

ADDRESS

by

Dr. S. L. MANSHOLT

to the

EUROPAKAMPAGNEN

in

COPENHAGEN

on 8 September 1961

Ladies and Gentlemen,

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You will believe me when I say that I appreciate the privilege of addressing an illustrious audience of representatives from so many and varied organizations interested in matters of European integration. At the same time I realize that I am speaking at a very decisive moment in this integration process. On the one hand, this obliges me not to anticipate, let alone to prejudice, serious negotiations; on the other, this very situation compels me to make a number of fundamental statements which go far beyond the scope of "European Agricultural Policy", which is the theme of this talk.

I have no difficulty in finding a starting point. This is not the first time that I have been in your country, that I have contacted your politicians, or have considered your political and economic problems. As Netherlands Minister of Agriculture I for many years had close liaison with my successive Danish colleagues. In the political, cultural and economic fields there was sufficient reason for such close relations: two small countries determined to hold their own in a world full of political tensions; old cultural links which merit care and attention, a similar economic structure, especially in agriculture. All this made co-operation natural. What could be more desirable than close contact and good collaboration between these two countries, even if the similarity of their agricultural structure meant that they

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frequently faced each other as competitors in the markets of other countries?

I am speaking to you today as a Vice-President of the Commission of the European Economic Community in Brussels and it might therefore seem as if I had undergone a change of heart, abandoning exclusively national points of view for exclusively supra-national ones. Let me therefore say straight-away that there can be no question of any such extreme trend of thought. It was my work as a national Minister that convinced me more and more that economic interlocking, the development of transport, and political necessity all force major groupings on us, especially if we wish to safeguard the legitimate national interests of our nations. National and European thinking are not mutually exclusive, any more than European thinking excludes world-wide links.

I will yield to no one on the point of appreciating national characteristics or achievements. I do not consider a standardized European wish-wash to be a desirable ideal. A great Frenchman, Jean Jaures, once said that the nations were the treasure-chests of mankind. Gustav Stresemann, German statesman of the period between the wars, compared the nations to flowers which needed to be tied together if they were to make a bouquet that would please the eye.

In a less lyrical but more practical mood I will say

that my experience as a minister has taught me that quite a number of national tasks are simply no longer feasible in the framework of a national state. In that limited context, we are left to find some temporary breathing space by means of one of those emergency solutions calculated to pass our own difficulties on to our neighbour and to let him manage as best he may. He can only manage by playing the ball back. And all this zeal and imagination is applied, not to solve problems but to shift them on to some other country, in a western world which knows very well, or ought to know very well, **that we are all in one boat and can only survive together.**

As recently as in the 19th century half a dozen European countries ruled the world, despite their frequent disputes and wars. After two world wars which at base were European civil wars, and a dramatic world economic crisis, little has remained of this European predominance. But it is not only because we have devastated one another that the importance of our continent has diminished; at the same time non-European world powers and former colonial territories have risen to their present significance and independence.

I know very well that what I have said is nothing new, but many of those who recognize the change in the position of Europe still refuse to draw any serious conclusion from it.

Knowledge and understanding, however, are useless if we are not prepared to draw conclusions from them. It seems to me that the cardinal question is this: do we wish to remain a balkanized Europe and thus to accept the dwindling importance of our continent as an unalterable fact? Or do we, by gathering together the political and economic forces of Europe, wish to achieve a European renaissance whose purpose must now, however, be to regain our predominance of the 19th century or to establish ourselves in isolation as a so-called "third" force. Such a renaissance could, however, create the conditions in which our old continent could meet with renewed vigour its obligations in a free world and could prove itself suitable and capable of solving its own problems by its own exertions and according to its own lights.

I know that up to this point I am not likely to meet any contradictions. The issue becomes critical when we begin to consider the possible forms of such a European merger. This is the touchstone. From what I have said so far you will have realized that nothing is further from my mind than a doctrinaire attitude. In the dispute about "federal" or "confederate" solutions I have always remembered the very instructive title of the Swiss Constitution which covers both concepts. It is: "La Constitution fédérale de la Confédération helvétique". But to reject a doctrinaire attitude in matters of European integration must not mean to be content with superficial solutions which, whilst they provide high

sounding phrases, do not alter a situation where the settlement of problems is sought in a free-for-all rather than in co-operation, or in passing difficulties on to other countries rather than by the European nations accepting joint responsibility.

