

EEC TRADE NEGOTIATION POLICY

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BEFORE THE

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IS THERE ANY BETTER LOCATION TO TALK ABOUT TRADE AMONG NATIONS THAN ALONG THE COAST, WHERE PEOPLE HAVE ALWAYS BEEN HIGHLY CONSCIOUS THAT WORLD IS NOT ENDING AT THEIR DOORSTEP. SO, I THINK YOU MADE THE RIGHT CHOICE IN DISCUSSING THESE PROBLEMS IN SEATTLE. BUT MAY I IMMEDIATELY CORRECT A LITTLE BIT WHAT I SAID ? WHAT COULD HAVE BEEN RIGHT A FEW DECADES AGO IS NO MORE TRUE NOWADAYS.

WITH THE MODERN COMMUNICATION TECHNIQUES TRADE HAS EXPANDED RAPIDLY AND THERE ARE NO MORE PLACES IN OUR COUNTRIES WHERE PEOPLE ARE NOT CONCERNED BY TRADE. EVEN IN THE DEEP KANSAS, FARMERS ARE FULLY AWARE OF THE CEREALS' TRADING TECHNIQUES. THEY ALSO KNOW THAT PRICES WHICH ARE SET UP IN TRADING PLACES LIKE CHICAGO ARE NOT ONLY A RESULT OF THE SUPPLY AND DEMAND, BUT OF VARIOUS OTHER ELEMENTS, INCLUDING THE PRODUCTION AND TRADING POLICIES OF THE PRODUCING AND IMPORTING COUNTRIES. TRADING POLICIES OF COUNTRIES ARE ONE OF THE ELEMENTS WHICH INFLUENCE THE TRADE.

WHY NATIONS ADOPTED TRADE POLICIES AND WHAT KIND OF TRADING POLICIES DID THEY ADOPT ?  
AFTER A BRIEF HISTORIC, I WOULD LIKE TO EXPLAIN THE SPIRIT AND THE RULES WHICH ARE GOVERNING OUR TRADE NEGOTIATION POLICY IN THE EEC AND OUR CURRENT APPROACH TO THIS MATTER IN THE AGRICULTURAL SECTOR.

UNTIL RECENTLY, THE TRADE POLICY WAS MOSTLY REFLECTED IN THE TARIFF LAWS OF THE TRADING COUNTRIES. IN A HISTORICAL PERSPECTIVE BOTH OUR NATIONS ADOPTED VARIOUS ATTITUDES, SWINGING FROM LIBERAL TO HIGHLY PROTECTIONIST TARIFFS. IN TERMS OF PROTECTIONISM MAY I REMIND YOU THAT THE US HAVE SOMETIMES BEEN VERY TOUGH :

- THE TARIFF ACT OF 1828, KNOWN AS THE TARIFF OF ABOMINATIONS (WITH AN AVERAGE RATE OF 33.5%);
- THE SMOOT -HEWLEY TARIFF ACT OF 1930 WHICH RAISED THE HIGHEST TARIFF RATES IN THE US HISTORY.

BUT THESE EXAMPLES DO NOT REFLECT THE USUAL SITUATION OF THE EARLY 20th CENTURY.

ACCORDING TO AN ARTICLE PUBLISHED BY RICHARD COOPER IN THE YALE LAW JOURNAL, BEFORE 1914 THE WORLD ECONOMIES WERE HIGHLY INTEGRATED. MOST OF THE TIME, CAPITAL WAS FREE TO MOVE INTO OR OUT OF MOST COUNTRIES, TRADE WAS IMPEDED ONLY BY COMPARATIVELY MODERATE TARIFFS, AND QUOTAS WERE GENERALLY ABSENT. EVEN LABOR WAS GENERALLY FREE TO MIGRATE FROM COUNTRY TO COUNTRY. AT THAT TIME, THE INTRUSION OF INTERNATIONAL ECONOMIC INTEGRATION ON NATIONAL ECONOMIC POLICY WAS MORE READILY ACCEPTABLE BECAUSE NATIONAL ECONOMIC POLICY WAS FAR LESS AMBITIOUS IN ITS AIMS.

