

GENERAL AGREEMENT ON TARIFFS AND TRADE

Thirteenth Session of the Contracting Parties

SPEECH BY DR. S.L. MANSHOLT,  
VICE-PRESIDENT OF THE COMMISSION OF THE EUROPEAN ECONOMIC COMMUNITY  
DELIVERED AT THE PLENARY MEETING OF THE CONTRACTING PARTIES  
HELD ON 17 OCTOBER 1958

Mr. Chairman, being here for the first time at a meeting of GATT, I can assure you that I have listened with very great interest to what has been said in this meeting yesterday and today.

As one of the few farmers here I feel that it is wonderful to discover what a great interest exists, not only in farming circles, in agriculture - or, if not in agriculture, at least in agricultural policy - but of course I am not here in that capacity. I am here, as is my colleague Rey, as a member of the European Commission of the Common Market and I can understand very well what your interests are. It was expressed yesterday very clearly in your meeting. What is your agricultural policy to be? What are your intentions in the future? And I could hear yesterday, especially yesterday, an undertone of concern about our intentions. Well, gentlemen, I think that is very comprehensible. Up till now we cannot say that in general agricultural policy, as far as marketing is concerned, is something that has promoted trade. We know very well that up till now the various systems of national agricultural policies have all been more or less linked up with protectionism - autarchic systems - and we know that there are many forms and many means of being protectionist. It is not only a question of tariffs, not only a question of quotas, and so on. But that magnificent Report of the Group of Experts - Haberler, and his colleagues - has shown us by what ways and means we can deal on a national basis with agricultural commodities, what can be the results of international trade in agricultural commodities, and it is for that reason that I am very glad to have the opportunity now, here at this meeting, to give you an outline of our aims and how we desire to try to attain them.

First of all, Mr. Chairman, I should like to remark that we have not a clear-cut agricultural policy in our pockets now - that is impossible. We all know that it is a very complex problem and we know too that national agricultural policies are not developed in one year. But we have to bear in mind that the Treaty of Rome puts us under an obligation. It is an obligation for the Community, and especially for the Commission, to make proposals for developing agricultural policy before 1 January 1960. So we have now before us one year and a few months to develop an agricultural policy, but of course the developing of an agricultural policy is not a problem that you can solve in your study. You have to be in the midst of reality and there will have been many consultations before we can be completely clear what we want to do. But on the other hand, it is an absolute necessity that you should know what is more or less our philosophy,

MORE

for I think that in this state of our work our philosophy, what we want to do, what our aims are and how we plan to achieve them - is important. And then I am very glad that I can give you some basic ideas of our policy for the future, basic ideas that will show some of the major trends of our agricultural policy.

A few months ago we had an agricultural conference in Stresa, a conference that was called as the result of Article 43 of our Treaty, and in that conference of the Six governments we agreed on several points that are important for you here. Of course, I will not and I cannot give you here a complete outline of the results of that conference. I do not think that will be necessary, but I will specially mention those points that are of interest to you here in this meeting. First of all, the answer to the question which you have put to us: What will be the effects of the agricultural policy of the Six on other countries, and especially of course, in other exporting countries, and what will be the effect in general of the agricultural policy of the Six on world trade in agricultural commodities?

Well then, first of all I will give you a sketch of the atmosphere at Stresa. I can tell you that the atmosphere in Stresa at that agricultural conference was for all of us who know how difficult conferences sometimes, especially agricultural conferences, are, was refreshing. The delegations who were there did not hesitate to develop thoughts and ideas that gave the basis of the solution of real problems in the future. There was a feeling, a general feeling, at that conference - "We cannot go on as we have done up to now with our national policies". I think this could be avoided, too, not only for the Six but for other countries also. What have we done up to now on a national basis, on a national scale? Up to now we have not usually sought to solve the real problems but to merely heat the symptoms, and in Stresa we were quite clear that we had to be constructive, that we could not continue in this way, and that we would have to look at the roots of the problem in agriculture. That is to say, Mr. Chairman, there was a general feeling that one cannot deal only with matters of trade in agricultural commodities - one has to see what are the causes of the problems in trade: what are the reasons for tariffs, why we have quotas, why we need the subsidies, why we need guarantees for agriculture, for the farmers? What we want to develop in the Six is first of all that agriculture as a whole should be considered as a normal part of the economy and of social life. We want farm incomes not only to depend on the decisions of Ministers of Finance and governments as to the rate of guarantees and subsidies and so on - we want to develop an agricultural policy that in itself gives the guarantees for a normal income in farming, for a normal trade, too, in farm commodities. What we want, too, is that production and consumption should, as far as possible, be in balance to avoid 'dirigisme', to avoid too a system of intervention and of agricultural aid. When I speak of that balance in production and consumption, we know that on account of the various types of national intervention in agricultural commodities and agricultural policies we do not always produce agricultural commodities because there is a market demand for them but because there are guarantees. And one thing we have learned up to now is that we cannot continue in this way, and so we have to develop an

agricultural policy that is based on the reality and that stems from the nature of existing demand. And then we have to discover why, in which way, by which means and in what quantities we have to produce agricultural commodities.