I know that one of the questions exercising public opinion in your country at the moment is that of the NATO Command at the outlet of the Baltic. No sensible person in the world will today toy with bellicose extravagances. But if it is true that we must seek the solution of military problems in joint responsibility, how much more natural this should be in the economic sphere.

The six countries of the Coal and Steel Community which were the first to seek and to find a supra-national solution - the six countries sometimes ironically called "little Europe" - have accumulated more than ten years of experience and they are quite familiar with the search for suitable ways of doing things in such a manner that national freedom of action is not curtailed more than necessary for the common good, whilst on the other hand the rights of the Community are safeguarded. Let me remind you of the first phase of the pre-history of the EEC when at the Messina Conference in June 1955 the then Netherlands Foreign Minister M. Beyen said that we would like to set up an economic community, but were afraid of supra-national means. He felt that we should examine what institutions were needed to reach our goal; if it should turn out that supra-national institutions were required, then we

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should approve the means for the sake of the end.

The institutions finally set up reflect an effort to balance national and common interests: in the Council of Ministers national views come face to face with proposals by the Commission, which represents the common interest in a community whose aim it is during a transition period of 12 to 15 years to merge six national economies into one within which there will be no restriction on the free movement of persons, goods, capital or services. There is a European Parliament, whose powers need to be extended, an Economic and Social Committee and a European Court of Justice to provide for the division of powers through which is created the balance that is a self-evident prerequisite of any democratic society. The EEC Treaty is no more perfect than any other product of the human mind. For that very reason it is so important that those who have to implement it should be imbued with a clearly democratic spirit and aware of the common needs of Europe.

Perhaps what I have said will lead you to believe that I am not aware of the applications for membership presented by your country and Great Britain, and that I am trying to persuade you where you have already made your decision. I am quite familiar with the letters from your and the British Government, and of course I have also studied the Danish

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memorandum of August 10th in detail. I place such emphasis on the aims of European integration because I fear that any unduly opportunist attitude will not facilitate but rather impede the coming negotiations.

When they started their work, the EEC partners fully realized that they were tackling an arduous task which would require many sacrifices, they were guided by the words of Paul-Henri Spaak who said that despite sacrifices this merger would be worthwhile because it would amount not merely to an addition but to a "creation". We should like to rediscover something of this spirit in the extended community, lest its achievements to date be undone and a development which is full of promises for the future of Europe be stifled at the very outset.

This is not to say that we require a declaration of faith from those who for sober and pragmatic considerations have, after much hesitation, come to the conclusion that the concept of the EEC is after all not as unreasonable as they perhaps thought in the beginning. Nevertheless we wish to leave no room for doubt that we are convinced that the success which the EEC has attained so far would not have been possible without the impulse provided by a genuine new European concept, and that this success must be maintained, particularly if the new members are to have their full share in it.

I am not passing any judgment but only stating a fact when I say that nothing but the successes so far attained by the EEC have in the end induced Great Britain and other countries such as Denmark and Ireland to apply for negotiations with a view to joining the Community. Nor is it by any means new for British statesmen to be guided by facts rather than by an ideology. I will not deny that this step has given us twofold satisfaction. Twofold, because we were never so arrogant as to believe that the Community of the Six was the whole of Europe, and because this step taken by those who have so far stood aloof now confirms the success of our labours.

I think back with pleasure to the letters in the London Times in which one reader asked "What would be the dowry if Britain married Europe?" and another replied that "before this question could be answered, Britain would first have to propose". This is what has now happened.