BUT THIS ECONOMIC INTEGRATION WAS SOMETHING OF AN ILLUSION AND IN SPITE OF GENERALLY LOW TARIFFS AND ABSENCE OF TRADE BARRIERS IMPOSED BY THE STATES, REAL TRADE BARRIERS EXISTED IN THE FORM OF TRANSPORTATION, COMMUNICATION, PROCESSING, STORAGE AND OTHER NATURAL BARRIERS TO THE TRADE. SINCE THE END OF THE SECOND WORLD WAR THIS PICTURE HAS DRAMATICALLY CHANGED.

TRADE FLOWS IN AGRICULTURE HAVE BEEN STIMULATED AMONG OTHER FACTORS BY :

- THE DEVELOPMENT OF MODERN AND CHEAP TRANSPORTATION TECHNIQUES;
- THE IMPROVEMENT OF PROCESSING, STORAGE AND CONSERVATION TECHNIQUES;
- THE DEVELOPMENT OF COMMUNICATION TECHNIQUES:
- THE CREATION OF INTERNATIONAL BUSINESS ORGANIZATIONS.

THE RESULT HAS BEEN A DRAMATIC INCREASE IN THE EXCHANGE OF AGRICULTURAL PRODUCTS DURING THE PAST TWENTY YEARS. AS SHOWN IN THIS CHART\*, EXPORTS HAVE MORE THAN DOUBLED IN VOLUME BETWEEN 1963 AND 1982.

THE INCREASE OF EXPORTS HAS BEEN FAR ABOVE THE INCREASE OF PRODUCTION, WHICH MEANS THAT EXPORT MARKETS DURING THIS PERIOD HAVE TAKEN A GROWING IMPORTANCE IN COMPARISON TO INTERNAL MARKETS.

WE CAN ALSO NOTICE THAT EXPORT MARKETS SEEM TO FLUCTUATE MORE THAN GLOBAL PRODUCTION, WHICH PARTLY EXPLAINS THE SENSIBILITY OF THESE MARKETS.

WHILE LOOKING AT THIS CHART, I WOULD ALSO LIKE TO DRAW YOUR ATTENTION ON ONE FACT THAT WE WILL DISCUSS LATER ON. FOR THE FIRST TIME SINCE A LONG PERIOD IN 1981, GLOBAL PRODUCTION INCREASED MORE THAN EXPORTS.

ONE OF THE REASONS OF THE GROWING INVOLVEMENT OF THE STATES IN THE TRADE POLICY NEGOTIATIONS IS THAT EXCHANGES OF AGRICULTURAL PRODUCTION HAVE TAKEN A GROWING ROLE. THE STATES HAVE ALWAYS BEEN MORE OR LESS INVOLVED IN THEIR INTERNAL AGRICULTURAL PRODUCTION WITH VARIOUS POLICIES AND

# DEVELOPMENT OF WORLD EXPORTS AND PRODUCTION OF AGRICULTURAL PRODUCTS

1963, 1973-82

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TABLE I. - GROWTH OF WORLD PRODUCTION AND TRADE, 1963-1982  
(Average annual percentage change in volume)

	1963-73	1973-82	1977	1978	1979	1980	1981	1982
<b>PRODUCTION</b>								
All commodities	6	3	4%	4	4	1	1	-2
Agriculture	2%	2	2	4	4	-	3%	2
Mining	1%	4	3%	-1	4%	-1%	-3%	-3%
Manufacturing	7%	2%	3	4%	3	1%	4	-2
<b>EXPORTS</b>								
Total	8%	3	4%	5%	6	1%	0	-2
Agricultural products	4	4	2	0	7	3	3	1
Manufactures	11	4%	3	3	3	-2	-1%	-1%

\* Including ferrous and non-ferrous metals.

Note: For sources and methods, see Appendix.

