.3
DK	-0.7	-3.3	-7.1	-9.3	-8.0	-6.5	-4.9
D	-2.5	-3.1	-3.9	-3.4	-2.7	-1.6	-0.7
GR	-5.1	-5.4	-10.6	-10.0	-9.7	-10.1	-10.1
F	-0.6	0.3	-1.8	-2.6	-3.3	-3.3	-3.5
IRL	-9.3	-11.8	-15.8	-15.6	-12.9	-11.7	-10.6
I	-8.9	-8.4	-11.7	-12.7	-11.8	-12.6	-12.1
L	1.7	-0.8	-2.3	-1.4	-2.2	-0.7	0.3
NL	-2.1	-4.0	-5.2	-7.0	-6.4	-5.8	-4.8
UK	-3.6	-3.4	-2.7	-2.0	-3.3	-2.9	-2.3
EC	-3.3	-3.5	-5.4	-5.6	-5.5	-5.2	-4.6

¹ Forecasts.

Source: Commission services.

TABLE 11: Number of unemployed as percentage of working population (EC countries, EC, USA, Japan, 1972-85)

	1972-1981	1980	1981	1982	1983	1984 ¹	1985 ¹
B	6.5	9.1	11.2	13.1	13.4	13.7	14.0
DK	4.9	6.7	8.9	9.5	10.5	10.3	10.0
D	3.1	3.3	4.7	6.8	8.4	8.4	8.3
GR	:	:	:	(5.8)	(7.8)	(8.5)	(9.2)
F	4.4	6.4	7.8	8.8	9.0	10.3	11.0
IRL	7.9	8.3	10.2	12.4	15.0	16.2	17.4
I	6.4	8.0	8.9	8.2	9.7	10.6	11.2
L	0.4	0.7	1.0	1.3	1.6	1.9	2.1
NL	5.1	6.2	8.8	11.7	14.0	16.5	17.2
UK	4.8	6.3	9.2	10.6	11.5	11.6	11.6
EC	4.8	6.1	7.8	9.2	10.3	11.1	11.4
USA	6.6	5.8	7.6	9.7	9.7	7.5	6.9
JAP	1.9	2.1	2.2	2.4	2.7	2.6	2.6

¹ Forecasts.

Source: Commission services.

DOLLAR.

THE ESSENTIAL CONDITIONS FOR MORE RAPID GROWTH IN THE COMMUNITY. IN 1984 (2.5%) ARE THEREFORE APPARENTLY FULFILLED. BUT THERE IS STILL A DANGER THAT THE INCIPIENT RECOVERY WILL BE CHECKED. INSIDE THE COMMUNITY, TRADE BETWEEN THE MEMBER STATES CANNOT PLAY ITS DYNAMIC ROLE FULLY AND CONTINUOUSLY UNLESS ALL THE MEMBER COUNTRIES MANAGE TO LOOSEN THE CONSTRAINTS IMPOSED SO FAR BY DOMESTIC OR EXTERNAL IMBALANCES. OUTSIDE THE COMMUNITY, THE FUTURE DEVELOPMENT OF THE DOLLAR IS PROBLEMATIC, BECAUSE OF U.S. FISCAL AND MONETARY POLICIES, WHILE THE FINANCIAL SITUATION OF MANY DEVELOPING COUNTRIES IS STILL PRECARIOUS, SO THAT THERE IS NO GUARANTEE THAT WORLD TRADE WILL CONTINUE TO EXPAND SMOOTHLY. AS YOU CAN SEE (GRAPH V) WITH IMPROVEMENT OF ECONOMIC FORECAST THERE IS AN IMPROVEMENT IN THE IMPORT FORECAST WHICH IS AN ENCOURAGING POINT FOR YOUR EXPORTS TO EUROPE.

IN THE ASSESSMENT OF THE ECONOMIC INDICATORS ON OUR TWO-WAY TRADE, A SPECIAL ATTENTION MUST BE DEVOTED TO THE EXCHANGE RATES WHICH CAN PLAY A GREATER ROLE THAN ALL OTHER FACTORS. AS YOU KNOW THE DOLLAR IS STILL CONTINUING TO APPRECIATE VERSUS OTHER CURRENCIES, MAKING YOUR PRODUCTS LESS AND LESS COMPETITIVE IN THE FOREIGN MARKETS WHICH IS PARTICULARLY THE CASE FOR LUXURY PRODUCTS EXPORTED TO EUROPE.

