REMARKS ADDRESSSED BY BRUNO G. JULIEN
DELEGATION OF THE COMMISSION OF THE
EUROPEAN COMMUNITIES

BEFORE THE

NATIONAL AGRICULTURAL MARKETING OFFICIALS - N A M O
1984 Annual Meeting
Seattle, Washington
July 16-19, 1984
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 USUALLY 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 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
TABLE I. - GROWTH OF WORLD PRODUCTION AND TRADE, 1963-1982
(Average annual percentage change in volume)

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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.


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...

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

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(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.