200  
150  
100  
90  
80  
70  
60  
50  
40  
30  
20  
10  
100

Exports

Production

1963 1973 74 75 76 77 78 79 80 81 82 Year

Source . GATT annual Report

PROGRAMS WHICH HAVE BASICALLY THE SAME GOALS. WHEN FOR SOME OF THESE STATES THE PRODUCTION CAPACITY HAS EXCEEDED THE INTERNAL MARKET CONSUMPTION THEY STARTED TO BE INVOLVED IN EXPORT TRADE POLICIES.

AS AN EXAMPLE, PL-480 WAS DESIGNED TO PROMOTE THE EXPORTS OF US AGRICULTURAL PRODUCTS AND TO CREATE NEW MARKETS WHEN US STOCKS OF CEREALS WERE GROWING.

THE FEELING THAT TRADE SHOULD BE DEVELOPED, TRADE BARRIERS ABOLISHED AND THAT RULES OF CONDUCT SHOULD BE SET BETWEEN VARIOUS TRADING PARTNERS GREW AFTER THE 1930 DEPRESSION AND THE DRAMATIC SLOW DOWN OF THE WORLD TRADE.

IN THE US, THE RECIPROCAL TRADE AGREEMENT ACT CONCEIVED BY SECRETARY OF STATE CORDELL HULL WAS ENACTED BY CONGRESS IN 1934. UNDER THE ACT, FOR THE FIRST TIME, THE PRESIDENT WAS GRANTED AUTHORITY TO ENTER INTO RECIPROCAL TRADE AGREEMENTS WITH FOREIGN GOVERNMENTS REDUCING TARIFFS WITHOUT THE ADVICE AND CONSENT OF THE SENATE. THE INTERNATIONALISM WHICH ACCOMPANIED THE END OF THE SECOND WORLD WAR BOOSTED THIS FEELING.

THE RULES AND AGREEMENTS STARTED TO FLOURISH AND ARE NOW SETTING THE RULES OF INTERNATIONAL TRADE AGREED BETWEEN THE VARIOUS PARTICIPATING STATES, IN THE FRAMEWORK OF WHICH WE ARE CONDUCTING OUR TRADE NEGOTIATIONS.

MAY I REMIND YOU OF THE FOLLOWING ACHIEVEMENTS :

- U.N. CONFERENCE IN TRADE HELD IN HAVANA IN 1947-48 WHICH ADOPTED THE CHARTER OF THE INTERNATIONAL TRADE ORGANIZATIONS

(Havana Charter) AND THE SIGNATURE OF THE GATT ON 30 OCTOBER 1947, THEN THE VARIOUS ROUNDS OF NEGOTIATIONS WITHIN THE GATT, THE LAST ONES BEING THE KENNEDY AND THE TOKYO ROUNDS.

- THE VARIOUS WORLD COMMODITY TRADE AGREEMENTS.
- THE FAO PRINCIPLES FIXING THE RULES OF SUPPLY DISPOSAL (CSD).

AMONG OTHERS, THE PREVIOUS AGREEMENTS ARE FIXING THE RULES OF INTERNATIONAL TRADE AND CONSTITUTE THE FRAMEWORK IN WHICH THE EUROPEAN COMMUNITY IS CONDUCTING ITS TRADE NEGOTIATIONS.

BEFORE DETAILING OUR CURRENT TRADE NEGOTIATION POLICY IN THE ABOVE MENTIONED FRAMEWORK, I WOULD LIKE TO BRIEFLY GIVE YOU SOME BACKGROUND INFORMATION ON OUR EXTERNAL TRADE REGULATIONS AND PROCEDURES IN THE EEC.