I have spoken of a twofold satisfaction. I should like to say a few words on both aspects of this. In the first place, then, the British step is a recognition of the success of the EEC. I know that this decision is of historic importance for Great Britain. Not because in any

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choice between Europe and the Commonwealth Britain has decided in favour of Europe, we certainly do not wish to place Britain before such a choice. We know full well that a rupture of the Commonwealth would be a loss not only to the United Kingdom but to the whole of Europe. Yet it is a decision of historic importance because for the first time Britain is showing the will to exert not only an indirect influence by a policy of keeping the balance of power in Europe, but to enter into a direct European engagement on an issue of decisive importance. This decision should not be dismissed lightly. It gives me pleasure to note that in the case of Mr. Macmillan, the Prime Minister of Her Majesty's Government, it means the rediscovery of Europe. This is of great importance because whilst he was one of the leading figures in the European movement during the first years of the Council of Europe, he showed an enthusiasm for Europe which cooled off when he took office as Prime Minister. This is now resurging. It is the decision of a statesman who has allowed practical experience to teach him a lesson.

This lesson, which amongst other things consists of the Community's record of success, can be illustrated with a few figures.

In a few months it will be four years that the EEC has been in operation. After a relatively short running-in period, the first measures began to make themselves felt and

were reflected in statistics and in the attitude of trade and industry.

Since the start of the EEC in 1958, the year-to-year growth rate of gross national products has been 5.5% in the EEC, 3% in EFTA, 2.6% in the United Kingdom and 3.3% in the U.S.A. In the Community the overall index of industrial production for 1958 (100) rose to 121 in 1960. During the same period Great Britain reached an index of 114 and the U.S.A. 118. The rise was particularly steep from 1959 to 1960. Whilst in the Community the index mounted by 13 points, it climbed only 7 points in the U.K. and 4 in the U.S.A.

Although we have so far **reduced customs duties by only 30%** in the industrial sector, 20% in the liberalized agricultural sector and 25% for agricultural goods subject to quotas, internal trade has already increased by 50%. This increase does not even reflect the most recent reduction of duties on December 31, 1960, which was based on the speed-up decision.

However, non-member countries have also benefited considerably from this process of internal integration. Trade with these countries has expanded by 25% since 1958. The progress made by the EEC as a result of integration becomes abundantly clear if we compare the results of 1959 with those of 1960. We must not overlook the fact that the first customs reductions and the first major steps to eliminate quotas did not begin until 1959. The following picture then presents itself:

Expansion rate of the gross national product	7%
Expansion rate of industrial production	12%
Expansion rate of internal trade	25%
Expansion rate of imports from non-member countries	20%

This last figure refutes the charge sometimes brought against the EEC that it is trying to shut itself off from the rest of Europe.

Of course, these results have also been influenced by the favourable economic trend in our countries. In return, however, this received a strong impulse from the process of integration the purpose of which is to create a large and uniform economic area.

So much for statistics. The other yardstick of success which I mentioned was the attitude of trade and industry. It is no secret that when the Community was about to be set up economic circles in our countries adopted a kind of benevolently reserved attitude. This has meanwhile yielded to a very positive and optimistic mood. Perhaps the best illustration of this is to be found in the roughly 200 associations of trade and industry - about 90 of them in the agricultural sector - which have set themselves up in the six countries and are registered with the Commission in Brussels. I do not deny that this surprisingly rapid action provides a strong impulse

for integration from below, but at the same time brings with it dangers by which the common free market could be divided into cartel arrangements even before it has been established. This is a field of action for our competition policy, to which I propose to refer later in another context.

Apart from the rising confidence of our own trade and industry, that which foreign sources of capital have in the Community is also increasing. The number of American firms which have settled in the Common Market is more than 500 as compared with 180 in the rest of Europe. Total foreign investments in the manufactured goods industries are estimated as follows:

	<u>1958</u>	<u>1959</u>	<u>1960</u>
	<u>in million \$</u>		
In the Common Market	166	157.3	269.2
In the rest of Europe	293	222	231.7

These, then, are the figures which I believe were amongst the reasons that motivated those countries which have now initiated negotiations for their possible membership in the EEC. I have said that this decision gives us a twofold cause for satisfaction and now I should like to say a few words on the second aspect of that satisfaction.