FOR QUITE A LONG TIME, THE EUROPEAN ECONOMIC COMMUNITY HAS ASKED THE UNITED STATES TO PUT SOME ORDER IN THE INTERNATIONAL EXCHANGE MARKET, BUT THE E.E.C. IS NOT TO BE BLAMED FOR THE FAILURE TO REACH AN AGREEMENT SINCE THE UNITED STATES GOVERNMENT REFUSED TO COOPERATE WITH THE E.E.C. IN THIS AREA.

WHAT WILL HAPPEN IN THIS CASE IN THE NEAR FUTURE IS UNPREDICTABLE. THE ONLY EXPECTATIONS WE CAN HAVE IS THAT, PRESUMABLY AFTER THE ELECTIONS, THE U.S. GOVERNMENT MAY TRY TO FIGHT HARDER THE BUDGET AND TRADE DEFICIT MEASURES, IN WHICH CASE IT MIGHT HAVE SOME IMPACT ON THE EXCHANGE RATE. (SEE TABLE 6)

TABLE 6: Interest and exchange rates assumptions

	1980	1981	1982	1983	1984	1985
	Annual rates (%)					
Rates of interest (US)						
— short-term ¹	11,6	14,0	10,6	8,7	10,0	10,8
— long-term ²	10,8	12,9	12,2	10,8	12,5	13,3
	Change on preceding year (%)					
Exchange rate of USD						
— vis-à-vis ECU ¹	-1,6	+24,7	+13,7	+10,3	+4,2	-7,8
— vis-à-vis DM ³	-0,6	+23,9	+7,4	+5,4	+2,2	-9,1

¹ 13-week US Treasury bills.

² US bonds over 10 years.

³ + (-) signifies an appreciating (depreciating) USD.

Source: Commission services.

YOU ARE EXPERTS IN MARKETING AND SO YOU CAN EASILY UNDERSTAND THAT ECONOMIC FACTORS ARE IMPORTANT BUT ARE ONLY ONE SIDE OF THE COIN OF THE MARKET DEVELOPMENT, ESPECIALLY FOR HIGH-VALUE PRODUCTS.

EUROPE IS OF COURSE ECONOMICALLY INTEGRATED BUT THE VARIOUS CULTURES AND HABITS OF OUR MEMBER COUNTRIES, AND EVEN INSIDE THEM, CONSTITUTE A DIVERSITY OF SUBMARKETS HAVING THEIR OWN REQUIREMENTS.

NEITHER THE UNITED STATES NOR EUROPE HAVE SIMILAR EATING HABITS AND TASTE. HENCE, IF YOU WANT TO DEVELOP YOUR MARKET WITH QUALITY GOODS AND PRODUCTS, YOU MUST TAKE INTO ACCOUNT EUROPE'S VARIOUS EATING HABITS. SEVERAL YEARS AGO I REMEMBER ATTENDING ONE OF YOUR TRADE SHOW IN EUROPE WHERE NEW PRODUCTS WERE DISPLAYED. THESE PRODUCTS HAD BEEN DEVELOPED FOR THE U.S MARKET AND THE SHOW WAS A FIASCO BECAUSE THE POTENTIAL BUYERS WERE USED TO NEITHER THE DESIGN OF THE PACKING, NOR TO THE PRODUCT ASPECT AND TASTE. THESE ARE ELEMENTARY MARKETING NOTIONS, BUT I MAY POINT OUT FRANKLY THAT OFTEN THESE POINTS ARE NOT TAKEN INTO CONSIDERATION BY U.S. EXPORTERS, SINCE EUROPEAN MARKETS ARE RESIDUAL MARKETS COMPARED WITH U.S. DOMESTIC MARKETS. OF COURSE IT IS ALSO OFTEN THE CASE WITH EUROPEAN EXPORTERS.

ANOTHER IMPORTANT ELEMENT FOR YOUR EXPORT PROSPECTS IS THE SIMILARITY OF BOTH YOURS AND OUR PRODUCTS. CALIFORNIA HAS A MEDITERRANEAN CLIMATE AND AGRICULTURAL PRODUCTS LIKE THOSE OF ITALY, GREECE AND SOUTHERN FRANCE. FURTHERMORE, THE COMMUNITY IS SOON TO BE JOINED BY TWO OTHER MEDITERRANEAN COUNTRIES: SPAIN AND PORTUGAL.

IT MEANS THAT YOUR PRODUCTS ARE GENERALLY OF THE SAME KIND AS OURS AND NOT COMPLEMENTARY TO OUR PRODUCTION AS IS THE CASE IN THE PRODUCTION OF SOME OF YOUR MAJOR FARM STATES, FOR EXAMPLE SOY-BEANS OR RICE.