IN ORDER TO ESTABLISH A FREE TRADE ZONE, IT WAS NECESSARY TO UNIFY THE VARIOUS AND DIFFERENT AGRICULTURAL POLICIES OF THE JOINING MEMBER STATES. THIS HAS MAINLY BEEN DONE BY THE ESTABLISHMENT OF COMMON MARKET ORGANIZATIONS FOR THE MAIN AGRICULTURAL COMMODITIES. COMMON MARKET RULES AND PRICES DECIDED BY THE EUROPEAN COUNCIL AND ENFORCED BY THE COMMISSION OF THE EUROPEAN COMMUNITY HAVE BEEN FIXED FOR THE MEMBER STATES. IN WORKING OUT ITS COMMON AGRICULTURAL POLICY, THE EUROPEAN COMMUNITY WAS CAREFUL TO REMEMBER ITS GLOBAL RESPONSIBILITIES AND TO AVOID SLAMMING THE DOOR ON THE OUTSIDE WORLD. THIS WAS ESPECIALLY DESIRABLE SINCE ALL THE MEMBER COUNTRIES WERE PARTIES TO BILATERAL AGREEMENTS WITH NON MEMBER COUNTRIES SPECIFICALLY AFFECTING TRADE IN AGRICULTURAL PRODUCE, AND

ALL OF THEM WERE MEMBERS OF GATT, FAO AND OECD WHICH HAVE AMONG THEIR MAIN OBJECTIVES THE FOSTERING OF INTERNATIONAL TRADE. THESE WERE OBLIGATIONS THAT THE 1957 TREATY OF ROME CREATING THE EUROPEAN COMMUNITIES COULD NOT IGNORE. SINCE 1961, THE COMMUNITY HAS PARTICIPATED IN THE GATT ACCESSION PROTOCOLS OF NEW CONTRACTING PARTIES AND IT WAS A PARTY TO THE PROTOCOLS INCORPORATING THE RESULTS OF THE KENNEDY AND TOKYO ROUNDS AND TO THE MTN AGREEMENTS ON NON-TARIFF BARRIERS. IT ACCORDINGLY STIPULATES IN ARTICLE 110 THAT THE MEMBER STATES INTEND TO CONTRIBUTE TO THE SMOOTH DEVELOPMENT OF WORLD TRADE, THE PROGRESSIVE ELIMINATION OF INTERNATIONAL TRADE RESTRICTIONS AND THE LOWERING OF TARIFF BARRIERS. THESE ARE PROVISIONS OF A GENERAL CHARACTER APPLYING OF COURSE TO TRADE IN AGRICULTURAL PRODUCTS.

GENERAL PROVISIONS REGARDING THE REGULATIONS OF EXTERNAL TRADE ARE TO BE FOUND IN ARTICLES 113 AND 114 OF THE EEC TREATY WHICH PROVIDE LARGE DISCRETION TO THE COMMUNITY INSTITUTIONS.

Article 113

1. After the transitional period has ended [1970] the common commercial policy shall be based on uniform principles particularly in regard to changes in tariff rates, the conclusion of tariff and trade agreements, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade such as those to be taken in case of dumping or subsidies.
2. The Commission shall submit proposals to the Council for implementing the common commercial policy.
3. Where agreements with third countries need to be negotiated, the Commission shall make recommendations to the Council, which shall authorise the Commission to open the necessary negotiations. The Commission shall conduct these negotiations in consultation with a special committee appointed by the Council to assist the Commission in this task and within the framework of such directives as the Council may issue to it.
4. In exercising the powers conferred upon it by this Article, the Council shall act by qualified majority.

Article 114

The agreements referred to in Article 111(2) and in Article 113 shall be concluded by the Council on behalf of the Community, acting unanimously during the first two stages and by qualified majority thereafter.

The right to negotiate agreements is conferred on the Commission, but the Council exercises effective power by giving the necessary authorization in the form of tightly drawn negotiating directives, and by exploiting to the full the provision in paragraph 3 of Article 113 for special consultative committees. Commercial agreements are concluded by the Council under Article 114. The



AS I TOLD YOU BEFORE, THE TRADE POLICY IS PARTLY INDUCED BY THE INTERNAL POLICIES. WHAT DOES ALL THAT MEAN IN TERMS OF TRADE NEGOTIATION POLICY ?