I am not afraid to declare that this new development confirms us in our view that our work in the Community has proceeded at the right pace. You know as well as I do that

the EEC has sometimes been reproached, from outside as well as from within, with being in too much of a hurry and making too rapid progress. It has been said that thereby it was creating too wide a gap between itself and the other European countries, for whom it would become increasingly difficult to jump on the moving train. Some have even drawn the totally wrong conclusion that it was precisely the intention of the EEC to frighten possible partners away by these rapid development tactics calculated to keep the number of members down.

We have always answered these charges by stating our own view, which was exactly the opposite. If we wish to win over partners whom we are anxious to have, and of whose empirical and pragmatic attitude we are convinced, there is no point in presenting them with ideological arguments; we must achieve concrete results which will give serious evidence of a new and fruitful development. Without this resolve to translate the aims of the Treaty into practice we would not today find ourselves at the beginning of difficult but hopeful negotiations. It is hardly likely that public opinion in Great Britain would have become as keyed up as it has been for about a year until the well-known decision was taken if no more had been at stake than the construction of a European facade.

I speak of this past period not only because of its historical interest. The issue has again become most acute: once again we are told within the EEC and outside it that

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the beginning of negotiations with new partners requires a kind of standstill in the implementation of the Treaty.

Where such recommendations come from certain quarters in the Community, I am afraid that they are not based on any concern for the new partners. I cannot dismiss the possibility that the new partners are only used by these quarters as a pretext to escape from the application of the Treaty. After all, it is no secret that, though a new concept may have been democratically accepted by a responsible majority, all resistance to it will not necessarily cease.

I should now like to say a few words about the standstill request made by our new partners in the negotiations. Of course it cannot be the intention of the Community to create a fait accompli during the negotiations and thus to face these partners with an entirely new situation and thereby altering the basis on which the negotiations had been started. There can be no question of any such danger. The genuine desire for an extension of the Community on the basis of the Treaty of Rome is too great for such a danger to exist.

The issue is between a standstill or the resolute application of the Treaty, and refers to proposals of the Commission long under discussion by the institutions of the Community, that is to say the Parliament, the Economic and Social Committee and the Council of Ministers; in accordance with the Treaty,

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many of these proposals must be decided by a certain date. They are by no means new to our partners in the negotiations. I am not giving away any secret when I say that - regardless of the closed-shop charge - the Community has always maintained close contact with the diplomatic missions of our present and future partners in the negotiations and that it has kept them informed of the Community's work, its proposals and its decisions to the extent that they needed to be informed. Our partners know what is up for discussion, and I assume that this knowledge has determined them to take up negotiations. Therefore, just as the Community must not surprise them with unexpected decisions, they must not demand that no decisions be taken during the negotiations. Apart from the fact that fruitful negotiations which are to lead to a European unification full of promise for the future must not begin with a breach of the Treaty, from the point of view of its due implementation, there is also a completely unpolitical and purely economic reason why there should not be a **standstill**. We realize that the creation of a vast economic unit cannot be accomplished painlessly or without difficulties of transition. Such obstacles are more easily overcome at a time of extraordinarily favourable economic trends. We must therefore try to make hay while the sun shines, particularly if we wish to gain stability, strength and soundness in order

to meet the Treaty's requirements. These are to raise the standards of living, of employment and of economic expansion, but also to match up to our great obligations vis-à-vis the developing countries.

With your permission I shall now deal with some points which affect your area more directly and are related to your political and economic problems.

I know how difficult it was for your country to have to choose between EFTA and EEC, even at the time when EFTA was already about to be set up. At that time someone asked me how I thought the agricultural problem could be solved if Denmark were to join the EEC. I replied that although I feared that such a step would make the agricultural issues more difficult, I should welcome it for political reasons. At that time we considered Danish membership whilst Great Britain would remain outside the EEC. In the light of your country's agricultural export interests, any decision must seem wrong to you because, whichever way you made up your mind, you would be more or less effectively cut off from one of your two major customers. Therefore your Foreign Minister, Mr. Krag, whom I hold in high esteem, adopted an attitude which did not surprise me in the least; at the first sign of a British change of course he announced in Paris and Oslo, in Geneva and London that Denmark would unhesitatingly follow the new course of Britain. This attitude of the

