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The U.S. and the E.E.C.

Agriculture and Trade compared.

Are we on a collision course.

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I am here, invited by the E.E.C. to speak about agricultural policies, trade relations, common difficulties but also common interests.

I am here to inform you about our points of view but certainly also to learn about your opinions.

I heard our relations recently described as "being on a collision course", an expression which includes danger, something unavoidable.

Others use even stronger terms, like "trade war".

What is the problem.

The problem is related to the following facts:

First the U.S. is, as far as export is concerned, to a very large extent dependant upon agricultural products.

Out of every 5 acres farmland 2 acres are harvested for export purposes. 20% of the total world agricultural export comes from your land, a value in 1982 of 42 billion dollars, a figure which was only 20 billion \$ in 1973.

With these figures your surplus on the agricultural trade balance went up from 7.500 billion dollar to more than 20 billion.

Enough to conclude that the U.S. has a major interest in the world market for agricultural products.

Now what is this world market.

Certainly the E.E.C. is part of it, and the most important part, 25% of world imports of agricultural products make our community the largest import of such products in the world.

What does this mean for the U.S. Well simple enough: We are your best customer. Roughly one third of your agricultural export is sold on our markets.

Of course we export also to the U.S., but the net deficit is roughly 8 billion in favor of the U.S.

So far hardly a reason for U.S. politicians and organizations to be angry with the E.E.C., one would say.

The angry outbursts are more related to the trends than to the figures.

Secondly it is not unusual that in times of economic difficulties, and I am fully aware that your and our agricultures are in difficulties, there is a certain need for a scapegoat.

Well there she is the C.A.P.; too high prices go in this opinion hand in hand with exportsubsidies. In February 1983 the chairman of the national council of farmers cooperatives, Bill Gaston, said in his testimony for the agricultural committee of the Senate, about the downward trend in the agricultural exports,

I quote: "The E.E.C. aggressive use of export programs to dispose of surplus stocks generated by their high internal support prices has made the community a major contender for world markets". end quote.

This brings me to the second part of this introduction, namely the comparison of our agricultural policies.

To explain to you our system I have to mention some history.

The second world war left Western Europe in ruins. It was an U.S. initiative which started not only the economic revival, but was also a strong incentive for the political cooperation namely The Marshall plan. For my country for instance it meant an amount of 1 billion dollar.

At that time the C.E.C.D. was formed. Our common ideal was to create in fact the U.S. of Europe, bound together by strong economic and political ties, and thus living together in peace instead of dying in wars.

In 1957 6 countries joined hands, in 1973 the U.K., Ireland and Denmark joined the community and in 1981 Greece became the 10th member. At the moment Spain and Portugal are waiting at the doorstep.

So we formed a community; 10 countries, 270 million people.

5 million farmers left out of 18 million 20 years ago, but still struggling for a part to make a living on an area of land which is only 1/6 of what the U.S. farmers have at their disposal.

To give you an example from the dairy. There are 1,7 million dairy farmers left. 1,2 million have a herd which is less than 20 cows.

The C.A.P. is of course not able and does not aim at a price level which ensures this type of farm a reasonable income and therefore still 2 or 3% leave every year their farm.

On the other hand the C.A.P. is aimed at the increase of productivity, a fair standard of living, a sufficient supply of food at reasonable prices also for the consumer and a stabilized market.

To reach this goal we set for the main crops target prices. In situations of surplus the government buys stocks and to stabilize the markets we use the system of variable levies with some of the imported products and hand out restitutions when exports take place.

When I try to compare from these points of view our systems and the costs of these, I come to the conclusion that the systems are roughly comparable.

Target-prices, commodity-loans, stock policy and even export-subsidie belong to the tool of U.S. farm policy as well as to the C.A.P.

As far as the costs are concerned: The U.S Agricultural Bill accepted for 1982 is amounted to 23 billion \$. Our E.E.C. bill for the same year was roughly 15 billion.

The real problem arises when we meet on the markets. So lets have a more specific look at the E.E.C. market for the U.S. products first.

As I said before an important market in need of 25% of all world agricultural imports.

Do we really block the roads for imports by the system of variable levies.

The facts do not give prove for that.

In 10 years from 1973 - 1983 the U.S. exports to the E.E.C. soared from say 20 billion \$ to 50 billion \$.

Well let me tell you that only 15% of our agricultural imports is subject to the variable levy system. Of the other 85% more than half comes in at zero duties.

Soja and corn-gluten feed are examples of this free entry, but looking at your total figure in the last 10 years, your export of soja, corn, corngluten, citrus and other fruits, cotton, to name the most important ones, increased very strongly too.

But I am fully aware of the fact that export met the last years increasing difficulties.

I can assure you that we meet the same.

Coming from a dairy country which exports 60% of its total dairy production, I know what it means when Nigeria no longer imports dairy products because of its economic and political trouble; I know what it means when Venezuela and Mexico are in great trouble because of their budgetary problems, countries which used to be important customers.