BUT IN SPITE OF THIS ELEMENT, YOU HAVE A CLIMATE WHICH ALLOWS YOU TO PRODUCE A BROADER SPECTRUM OF PRODUCTS THAN WE ARE ABLE TO GROW IN OUR MEDITERRANEAN COUNTRIES. AN OTHER POINT IN YOUR FAVOR IS THAT YOU HAVE DEVELOPED FOR SOME PRODUCTS, HIGH QUALITY STANDARDS WHICH MAY HELP YOU TO COMPETE WITH OTHER SIMILAR PRODUCTS ABROAD.

YOU CAN ALSO PRESENT THE APPEAL AND THE IMAGE OF CALIFORNIA WHICH IS GENERALLY WELL RECEIVED IN FOREIGN COUNTRIES.

IN CONCLUSION AND WITHOUT GOING INTO TOO MUCH DETAILS, I WOULD SAY THAT YOU STILL HAVE MANY PROSPECTS AND OPPORTUNITIES.

AFTER THIS BRIEF ASSESSMENT OF THE ECONOMIC ENVIRONMENT AND OF OTHER FACTORS WHICH MIGHT INFLUENCE YOUR EXPORTS TO EUROPE IN THE COMING YEARS, I WOULD LIKE TO COME BACK TO THE GENERAL FRAMEWORK OF OUR COMMERCIAL RELATIONS WITH THE UNITED STATES AND OF SOME RECENT EVENTS WHICH COULD HAVE MAJOR EFFECTS IN THE NEAR FUTURE IN THE OUTCOME OF OUR TRADING RELATIONS.

AS YOU KNOW, THE CURRENT WORLD TRADE RELATIONS ARE REGULATED BY THE GENERAL AGREEMENT ON TARIFF AND TRADE (GATT) WHICH HAS BEEN MUTUALLY AGREED BY ALL OF US DURING THE PAST INTERNATIONAL TRADE NEGOTIATIONS. WE DO RESPECT THE SPIRIT OF THIS AGREEMENT AND WE ARE ALSO READY TO BETTER DEFINE THE EXISTING RULES IN ORDER TO AVOID THE POTENTIAL CONFLICTS WHICH CAN BE GENERATED BY THE VARIOUS INTERPRETATIONS WHICH MAY BE CONSTRUED FROM THE EXISTING RULES.

IT IS FOR THIS REASON AND IN THIS SPIRIT THAT WE AGREED TO ENTER INTO NEW DISCUSSIONS IN THE FRAMEWORK OF THE COMMITTEE OF AGRICULTURE OF THE GATT WHICH IS CURRENTLY WORKING IN GENEVA. IT IS ALSO IN THIS SPIRIT THAT WE AGREED TO SHARE OUR VIEWS IN THIS MATTER WITH THE U.S. GOVERNMENT DURING THE VARIOUS MEETINGS THAT WERE HELD JOINTLY DURING THIS YEAR.

UNFORTUNATELY, EVEN WHILE WE ARE DISCUSSING IN A VERY OPEN MINDED WAY THE SETTING OF RULES TO EASE THE INTERNATIONAL TRADE AND TO AVOID FURTHER POTENTIAL CONFLICTS, WE ARE FEELING THAT PROTECTIONIST PRESSURES ARE GROWING IN THE UNITED STATES AND THAT AT THE EVE OF THE FORTHCOMING ELECTIONS POLITICAL PRESSURES ARE ATTEMPTING TO OVERTURN THE FREE TRADE PHILOSOPHY OF THE REAGAN ADMINISTRATION.

TO ILLUSTRATE MY STATEMENT LET ME TAKE AS AN EXAMPLE A TYPICAL CALIFORNIAN PRODUCT: WINE.

LET US NOW HAVE A QUICK LOOK AT THE EVOLUTION OF OUR RESPECTIVE FOREIGN MARKETS IN THE RECENT YEARS. IN ORDER TO MAKE A COMPARISON, WE MUST TAKE A RECENT PERIOD SINCE YOUR EXPORTS WERE QUITE INEXISTENT TEN YEARS AGO.

IF WE TAKE THE LAST FIVE YEARS PERIOD (1978 TO 1982), OUR E.E.C. EXPORTS INCREASED BY ABOUT 37% AND THE GLOBAL SHARE OF IMPORTED TABLE WINE ENTERING THE U.S. DISTRIBUTION CHANNELS WAS PRETTY STABLE (ABOUT 26% OF THE U.S. MARKET). IN SPITE OF THE STRENGTH OF THE DOLLAR, OUR EXPORTS TO THE U.S. MARKETS HAVE NOT BOOMED.