Danish Government did not find the unanimous approval of EFTA or of your Scandinavian friends, unjustly, I feel. In view of your export situation it must have been nothing short of a relief to you to escape from the dilemma which meant that your position in one or the other of your great outlets was almost bound to be threatened. In another context I have spoken of the EEC's determination, which had been wrongly interpreted as a closed-shop policy. Analogously we could describe the Danish decision as deriving from a necessity, and certainly not as intending to undermine EFTA. Perhaps however your Government was also helped in its decision because your country - as mine - has drawn from recent bitter experience a stronger will to strive for joint responsibility in the setting of political, military and economic Communities.

I do not intend this in any way as a reproach to those EFTA members who feel that full membership in the EEC is incompatible with their military neutrality. In the 20th century, it is true that military, economic and foreign policy are no longer isolated fields. Therefore, though I am not convinced that a policy of neutrality is feasible, or that European countries should go it alone instead of all acting together, I can fully understand the Swedish, Swiss and Austrian Governments deciding that their policy of neutrality - though based on different reasons - makes full membership

impossible. There is no point in trying to solve this problem by sophisms: Any attempt at merging a number of national economies into one is bound to touch upon politics. Economics, foreign trade, agricultural, or social policy is policy and will affect foreign policy even if no handle for a co-ordination of foreign policies had been provided through the EEC a year ago. When I say this I fully respect the attitude of those Governments who believe that just because of their policy of neutrality they must refuse membership in the EEC. Incidentally, their decision should in no way prevent us from seeking and finding that form of association with them which will correspond to our mutual economic interests and their political concepts.

However, it would be nice if the Governments of these countries did not try to prove more than is equitably possible and permissible. In Stockholm and Vienna statesmen whose political convictions are close to my own have told us that it was not only their Government's policy of neutrality which prevented them from joining the EEC, but also their democratic principles and the interests of the working class.

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As I count myself among the democratic socialists, I have one or two things to say on this point, here in the North of Europe where the Governments are social democratic. I have noted with satisfaction that very recently the social democrat Prime Minister of Norway, Mr. Gerhardsen, has stressed that the endeavours of the Common Market are perfectly compatible with the aims of the labour movement. In two days from now, Norway will elect its new Parliament which will then have to decide on the Norwegian attitude during this stage of the integration process.

In the six countries of the Community the political and economic organizations of the modern labour movement have taken a **lively** part in working out the Treaty. Without exception, its parliamentary parties have ratified the Treaty.

To charge them indirectly with having the legitimate interests of the working classes less at heart than their opposite numbers in the neutral countries is to push the policy of neutrality a little too far. Certainly this is so in the case of a political movement which is rightly proud of its international origin and its underlying idea of international solidarity. Naturally, as social democrats we may regret that the influence of our movement is not larger at this moment. But there could be no worse reaction than to leave the realization of a historical necessity to others and to

stand aloof. If we do this we doom ourselves to become the pawns of history, whereas we intend to help in the shaping of it. Also, it would mean to deny that basic democratic attitude which admits the common sense of coalition on the national plane and must a fortiori accept on the European plane that to settle our fate is not a matter of party politics, but something in which all responsible democratic forces must take part. I do not wish to leave you in any doubt about the fact that apart from all the reasons I have mentioned the prospect of reinforcing the socialist element by recruits from the European North gives me a further cause to rejoice when I consider the possible extension of the EEC.

Now permit me to speak on my real subject, which is European agricultural policy. I shall dwell much more briefly on this point than I had intended to at a time when the present political situation could not be clearly foreseen.

When we deal with this subject in the light of the prospective negotiations between Denmark and the EEC we find of course that the great difference between the EEC and the EFTA is that the latter has evaded the problem of a common agricultural policy. I believe that I am not mistaken in the assumption that the abstinence of EFTA in this respect was not due to the feeling that a common agricultural policy was a matter of no significance and would settle itself.

It is probably more correct to say that EFTA has left this issue out of consideration because it wished to avoid touching a hot iron.

