

THE EUROPEAN COMMUNITY

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"TRANS-ATLANTIC FARM POLICY"

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BY

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NATIONAL FARM INSTITUTE

DES MOINES, IOWA

Vice President Humphrey, Secretary Freeman, Ladies and Gentlemen:

When you think of it, it is an extremely improbable thing that I am here today. I am in the United States as the representative of the world's largest farm trading unit. I am here as the representative of a continent which, in its path to unity, already possesses population and industrial power rivaling that of the United States. I am here as the representative of a European Common Market which is now engaged as a partner of the United States in the greatest trade negotiation in the history of the West. Yet only twenty years ago -- in 1945 -- there was no Common Market, there was no common agricultural policy, there was no powerful and free Western Europe. It has all been done in an incredibly short time.

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It is you here in the United States that we have in large part to thank for our Western European miracle. You fought for our freedom. You gave us a new start through the Marshall Plan. You literally pushed us toward integration. You made it possible for us to reach our turning point in 1950, when the Schuman Plan created the European Coal and Steel Community and set a pattern for greater merger of Western Europe's interests. Now, with further integration through the Common Market and Euratom, we in Europe have accelerated our movement toward a single economy. And as we do this, we move closer to a single political Europe as well.

In our path to unity it has always been clear to me that our interests are interwoven with your interests here in the United States. Now and in the future, we must use all our energies to insure continuing cooperation in all fields.

It was the late President Kennedy who inspired us with his call for an Atlantic partnership. He laid the base on which we build. Now President Johnson has continued the policy of partnership. There have been setbacks to our partnership, both here and in Europe. But still, we gain. There is a tide of public opinion in Europe which will not be denied. And that tide is toward European unity and alliance with the United States. I see it every day in our streets and on our farms. I see it in our young people. The people of Europe will not be denied this chance for a new and better life. We politicians may lag behind at times, but our European citizens have not lost their desire for a new Europe.

Let us be frank. We all know that the present French President has a concept of Europe which is far different than that of the overwhelming majority of our European citizens. But we also know that the real interests

(more)

of France, in the long run, also lie in a politically unified Europe in close cooperation with the United States. What kind of political unity should Europe have? There is thus far no agreement in Europe on this question. But there is agreement that Europe must reach economic unity. And so we will continue to make economic progress until the time when a satisfactory, democratic political unity is possible. And it is in economics that we can now, as equal partners, nourish our Atlantic partnership. It is a place for us to begin.

What is the place of agriculture in our partnership?

First, I will talk about what is happening inside the framework of our common European agricultural policy, about our objectives and how we intend to reach them.

You know our greatest problem. We have too many small, inefficient family farms. Some 70 per cent of our farms are less than 25 acres. It takes 23 European farm workers per 100 hectares to do the tasks done by 2 American farm workers.

We are, above all then, trying to create a larger and more efficient European farm unit.

We have been helped in our efforts by the rapid expansion of the Common Market for industrial goods. From 1952 to 1962, one quarter of our Community farm population left the farm for the city. During reduction of our farm population from 20 million to 15 million, our farm productivity increased, and at a rate faster than the increase in industrial productivity. But farm income per capita is still far lower than industrial income.

Another problem is our marketing process. In Holland, marketing is efficient. In France, Italy and Germany it is not. We are now undertaking

(more)

common programs to improve marketing. This, by the way, shows that the common agricultural policy is more than a "price policy" or "support policy."

Our farm population is dwindling, its productivity is rising, it is modernizing, it is making use of technology and chemistry. European agriculture is, in fact, undergoing a revolution. And during this revolution we are merging six separate market organizations into a single organization under our common agricultural policy. The adjustment from six national policies to one European policy is highly technical and complicated. We are hammering out together one system to replace six systems built up through generations of purely national outlook, six systems designed to insulate farmers at home from outside competition.

The best example of the difficulty involved is our experience in establishing a single Community grain price. The basic objectives of our common price system are to provide fair income for efficient European producers and at the same time to establish a "balanced market" -- that is, a market without surplus domestic production and with room for imports from efficient overseas producers.