AS I ALREADY MENTIONED IT TO YOU, YOUR EXPORTS TO THE EUROPEAN MARKETS HAVE BEEN MULTIPLIED BY 20, IN SPITE OF THE DROP REGISTERED IN 1982 BECAUSE OF THE HIGH VALUE OF THE DOLLAR. IN ADDITION, DURING THE PAST YEARS WE REDUCED OUR WINEGRAPE ACREAGE WHILE YOU INCREASED YOURS.

SO, IF THE FLOWS OF THE EXCHANGE HAVE NOT THE SAME MAGNITUDE BECAUSE OF HISTORICAL AND STRUCTURAL CONDITIONS, THESE FLOWS ARE RECIPROCAL, WHICH IS NOT UNFORTUNATELY THE CASE IN ALL AGRICULTURAL SECTOR EXCHANGES WITH THE U.S., SINCE OUR OVERALL AGRICULTURAL TRADE DEFICIT WITH YOUR COUNTRY IS AROUND 5 BILLION DOLLARS. FORTUNATELY FOR US, WINE IS ONE PRODUCT WHICH HELPS US TO PARTLY RESTORE OUR TRADE IMBALANCE. FOR QUITE A FEW YEARS IT IS WHY WE HAVE BEEN TRYING TO PROMOTE COOPERATION WITH THE ADMINISTRATION IN THE WINE AREA IN ORDER TO STIMULATE TRADE BOTH WAYS.

I WOULD LIKE TO REMIND YOU OF THE RECENT PROGRESS WE HAVE BEEN ACHIEVING IN OUR WINE RELATIONS BECAUSE OF OUR PEACEFUL NEGOTIATIONS:

IN 1970, THE EC IMPLEMENTED COMMON RULES FOR WINE. EC REGULATIONS GOVERNING THE PRODUCTION AND MARKETING OF WINE WERE MEANT TO APPLY TO IMPORTS AS WELL. IN ORDER TO FACILITATE TRADE, THE US GOVERNMENT ASKED THE EC COMMISSION TO ENTER INTO TECHNICAL DISCUSSIONS TO HARMONIZE EC AND US REGULATIONS. THESE DISCUSSIONS BEGAN IN 1973, AND LED TO PROGRESSIVE CHANGES ON BOTH SIDES OF THE ATLANTIC. IN 1983, A COMMON GROUND WAS FOUND ON OENOLOGICAL PRACTICES. THE EC AND THE US FORMALIZED A NUMBER OF COMMITMENTS IN AN EXCHANGE OF LETTERS WHICH TOOK PLACE ON JULY 6.

ACCORDING TO THE HONORABLE JOHN WALKER, ASSISTANT SECRETARY FOR TREASURY, "THE TALKS BETWEEN THE US AND THE EC HAVE ENABLED US WINE EXPORTS TO EXPAND FROM A FEW THOUSAND GALLONS TO MORE THAN TWO MILLION GALLONS ANNUALLY; THEY HAVE ENORMOUSLY IMPROVED US STANDARDS FOR AMERICAN WINES".

THE BILATERAL COMMITMENTS WILL ENSURE FUTURE MARKET OPPORTUNITIES FOR THE US AND AFFORD SIGNIFICANT OPPORTUNITIES FOR TRADE EXPANSION.

THE EUROPEAN COMMISSION IS CONVINCED THAT THE BEST WAY FOR DEVELOPING MUTUAL TRADE IN THE WINE SECTOR BETWEEN THE COMMUNITY AND THE UNITED STATES UNDER SATISFACTORY CONDITIONS IS TO IMPLEMENT RAPIDLY THE EXCHANGES OF LETTERS SIGNED BY BOTH PARTIES IN JULY 1983.

THE COMMISSION HAS THEREFORE DECIDED ON MARCH 12, 1984 TO PROPOSE A REGULATION FOR COUNCIL APPROVAL CONCERNING OENOLOGICAL PRACTICES IN LINE WITH ITS COMMITMENT UNDER THE AGREEMENT.

A COMPENSATORY TAX WAS LEVIED ON IMPORTS OF THOSE COUNTRIES LIKE THE U.S. WHO HAD NOT TAKEN THE COMMITMENT TO RESPECT A REFERENCE PRICE. THE COMMISSION HAS ALSO DECIDED TO REDUCE TO ZERO THE LEVEL OF THIS COUNTERVAILING CHARGE ON IMPORTS OF WINE INTO THE COMMUNITY, INCLUDING THOSE FROM THE U.S.