We were fully aware of the enormous difficulties which attended our agricultural policy but we considered it essential that agriculture should share in the process of overall economic integration as a full-fledged and equal partner. Agriculture cannot and must not vegetate as a kind of national nature reserve within the European Community. In a country such as Denmark whose agriculture represents an above average proportion of the national economy this view certainly will not be contradicted.

But there is a great difference between realizing what is logical and necessary and putting it into practice. The latter requires laborious effort. This is so largely because for a number of reasons our national agricultural systems are in a state of structural crisis. Despite considerable achievements and great efforts, they have fallen behind in the process of general economic evolution and are sharing to a much lesser degree than the other branches in the general progress of prosperity. This leads to perilous social strains. Unsatisfactory results obtained despite hard work produce embitterment and demands for State aid, which in turn make agriculture appear a kind of old age asylum in the eyes

of those not engaged in it. Insufficient thought has been given to the deeper causes of this situation both by agriculture itself and by the other sectors of the economy. The result is that emergency solutions are adopted which, though they seem to give a short-term breathing space, do not provide a durable solution for the problems. Certainly solutions are not found if people believe they can shift their difficulties onto their neighbours. In domestic agricultural policy this leads to such statements as that recently made by a well-known agricultural expert in the Federal Republic of Germany, who said: "We simply cannot afford to make agricultural policy purely from the point of view of economic common sense". As against that I should like to say that we can also not afford to make agricultural policy regardless of economic common sense. In the past decades **just such** countries as Denmark and the Netherlands have shown that quite some progress can be made in agricultural policy if it is based on economic common sense. It is true that in recent years the limits of such a liberal policy have shown themselves in these countries also, and therefore we will have to enquire into the real reasons for this unsatisfactory state of affairs. And we will have to admit that during long periods of transition in agriculture economic common sense alone is not sufficient. However, it is essential that in **that case** everything done to supplement purely economic decisions must be genuinely directed towards remedying those

structural faults which stand in the way of satisfactory and durable solutions.

It is an important characteristic of the Treaty of Rome that in contrast to what it has done in the case of the other branches of the economy, it has not laid down a timetable for the practical application of the common agricultural policy. Under the Treaty, the Commission of the EEC must, after consulting the Ministries of Agriculture of the Member States and the agricultural associations (the Stresa Conference of July 1958), work out proposals for a common agricultural policy.

I make bold to say that it was these deliberations which for the first time brought up for discussion the whole complex of problems connected with modern agriculture, and that many participants were for the first time faced with the fact that the patchwork policy so far pursued by the various Governments would not lead us out of the impasse. The result was that through a curious logical aberration the Commission in Brussels was accused of having invented the agricultural difficulties. Those of us who, like myself, were in a position to follow developments in Denmark know differently. I cite:

Your law of June 10, 1959 (support of butter prices; the introduction of a levy on dairy produce sold on the domestic market, which in 1959/60 produced some 22 million Danish Crowns, largely used for export subsidies),

The law of January 20, 1960 on guaranteed prices for wheat and rye and on obligatory milling, the cost of subsidies amounting to approximately 15 million Danish Crowns in 1959/60;

The law of June 10, 1960 introducing levies on imported coarse grains ranging from 37 to 40 Danish Crowns per 100 kg.

We know that the present difficulties were not caused by the EEC but reflect those very international crises which it is the aim of the EEC to prevent so far as Europe is concerned. Of course we will have to try to come to a high degree of collaboration with our non-European partners as well. I have been not a little concerned to note that dangerous optimism which makes people believe that the possible accession of Great Britain will provide the "safety valve" for agricultural surpluses on the continent of Europe. In an analogy to Wellington's famous words on the battlefield of Waterloo "Would it were night or the Prussians were here", these people come to the conclusion: "Would it were night or the British came in".

When I look at the well-known statistics and assume for argument's sake that before long Great Britain, Denmark, Norway and Ireland will join the Community of the Six, I find that the degree of self-sufficiency which we have reached within the Six today would hardly alter. This means

that there would be no major change so far as production and consumption or exports and imports are concerned. That being so, it would be very wrong to arouse in our farmers the false hope that the British "valve" would make it possible to continue muddling along because we had now acquired a British dust-bin for our surplus production.