We have to realise that we also meet the succes of our increased productivity as a problem.

For instance when I look at the U.S. figures for production over the years 1975 - 1981, I find the following in million tons:

wheat production	58	to	76
soya	41	to	57
corn	146	to	208
milk	52	to	59

Looking at the E.E.C. also a yearly production increase of let us say 3%, where as the consumption only goes up by 1 - 1½%.

In both countries we find therefore the farmers and the governments struggling with this overflooded market and unable or unwilling to finance any more open ended policies.

Very recently therefore the council of ministers took very drastic steps to slow the production-increase of, or even to discourage this;  
To limit the financial consequences;  
to restore equilibrium on the markets.

- To reach these goals prices will, in real terms, be lowered;
- Production targets will be implemented;
- For dairy for instance an individual quota system will be implemented, which aims at a production-decrease of round 7% in one year time.

I can assure you that this is a hard blow for the million of farmers and their families and we have not been applauding when these results became known.

Production and prices in both our continents will certainly play an important role.

But world economy and major political development are certainly as important also for the markets.

Take f.i. the position and policy of Russia.

In 1981/82 the Sovjet Union needed 50 million tons of grain. In 1983/84 35 million tons.

The outcome of your negotiation in this field will have a much greater impact on your exportmarket than the outcome of a discussion about a possible levy on 3 million tons of corngluten.

The export-policies of Brasil will influence your markets for soja and broilers much more substantially than a small increase of the exportsubsidy or of the price level of feed grain in the E.E.C.

When the world economy improves really and over a longer period, than the level of consumption all over the world will improve.

Because in 15 years time the worldpopulation will increase from 4½ billion to 6 billion people.

90% of this increase will take place in the poor regions, the third world.

Whenever an improved economy and effective development programs increase the buying power, then we will need all the productioncapacity we have to feed this world-population.

This brings me to my conclusive remarks.

First of all I can state the fact that U.S. and E.E.C. agriculture are the determining factor in the world food supply and demand.

Secondly this means that in a situation of increasing production and stabilizing or even decreased outlets, there is a more fierce competition.

Thirdly this competition is complicated by the fact that we both have systems of agricultural policies, meant also to help the farmers to earn a reasonable income and to stabilize the home markets.

Both systems are to a very large extent comparable also in the sense that we both use trade political instruments to intervene on the exportmarkets.

The E.E.C. system of variable levies and export-restitution are in accordance with the G.A.T.T.-rules.

In the fourth place analysing the factors influencing the U.S. export positions, there is no justification for the thesis that the E.E.C. agricultural policy is the main or important cause fo decreasing results. Also from this point of view it is interesting to quote a very famous American, Prof. Gale Johnson, who said last year at a congres called Agriculture in the 21st Century, commenting U.S. agriculture policy, I quote: "The complaints made by the U.S. have had minimal effects. Why is this so. Perhaps the most important reason has been noted namely that trade interventions are generally extensions of domestic agricultural policies. But there is at least one other important reason namely that the U.S. continues to utilize means of trade intervention that are of the same type as those we argue should be reduced or abandoned". end quote.

Therefore it is about time that the E.E.C. and the U.S. authorities stop the accusations andquarrals. To get off the collision roads and make the necessary adaptations in agriculture and tradepolicies.

The first and important steps have been taken on both sides in the sence that price and productionlevels have been reviewed. What is needed next and related with these steps is that trade relations will be improved and no new barriers are formed.



I know that a G.A.T.T. committee under the chairmanship of director general of the Dutch ministry of agriculture is very hard trying to find solutions in this respect.

Finally I close by mentioning that in 2 world wars the U.S. took responsibilities for a better future also of Europe.

The Marshall plan poured billions of dollars for the recovery of our ruined continent.

The General Agreement on Tariffs and Trade was signed.

In 1951 the Coal and Steel Authority was formed.

In 1957 the Treaty of Rome was signed as a further important step towards unity and peace by means of a solid economic cooperation.

The Common Market came into effect.

The Nato was and is the expression of the military alliance.

All forms and expressions of a common responsibility; of a will to remove barriers instead of create them.

But no doubt there is an erosion of these feelings; a weakening of this will. My being here and speaking to you like I did is a small prove of it.

Nevertheless, the fact that we get the opportunity to speak so frankly on both sides of the Atlantic also proves that we are not satisfied with the recent developments.

Looking at the agriculture in the 21st Century like Prof. Gale Johnson and Dick Lyng did I will end with a quotation of another famous countryman of yours, the writer, poet, architect and philosopher Buckminster Fuller, who wrote a book in 1969 with the title "Utopia or Oblivion" he wrote, I quote:

"There is no longer any functional necessity for scarcities, no longer any justifications for haves and have nots; no longer a rationale for national boundaries; political aggression". end quote.

The agriculture in the 21st century will no doubt have its own problems.

The only hope and wish I have is that when they learn about our activities that they will say:

At least they were part of the solution and not part of the problem.

RZ/bg.