IN THE FIELD OF FOOD AND AGRICULTURE, OUR TRADE NEGOTIATION POLICY TAKES INTO ACCOUNT THREE BASIC PRINCIPLES OF THE COMMON AGRICULTURAL POLICY :

- MARKET UNITY ;
- COMMUNITY PREFERENCE ;
- FINANCIAL SOLIDARITY AMONG MEMBER STATES.

NOW, I WOULD LIKE TO ILLUSTRATE WITH ONE SIMPLE EXAMPLE HOW WE ARE ELABORATING AND THEN DEFENDING OUR TRADE POLICY.

ONE OF THE MAIN FEATURES AND BASIC ELEMENTS OF THE UNITARY SYSTEM IS THE COMMON PRICE FOR THE SAME QUALITY PRODUCT. IN ORDER TO STABILIZE THE INTERNAL EEC MARKETS AT GUARANTEED PRICES, IT WAS NECESSARY TO AVOID INTERNALLY THE ADVERSE EFFECTS OF FLUCTUATIONS IN WORLD MARKET PRICES. IT WAS THE REASON WHY THE SYSTEM OF VARIABLE LEVIES AND REFUNDS HAS BEEN ESTABLISHED IN THE AGRICULTURAL TRADE TRANSACTIONS BETWEEN MEMBER STATES AND THIRD WORLD COUNTRIES. THIS IS PLAYING THE SAME ROLE AS A LOCK. IF THE WORLD PRICES ARE LOWER THEN THE EEC INTERNAL PRICES, A LEVY IS APPLIED TO THE IMPORTED PRODUCTS AND A REFUND TO THE EEC EXPORTED PRODUCTS. IF WORLD PRICES ARE HIGHER THAN INTERNAL PRICES, WHICH HAPPENED FOR CEREALS AND SUGAR IN THE EARLY 70'S, A LEVY IS APPLIED TO THE EXPORTED PRODUCTS. THE REFUND APPLIED TO OUR EXPORTED PRODUCTS IS THE CENTERPIECE OF OUR DISPUTES WITH THE US ADMINISTRATION AND GENERATED

MOST OF THE CASES WHICH ARE CURRENTLY PENDING IN THE GATT. THE UNITED STATES ACCUSE US OF CAPTURING THE WORLD MARKET WITH OUR REFUND SYSTEM AND TO BE RESPONSIBLE FOR THE U.S. CURRENT EXPORTS DECLINE. OUR REFUND IS CALLED AN UNFAIR TRADE PRACTICE. DURING OUR RECENT DISCUSSIONS, WE RESPONDED TO THE U.S. CONCERNS WITH THE FOLLOWING EXPLANATIONS.

FIRST

IN ORDER TO AVOID ADVERSE EFFECTS ON THE WORLD MARKET, THIS SYSTEM IS ADMINISTERED IN SUCH A WAY, THAT THE LEVIES OR THE REFUNDS COMPENSATE FOR, BUT DON'T EXCEED, THE DIFFERENCE BETWEEN INTERNAL AND WORLD PRICES. THAT IS THEY DON'T ALLOW THE EEC TO CAPTURE AN INEQUITABLE SHARE OF THE WORLD MARKET. AND, IN FACT, IF YOU LOOK AT OUR WORLD MARKET SHARE IN AGRICULTURAL TRADE DURING THE PAST TEN YEARS, YOU WILL NOTICE THAT IT HAS BEEN PRETTY STABLE AROUND 10%.

EXPORT SUBSIDIES IN AGRICULTURE HAVE BEEN RECOGNIZED AS A FACT OF LIFE DURING THE TOKYO ROUND AND PROVIDED THAT SOME RULES WERE RESPECTED (MARKET SHARES, PRICE UNDERCUTTING), THEY HAVE BEEN AGREED UPON BY THE PARTICIPATING COUNTRIES.