But, when translated into political realities, these objectives were obviously hard to reach in a basic commodity like grains. A price too far above the low prices in France and the Netherlands was sure to encourage too great production. Above all, we did not want to encourage extension of French cereals acreage. At the same time, the high German price would have to be drastically lowered, if overproduction were not to result. And this meant hard political decisions for the German government.

It took us two long, hard years of negotiation to make the grain-price decision. But we did it. And, as of July 1967, there will be a single grain price in the Community. Without that price decision, we would have

perpetuated imbalance in our domestic market and would not have been able to negotiate in the Kennedy Round. Now we have cemented the agricultural part of our Common Market and have made possible free trade in both industrial and agricultural goods, perhaps by as early as 1967.

And our decision has given a political stimulus to the Common Market. It extends to the monetary field, where our price is expressed in Europe "units" rather than in any national currency. It certainly affects our common trade policy, still in evolution.

What will be the effect of the agreed price-levels themselves?

First of all, let me say that we do not expect any wide expansion of French acreage. But there will be a normal increase in production in acreage already under cultivation. The Common Market Commission said at the time we made our grain-price proposals that we believed they would, if adopted, leave room for ample imports from overseas producers. The proposals have been adopted and we stand by our estimates. We certainly expect a big continuing market for U. S. feed grains, and for a variety of reasons not all associated with Community price levels. In fact, U. S. feed grain sales to Europe may rise in volume over their present level. But they will not continue to hold their present percentage of the European market -- most largely because of more efficient and mechanized European production techniques.

Now, to the Kennedy Round trade negotiation under way in Geneva -- More is at stake in the Kennedy Round than trans-Atlantic relations. The interdependence of all the West is at stake, as well as relations between developed and developing countries. But the United States and the Community, because of their economic strength, nevertheless are the

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major negotiating parties in Geneva and therefore bear major responsibility.

We in the Common Market must trade to live. Some 25 per cent of our gross product depends on trade, compared to 7 per cent here.

We are the biggest importer in the world. In 1964, we imported some \$26.5 billion worth of goods, compared to \$18.3 billion imported by the United States. Between 1958 and 1964, our imports from non-EEC countries increased by 53 per cent, while U. S. imports increased 34 per cent, and British imports increased 28 per cent. We buy twice as much from the United States as we sell here -- you have a 2 to 1 trading advantage on us. Last year, we bought 90 per cent more from you than we bought in 1958. Our trade balance last year showed a \$3 billion deficit, while you had a \$6.5 billion surplus.

Yes, we have an "open" trade policy.

What about trade in agricultural products alone?

From 1958 to 1963, we increased our agricultural exports to the United States from \$205 million to \$260 million. During the same period, American farm exports to the EEC increased from \$890 million to \$1.3 billion. In agricultural trade, the United States has a 5 to 1 trading advantage with the Community.

In those products under Community regulation -- such as cereals, meats, rice, wine, milk and pork -- American exports to the EEC increased in those five years from \$253 million to \$540 million, while our exports here increased from \$82 million to \$89 million.

Agriculture will play a key role in the Kennedy Round. It is, in fact, the first time that a major trade negotiation has included agriculture.

Agricultural trade has been ill for a long time. I propose that we

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do not treat the symptoms of the illness, but the causes themselves.

First of all, we are faced with the fact that farm production in industrialized countries is increasing faster than consumption, while in the developing countries there is great undernourishment and no purchasing power. We in the rich countries all protect our farmers to some degree and export our surpluses even with losses. But exports of the developing countries are only one-fourth their level before World War II. Increase in farm production per capita has risen sharply in the West since 1940, but in South America and Africa it is less per capita. Simultaneously, terms of trade are worsening for developing countries and the gap between rich and poor increases.

In this situation we see that developed and developing alike protect their agricultures. And the methods of protection are numerous.

It thus goes without saying that the world market is an artificial market. The Common Market is firmly convinced that we should attack the causes of the illness at their heart. We propose that in the Kennedy Round no element affecting world trade should be excluded:

- . Production in relation to demand.
- . Disposal of surpluses.
- . Prices on world markets.
- . Price policies in exporting and importing countries.
- . Support policies.