I think, Mr. Chairman, that up to now everyone will agree with that sort of philosophy behind an agricultural policy. But you will probably reply that all these things can be achieved in a more or less protectionist policy by autarchy. At the Stresa Conference, however, it was very clearly stated by the Six governments of our Community in the resolution of Article 2, that our Community cannot and will not be an autarchic community in the field of agriculture. And, Mr. Chairman (I imagine that the resolution has been distributed here at this meeting), here you will see that the Treaty does bring about the progressive development of trade within the Market, but we shall have to take into account the necessity of trade relations with third countries which was expressed very clearly at the first agricultural meeting in Stresa. Many times in that conference it was stated that our Community must be a Community with an expanding economy - increasing population, an increasing industrial power, and that means the strengthening of trade with other countries. It would be a very short-sighted policy if our Community thought that that could be achieved without imports of raw materials or agricultural products. In Stresa we were very clear on the fact that development of agriculture was not possible without an expanding industry. In other words the best way to give a guarantee to farmers is to ensure industrial expansion. The way in which agricultural matters were treated at the conference at Stresa - and I say this as one who was for a long time Minister of Agriculture, and I have attended many meetings on agricultural policy, not only on a European but on a world-wide scale - I must say that at Stresa I met a new approach to agricultural policy.

There is a second point in our philosophy of agricultural policy and that is that we have to establish a policy that leads to a balance between production and demand. At the Stresa Conference it was stated in the resolution I have already mentioned, that in the establishing of a balance between production and demand, we have to take into account possible exports and imports. Is there any reason to fear the common agricultural policy when looked at in that way? First of all we have to look at what the situation is now, what we now have in the Six countries. There are six national policies with a world market at this moment in agricultural commodities that has a burden of surpluses, together with low prices, where you find a very great difficulty in that there is no balance between production and demand. I do not say that there could not be a balance between production and demand. Demand is big enough but there is no balance between production and purchasing power and we all know that there is a very big demand for foodstuffs in the world. At this very moment there is a big struggle with this problem on a world-wide scale. We have in Europe six national policies with six ways and means of dealing with agricultural commodities, stabilization schemes, guarantees, fixed prices, subsidies, monopolies and so on. What is the result in the Six countries? We see in the Six countries a production of commodities for which there is no real demand, and that creates surpluses. But the philosophy expressed in Stresa, aimed at a balanced production and a balanced agricultural policy. I think that we can make a step forward by creating a common agricultural policy. That will be a

step forward for all of us not only on a world-wide scale but in all our interests. It will be a great benefit for all when there is a possibility of developing an agricultural policy that is placed on a sounder basis than it has been up to now. By the way, I would like to mention here, Mr. Chairman, quite clearly, that protectionism does not only take the form of import barriers, such as tariffs and quotas, but other ways and means, other ways and appearances, can give the same negative aspects as, for instance, subsidizing the export of surpluses as practised by us all. We do it in Western Europe and it is done in North America. There are other systems of deficiency payments, but I will make it quite clear that all those methods of dealing with agricultural policy bring difficulties to trade in agricultural commodities. They all have negative effects. When, for instance, the cost price of one pint of milk in an importing country is thirty cents, and in an exporting country the cost price is twenty cents, and the importing country gives eleven cents as a deficiency payment to a farmer then the production in the importing country will expand and exports will eventually be diminished to zero. So you see that in dealing with deficiency payments and other means of subsidies in agriculture you are also dealing with trade in agricultural commodities. Do not think that I blame such a policy in every case. There may be particular domestic reasons. Perhaps we cannot avoid it in the future, but a liberal policy is not only characterized by an absence of tariffs and quotas.

To return to our market policy in the future of our Community. There are ways in which it is not possible to avoid these systems, those interventions in the agricultural market when we do not make every effort to improve the structure of our agriculture. There are structural problems in agriculture that are at the roots of production, that are more important than always dealing with the symptoms by interfering in the market, and then, Mr. Chairman, I think that the Conference of Stresa and the Treaty of Rome both expressed that we will have to tackle that problem, that we will have to improve the structural position of our agriculture in Western Europe to avoid all the difficulties, all the interventions in the market that we have at this very moment. It is for that reason that I am very glad, and I think we all can be very glad, that at the Conference of Stresa there were far-reaching decisions on the improvement of that situation, improvement schemes not only for agriculture but through industrialization schemes to attract superfluous labour out of agriculture, and that is important for the trade in agricultural commodities in general too. But what we see now is that price schemes in Western Europe are based not only on the average of the cost price in agricultural commodities, but we have to take into account too the marginal prices. And when the structural problems are not solved in agriculture, we have to deal with the marginal farmer too.