It is surprising to hear this argument coming from a country where the importance of external trade relations has always, and rightly, been stressed. But what we claim for ourselves, we shall have to concede to Great Britain. Whoever expects Britain to disregard her obligations to the Commonwealth countries forces her to choose between Europe and the Commonwealth and will thereby make British membership in the EEC impossible.

Political common sense compels us to pay external relations the attention they deserve. Economic expansion in the Community and **rising** prosperity justify us in regarding the future with cautious optimism. But we are by no means relieved of the necessity to go to the bottom of the agricultural crisis and to do more than merely cure symptoms or advocate emergency solutions which arouse **false hopes and must very soon lead to new disappointments.** We are obliged to do so because of our sense of responsibility for the farming community, and - if you like - because of our feeling of solidarity with it.

What, then, are the facts with which we have to deal?

The aims of the common agricultural policy as laid down in the Treaty of Rome will not cause the new members of the Community any difficulty. They do not differ from the aims pursued in the individual countries: to promote productivity by the best use of the factors of production in order to ensure a fair standard of living for the agricultural population, and in particular to increase the individual incomes of those working in agriculture. A further aim is to stabilize markets and to make certain of equitable prices for consumers.

Two factors are of special importance for agricultural incomes:

- a) The prices of farming products, that is to say the relationship between supply and demand;
- b) Production costs, that is to say productivity of labour in agriculture.

I should like to say a few words on both these points. First, a remark or two on the question of markets for some agricultural products:

You in Denmark know very well what it means if farming incomes depend to a considerable extent on the export yield of certain agricultural products. Whenever the balance between supply and demand is upset, the importing countries tend to adopt national legislation to protect their own agriculture and to make it difficult or even

impossible for foreign produce to enter their markets. A liberal trade policy is accepted only so long as domestic production is not in difficulty. We are bound to admit that at present supply of the most important agricultural products is greater than demand from those who can pay, and that prices for nearly all these products are low in international trade. In the case of some products the normal market processes have long ceased to function, especially where exporting countries have been compelled to increase their sales by a system of double pricing.

It is the great advantage of the Common Market that within it this practice will no longer be possible. A vast area of production and consumption is being created, in which no manipulations at the internal frontiers will be permitted. This was our guiding principle in evolving the common agricultural policy.

It means, however, that within this Common Market we must make a serious effort to establish a balance of supply and demand, naturally with due regard to imports and exports.

An agricultural policy which has as its result the constant production of surpluses which must then be sold anywhere at any price certainly does not serve the interests of the farming popu-

lation and even less those of sound world trade. Here again, the Community bears a heavy responsibility.

In this context, the relationship between the possibilities of production in the Community and the expected demand is of course very important.

First, let me say a few words on the trend of demand:

For a number of products this is largely dependent on the evolution of prosperity. In the case of some others, greater prosperity will hardly mean an increase, and in a few instances it may even lead to a fall in consumption.

In our calculations we assume that prosperity will show a marked rise. We are justified in doing so because the establishment of the Common Market provides us with the opportunity and the prerequisites for such a development, and because the results achieved so far have even excelled our original expectations.

We may therefore count on a very considerable increase in the consumption of poultry, citrus fruits and bananas - some 60% over 3 years - and a strong rise of about 30% in the consumption of vegetables, beef, eggs and sugar over the same period.

A minor increase in demand amounting to some 20% is to be expected for butter, cheese and pigmeat, whereas the consumption of milk will increase only slightly, by about 5%; hardly any

expansion is to be expected for wheat-flour, and for rye and potatoes we must even count on a drop in demand.

Perhaps I should explain this a little. We estimate that the consumption of poultry will be 5.5 kg per year per head of population by 1965, which is still considerably below the pre-war consumption figure for the United States of America, which was 9.5 kg. Meanwhile, consumption there reached 15.5 kg in 1958.