IN ADDITION, THE COMMISSION RECENTLY APPROVED A REQUEST OF U.S. WINE EXPORTERS TO ADD STICKERS TO IMPORTED WINE BOTTLES IN ORDER TO COMPLY WITH OUR LABELING REGULATIONS.

FINALLY, E.C. WINE DOES NOT BENEFIT FROM ANY EXPORT SUBSIDIES TO THE U.S. WHATEVER.

THE COMMISSION BELIEVED THAT THESE DECISIONS WILL ASSIST THOSE WHO ARE RESISTING PROTECTIONIST TENDENCIES ON BOTH SIDES OF THE ATLANTIC IN ORDER THAT TRADE CAN CONTINUE TO BE DEVELOPED ON A MUTUALLY BENEFICIAL BASIS. WE HOPE THAT SIMILAR EFFORTS WOULD CONTINUE TO BE PROMOTED BY THE U.S. WINE INDUSTRY. BUT RECENT DEVELOPMENTS OF VARIOUS PRESSURES CONCERNING THE E.E.C. EXPORTS IN THE U.S.A. HAVE SHOWN THAT THIS PEACEFUL WAY COULD BE ENDANGERED AND THE MUTUAL BENEFIT COULD BE JEOPARDISED.

THE SO-CALLED WINE EQUITY BILL INTRODUCED IN THE CONGRESS BY CALIFORNIAN CONGRESSMEN IS AN EXAMPLE OF PROTECTIONIST PRESSURE WHICH IS DANGEROUS BOTH FOR E.E.C. INTEREST, OF COURSE, BUT ALSO FOR U.S. INTEREST IF YOU BEAR IN MIND THE IMPORTANCE OF AGRICULTURAL EXPORTS FOR THE U.S.

A STRICT RECIPROCITY AS FORESEEN IN THE BILL WOULD NOT BE IN THE U.S. INTEREST NOR IN LINE WITH ITS INTERNATIONAL COMMITMENT AS THE GATT. FURTHERMORE, THIS BILL HAS BEEN AN OCCASION TO

INTRODUCE A NEW DEFINITION OF THE DOMESTIC INDUSTRY FOR FOOD PRODUCTS, WHICH BILL IS CLEARLY SHOWN TO ENCOURAGE THE IMPOSITION OF COUNTERVAILING DUTIES ON WINE IMPORTS FROM THE COMMUNITY.

LET ME POINT OUT A FEW FACTORS.

FIRST, LET ME QUOTE ONE OF THE NEWSWIRE OF THE PAST WEEK:
" IN TALKS IN WASHINGTON AT THIS YEAR'S INTERNATIONAL MONETARY FUND/WORLD BANK MEETINGS THE EUROPEANS HAVE WON NO CONCESSIONS FROM THE UNITED STATES ABOUT CURRENCY INTERVENTION.

THE REAGAN ADMINISTRATION PREFERS TO LEAVE THE DOLLAR'S TRADING LEVEL TO THE MARKET DESPITE AN AGREEMENT IN 1983 BETWEEN LEADING INDUSTRIALISED COUNTRIES FOR JOINT INTERVENTION IN DISORDERLY MARKET CONDITIONS."

SECOND, OUR AGRICULTURAL TRADE WITH THE U.S. IS IN GREAT DEFICIT NOT ONLY IN THE SOYBEAN AREA, BUT ALSO ALMONDS, RAISINS AND OTHER CALIFORNIAN PRODUCTS. SO IF YOU INTRODUCE THIS CONCEPT OF SECTORIAL BALANCE AS A NORM, WE SHALL BE FORCED TO DO THE SAME AND IT WILL BE AT THE DETRIMENT OF YOUR INDUSTRY.

THIRD, IF YOU UNILATERALLY IMPLEMENT ACTIONS WHICH ARE CLEARLY INCONSISTENT WITH THE CURRENT GATT RULES, WE WILL DO THE SAME AND WE WILL TARGET OUR SAFEGUARDS TO THE MEASURE OF SOME SPECIFIC PROBLEMS. IN OTHER WORDS, SOME UNCONSCIOUS ACTIONS BY YOUR AUTHORITIES TO RESTORE THE TRADE BALANCE TO ONE AREA WILL NO DOUBT BE FOR US THE SIGNAL WHICH WILL LEAD TO A COMPLETE DESTRUCTION OF OUR TRADING RELATIONS BASED ON MUTUALLY AGREED PRINCIPLES.

THIS WILL BE THE END OF A TWO-WAY TRADE BETWEEN US THAT NO ECONOMIC PROSPECT OR MARKETING OPPORTUNITY WILL BE ABLE TO SAVE.