One of the reasons why there is a big difference between prices in Western Europe in various commodities of agriculture is that there are such a lot of marginal farms. The structural problems of our agriculture in Western Europe are very great and we will have to tackle them by an increase

of productivity, by productivity of the soil, of course, by productivity of capital, but for our object it is only by increasing the productivity of labour that we can increase the standard of living. What does that mean for the trade in agricultural commodities? That we have to be very careful about increasing the productivity of labour in agriculture by only increasing our production. It was expressed very clearly in Stresa that we have to be very careful. What we have done up to now is to increase production without ascertaining that a corresponding demand existed. We have created surpluses. We will have to be very careful about this problem. On the other hand, there is the necessity of increasing the productivity of labour in agriculture and so we will have to do all we can, make every effort and concentrate on increasing productivity of labour by other means. When we follow this philosophy in our agricultural policy of expanding industry, of a balance in agricultural production and consumption, taking into account the relations with exporting and importing countries, and an increase in productivity of labour, then I am absolutely sure, Mr. Chairman, that as the result of a common agricultural policy on a sound principle, there will be an expanding food market and there will be room for imports of basic products, primary products and food products because we have an agricultural policy that is based on sound principles.

At this point, Mr. Chairman, I should like to draw your attention to paragraph 251 in the magnificent Report of Haberler and his collaborators. When we study those figures, taking into account the various assumptions, we can see what is the size of potential imports of primary products into North America and Western Europe. When we see the potentialities that lie behind these figures I am not pessimistic about the possibilities of world trade in the future, but it depends of course to a large part on what the purchasing power will be of large areas of the world where there is a very great lack of possibilities to buy what is needed. At the same moment there is surplus on the one hand and there is hunger on the other hand. We cannot be pessimistic and we will have to do more in that field. And now I come to the significance, in my opinion, of GATT in regard to agricultural policy. I heard many things that were very interesting yesterday and I can say that I have learned one thing from the Haberler Report and that is: that the GATT, in its actual possibilities, in its actual form and with its actual powers is inadequate to deal with agricultural policy. One thing that I learned from the Report is that the problems are so complex and you can only deal with them when you go to the roots of the problem - that you cannot solve them by only taking into account the questions of tariffs and quotas and of trade. You cannot deal with the problem by approaching it only from the commercial side. I can fully understand, Mr. Chairman, that up till now there were complaints that GATT could not do much in the field of agricultural commodities. I heard the same complaint, Mr. Chairman, in the Food and Agricultural Organization for many years too and I agree with those who say that it is just in this field that we must make progress. It is in this field of agricultural policies on a world-wide scale that we will have to make progress. For here we have to deal with one of the rotten spots in our world economy,

and perhaps in our world policy, that the distance between the haves and the have-nots, the distance between those in favourable conditions and those in unfavourable conditions - on the one hand industrialized countries and on the other hand purely agricultural countries - is not decreasing but the distance is still increasing at this very moment. We all know that this problem is only to be solved by a concentrated attack from various sides - economic aid, financial aid, getting "know-how" and so on. It is all necessary. What we have to deal with in this conference is that a greater flow of goods from those countries who are in unfavourable conditions to those who are in favourable conditions, the industrial world, the Western world, may I say, is absolutely necessary. Our Commission is fully aware of that fact; we know that it cannot be done only by breaking down trade barriers; barriers of trade are the symptoms and we have to make it possible for our organization, for GATT too, to break them down but we have to do so by looking and seeing what is behind the trade barriers, why we have those trade barriers. We must adjust our economic policies; we must adjust our agriculture policies. And we know, too, from the Haberler Report that we cannot do that by creating so-called free trade. It will drive out economic production, as pointed out in paragraph 253 of the Haberler Report, which says "in our view, therefore, a moderation of agricultural protectionism should be combined with other measures to facilitate the necessary re-organization of agriculture; but a moderation of agricultural protectionism remains a necessary ingredient in the total operation". That means also, Mr. Chairman, we have to look for a moderation of our agriculture protectionism. And now I believe that there is a fine project to deal with this, to deal in reality with agriculture policies, and what we need to do in my opinion - I welcome warmly the proposal of the United Kingdom delegation in this way - is to look for a code of agriculture policy, for we have to select good methods and we have to avoid wrong methods. Not every method is wrong. There are in existing circumstances several methods of agriculture policy and not every protectionist policy, not every agriculture policy is wrong. We have to select - but selection has to be made to form some sort of code of agriculture policy. The Haberler Report can in my opinion be a very good basis, a very good starting point.

And now I will come back to the Common Market, to our policy. We are very willing, as was already expressed by my colleague Rey, we are very willing to join in consultations, to have close liaison. We are very willing to join in the confrontation of agriculture policy on the same base as other countries, as other Contracting Parties, are doing. We, at this very moment, have to build up our agriculture policy, and we should like to follow many of the proposals as well as the guidance of the Report of Haberler. We are fully aware of the fact that a good code of agriculture policy could be based on this Report and we will have to follow that code too in developing our agriculture policy in our Community. If this meeting of GATT, Mr. Chairman, should lead us to decisions in this way, then our Community will be glad to join a real policy for greater and freer trade and greater prosperity.