SECOND

THE ROOTS OF THE CURRENT U.S. TRADE AGRICULTURAL PROBLEMS ARE NOT IN OUR POLICY. DURING THE SEVENTIES WHILE OUR COMMON AGRICULTURAL POLICY WAS ALREADY APPLIED WITH THE SAME BASIC PRINCIPLES AS NOW, YOUR VOLUME OF AGRICULTURAL EXPORTS AND YOUR INTERNAL PRODUCTION INCREASED MORE THAN THE EEC ONES. YOUR EXPORTS STARTED TO DECREASE IN 1981 WHILE OURS WERE LEVELING UP. ACCORDING TO OUR ANALYSIS,

THE DECREASE IN YOUR EXPORTS WAS GENERATED BY THE WEAKNESS OF THE WORLD DEMAND WHICH ALSO AFFECTED OUR TRADE. BUT THE MAIN REASON IS TO BE FOUND IN YOUR POLICY:

- YOU LOST A SHARE OF THE USSR GRAIN MARKET AFTER THE EMBARGO;
- YOUR DOLLAR HAS APPRECIATED VERSUS OTHER CURRENCIES (2 tables)..... \*

AMONG THE REASONS THAT YOUR ADMINISTRATION CHOSE TO EXPLAIN THE DECREASE OF US EXPORTS, WAS THE CAPTURE OF THE EGYPTIAN FLOUR BY THE EUROPEANS. REASON WHY YOU SUBSIDIZED 1 MIO TON OF FLOUR TO EGYPT IN 1983. THE U.S.D.A. GRAPH WHICH I AM GOING TO SHOW YOU PERFECTLY ILLUSTRATES THAT THIS IS NOT TRUE.

(Graph)

THIS EXAMPLE ILLUSTRATES HOW WE ARE CONFORMING TO THE INTERNATIONAL AGREEMENT IN OUR TRADING POLICIES AND ALSO THE RATIONALE OF OUR DEFENSE WHEN WE ARE UNDER ATTACK.