We can also expect a favourable trend for beef and eggs. With an average annual consumption of 23 kg of beef and veal per head of population in 1965 the EEC will have reached about the pre-war level in the U.S., where consumption has meanwhile gone up to almost 40 kg of beef and veal per head.

As we can see from these figures, the expected consumption of pigmeat, butter and cheese in the EEC is not so great. The trend observed for several years in milk for liquid consumption and wheat-flour does not justify us to expect any significant expansion of the markets.

Of course, I have only sketched the general lines of evolution. High grade products will **always** find customers, provided the sales channels are properly tended.

What will the trend of production be in the EEC for a number of important agricultural products between now and 1965?

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In what I am going to say I shall assume that there will be no change in real prices.

Taking the 1956 figures as 100, we can expect wheat production to have gone up to 115 by 1965, the increase of consumption being about 1%. The production of coarse grains and potatoes will have risen by 20% and consumption by about 18%. For beet sugar the picture is even less favourable: production will rise by 40% and consumption by no more than 27%. In the case of milk, too, where production will mount by 25% and consumption by only 15%, there is cause for concern.

For beef and veal the increase in consumption, amounting to 32%, is expected to be greater than that in production, which will be 27%.

The results of our studies, conducted for these and a number of other products, justify a dynamic agricultural policy which will afford farming in our Community an opportunity to unfold its productive strength in order to improve its economic situation by its own exertions.

On the other hand our studies give a warning to all those in responsible positions to pursue a cautious and circumspect price policy. We must avoid giving any encouragement to a trend towards overproduction which obviously exists, especially in view of technical developments for some products, and we must be careful not to support that trend by a wrong price policy. Our studies have also made very clear the degree to which the sale of agricultural

produce and the balance on agricultural markets depend on overall economic developments. Nothing but a favourable evolution and a vigorous rise of real purchasing power will provide farmers in the Community with an opportunity to sell their growing production of coarse grain and potatoes at reasonable prices in the form of meat and eggs. These are further reasons why I think that the accession of Great Britain, your country and, I hope, Norway and Ireland as well, is so important. Lastly, we can expect that the emergence of a greater Common Market will provide an additional impulse for economic expansion, not the least in the new members.

What are the prospects for the agricultural market in this context? A survey of the figures for the most important agricultural products shows that on the whole the picture as I have sketched it will be the same for a Community of ten countries.

There may be a larger import requirement for grain. In the Community of the Six the present degree of self-sufficiency is about 86%, for the ten countries it would be approximately 77%. The situation is more or less the same for sugar. The figures for processing products - with the exception of butter - show no significant change. In the case of cheese they are 100 as against 97, for vegetables 103 against 100, and for meat 94 against 92. When I speak of a degree of self-sufficiency I hasten to stress that this

.../...

must certainly not be understood as meaning that self-sufficiency can be allowed as the aim of agricultural policy. The warning that our policy must be cautious remains. In addition, we must certainly pay due regard to our trade relations with non-member countries. Clearly, the accession of the United Kingdom - the greatest importer of agricultural produce - means a large commercial policy problem for the Community, especially when we remember that a considerable percentage of British imports comes from Commonwealth countries. There can be no doubt that this will be one of the difficult issues for which we shall have to find a solution in the coming negotiations.

I should like to make a special mention of the grain imports from Canada and Australia and the butter and meat imports from New Zealand and Australia. These matters will have to be carefully considered and arrangements will have to be made for the transition period until the Common Market is in force.

What are my conclusions?

The establishment of an agricultural common market based on a common policy is not a panacea for all ills. Yet, such a Common Market will offer wider opportunities for the sale of agricultural

produce and will make a dynamic evolution possible. Specialisation will have a beneficial effect on this development. It is on these lines, then, that we can see better prospects for the farming population. But we will have to devote all our strength to make use of these opportunities. We have them, let us avail ourselves of them.

Ladies and gentlemen, I have only sketched the situation and shown the trend of development. To make sensible use of all this when we design our future in agriculture as in other fields will be, I hope, our common task. Life is more than a gift, it is a challenge.

I thank you for your kind attention.