In other words, we hope to see the Kennedy Round as a beginning toward a true international agricultural policy. We must get a grip on the roots of world agricultural crisis. To do so, we must establish some discipline in regard to agricultural protection. But discipline for everyone. And for all products. This means that no party to the Kennedy Round should make the choice of products which he wishes to commit to the negotiation. This is certainly in

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accord with the Kennedy Round principles of an across-the-board, linear approach and reciprocity.

In the industrial negotiation, both tariff and non-tariff protection will be on the table although tariffs are the principal means of industrial protection.

In agriculture, the tariff is secondary in importance. What really counts is the sum effect of all aspects of national agricultural policy, of all kinds of protection.

We in the Common Market say that all elements should be put on the table -- levies, sluice gate prices, producer subsidies, quotas, export subsidies, state trading, monopolies. All of them.

We propose a binding in GATT of all these elements of protection, with nothing excluded in full reciprocity. When a country then wanted to increase domestic farm protection, it would have to pay for it.

How can this negotiation be undertaken? We say that all the elements of domestic protection have one net result: a difference in domestic price from the world market price. We in the Community call this difference the "margin of support." We are willing to consolidate our margin of support in relation to a "normal world market price" or "reference price" to be negotiated. If the actual world market price were to fall below the reference price, both the importer and exporter would be free to increase domestic support in that amount.

We propose an initial binding of three years. Before the end of that three-year period, there would be a negotiation on the following three years. If there were by that time world over production, then the reference price could be revised. If there were overproduction on the part of only one partner, then that partner would be asked to adjust his level of support.

This method would be an important first step toward a better world market organization. It would not mean, as some have charged, that the Community would

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impose its own system of protection on its trading partners. What would be on the table would be the sum of protection, expressed in amount per unit of product.

There have been suggestions toward other methods of negotiations which would fix certain import quotas. We in the Common Market are not prepared to take this route. In the past, such quotas have not solved the problem. They are not consistent with either reciprocity or a linear approach to the negotiation. They do not affect world market prices. They give no obligation to the contracting parties to adjust production to demand.

In addition, we in the Community propose that commodity agreements be concluded for certain products, such as cereals, meat, sugar and fats. These would be based on the same elements already outlined. But in addition:

- . All contracting parties would seek to avoid surpluses, not sold in normal ways.
- . Efforts would be made to increase demand when there is danger of surpluses.
- . In "non-commercial" sales, there would be an obligation to follow agreements in the U. N. or other international body (perhaps GATT).
- . Price stabilization would be sought in international trade. There would be a commitment to apply an agreed reference price. The level of this reference price would be important. It should give fair return to efficient producers but offer goods for import at moderate cost.
- . Agreement would be sought on surplus disposal and stocks, with a particular eye to aiding the undernourished.

The Kennedy Round, as I said before, must take into account the desperate needs of the developing world. We in the rich West must fulfill our obligations.

There are GATT members who have neither modern production nor modern marketing. The recent World Trade and Development Conference gave no answer to the problems of the developing countries -- and in fact they themselves were unable to agree. I believe that if we, the developed countries in GATT, could agree on the principles outlined above, we would find it much easier to make a common approach and agree on common obligations toward the developing.

Also, agreement on these principles would make it easier to frame a common approach to the Communist nations, some of whom are GATT members, some not.

In any case, we are ready to start tomorrow in an effort toward a world agreement on cereals. Later this year, when our EEC policy has been completed for other products, we will be ready to discuss milk, meat, sugar and fats.

I began my talk today by thanking you in the United States for the invaluable help and inspiration which led us toward European unification. I also said that, now lacking a political unity, we in Europe were ready to begin our Atlantic partnership in the field of economics, working nevertheless inside Europe for eventual political unity.

Let me say now that those of us who believe in a united Europe will not give up our efforts. We will not be deterred by setbacks inside Europe and by those who would turn us back to nationalism. We will not content ourselves with a customs union or even with economic unity, important as

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that may be. We will work every day this year, next year, and in years after for our goal of democratic unity. And we will work equally for continuing partnership and cooperation with the United States.

We want no third force or divisive European chauvinism. We seek instead the strength through interdependence that comes only to peoples sharing common heritage, ideals and determination. We will continue.

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