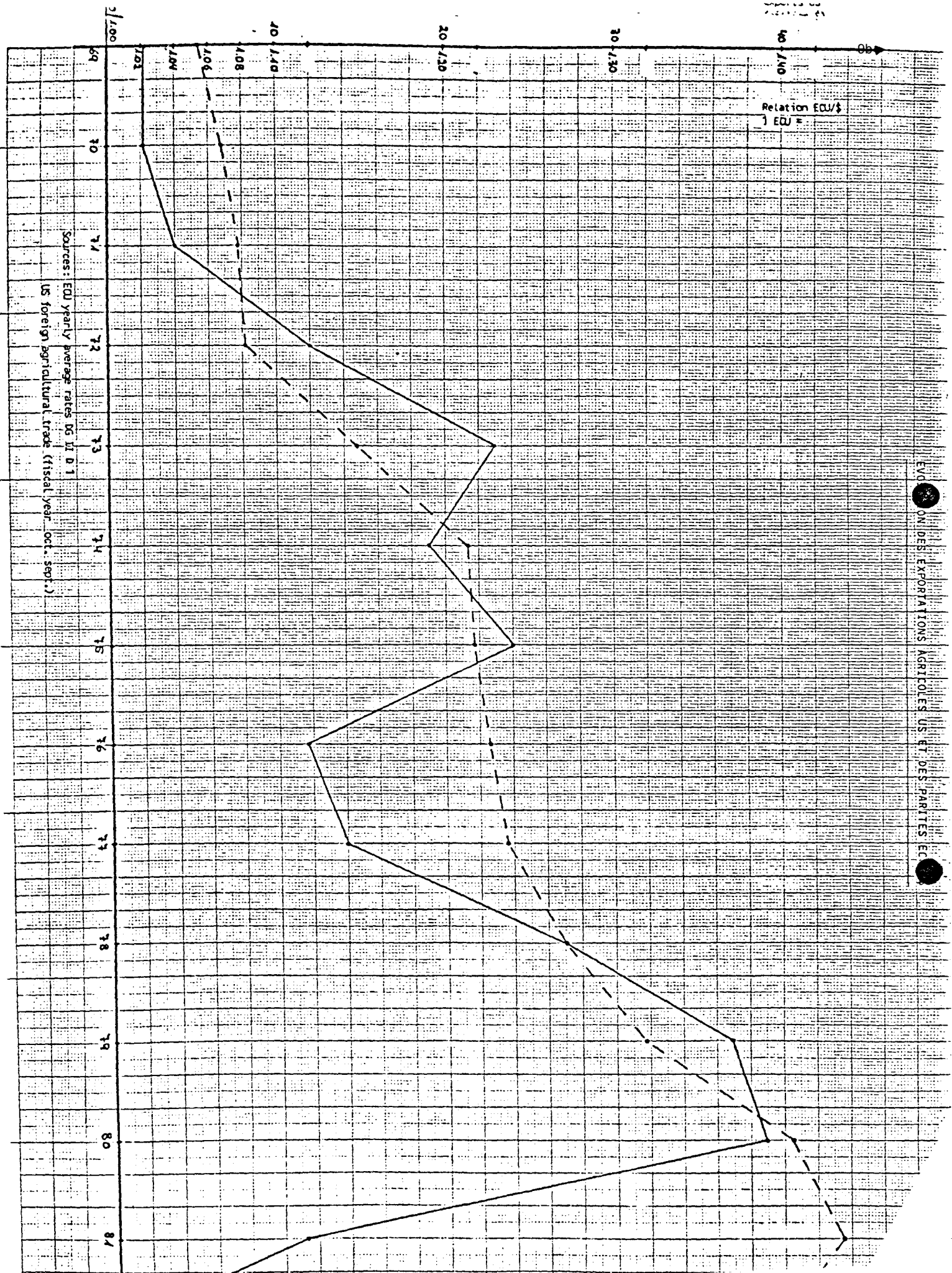
EVOLUTION DE LA PART CEE ET USA DANS LE COMMERCE MONDIAL AGRICOLE

	Monde (1) \$ mrd	U S A		C E E	
		(2) \$ mrd	USA %	(3) \$ mrd	EEC %
1973	99	17,7	17,9	9,4	9,5
1974	125,5	21,9	17,5	11,7	9,3
1975	128,4	21,9	17,1	11,6	9,0
1976	139,4	23	16,5	11,8	8,4
1977	156,4	23,6	15,1	14,0	8,9
1978	172,5	29,4	17	16,9	9,8
1979	216,9	34,7	16	20,9	9,6
1980	245,4	41,2	16,8	27,2	11,1
1981	247	43,3	17,5	28,3	11,5

(1) Source GATT : Le commerce international - intra CEE (voir rapport annuel 1981)

(2) Source US Foreign trade Fiscal year 1981

(3) Export CEE rapport annuel



NEVERTHELESS, WE RECOGNIZE THE CURRENT WORLD TRADE DIFFICULTIES AND WE ADOPTED RECENTLY A HARD LINE TO FIGHT THEM :

1) INTERNAL POLICY

SUPPORT PRICE DECREASE (NOT FREEZE) :

- END OF OPEN-ENDED PRICE GUARANTEES FOR SOME PRODUCTS;
- QUOTA ON DAIRY.

2) EXTERNAL POLICY

WE AGREED TO SHARE A CONSTRUCTIVE LINE IN THE FRAMEWORK OF THE GATT COMMITTEE OF AGRICULTURE, AND WE ARE CURRENTLY ENGAGED IN EXPLANATORY DISCUSSIONS WITH YOUR COUNTRY ON THE USE OF EXPORT SUBSIDIES WHICH COULD NOT BE FORBIDDEN.

AS YOU CAN SEE, OUR TRADE NEGOTIATION POLICY IN AGRICULTURE IS NOT A RIGID ONE. IT IS IN CONSTANT EVOLUTION AND IN THE FRAMEWORK OF OUR INSTITUTIONS AND OF OUR PRODUCTION POLICIES. WE ARE TRYING TO BE AS MUCH FLEXIBLE AS WE CAN TO ADAPT TO THE EVOLUTION OF THE WORLD MARKETS.

7/7/84