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REFLECTIONS ON U.S.-E.C. AGRICULTURAL DIFFERENCES

The European Community and the United States should "hang together" and resolve their agricultural trade differences according to international trading rules, Sir Roy Denman, head of the E.C.'s delegation in Washington, said February 9.

Describing a "dangerous rise in points of conflict" between the two trading partners, Sir Roy said solutions can be found within the General Agreement on Tariffs and Trade (GATT). "The international trading rules can be inconvenient, but they are the only rules we have," he told the Third European Agricultural Outlook Conference in London. "The choice is between anarchy and accumulative disaster and peace in the valley."

Sir Roy outlined two conflicts that have led to proposals in the U.S. that are contrary to those rules:

Corn gluten feed. The Commission of the European Communities has proposed that the E.C. stabilize imports of corn gluten feed, which come primarily from the U.S., as part of a comprehensive plan to reform the Community's Common Agricultural Policy. U.S. officials have suggested that they will retaliate immediately against E.C. products, including wine, if the measure is adopted - an action that would violate GATT rules. Under those rules, the two parties should first attempt to negotiate an agreement whereby the Community will compensate the U.S. for its restrictions.

Wine Equity Act. The U.S. Congress is considering a bill that would authorize the U.S. to take retaliatory measures against countries, including E.C. members, that have established trade barriers to wine imports. This measure violates the philosophy upon which the postwar international trading system is based - that nations should seek an "overall balance of advantage," not reciprocity in each sector.

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Sir Roy described the corn gluten proposal as part of a major attempt to reduce Community spending on agriculture - an attempt that will benefit U.S. farmers because it is designed to reduce production of E.C. goods that compete with U.S. goods in third markets. It "should be welcome news for U.S. farmers who have long complained about the European Community's 'extravagant' farm spending," he said.

Because the reform package would hold down grain prices and restrict the volume on which farmers can receive a guaranteed price for grain, the Commission believes it is appropriate to review its treatment of corn gluten feed and other imports that compete with Community-grown grain in animal feed, forcing it on the world market, Sir Roy said. Imports of corn gluten feed, which have "soared" from 700,000 tons to 3.5 million tons since 1974, would be stabilized - not banned or reduced - in full accordance with GATT rules, he added.

After the U.S. administration imposed restrictions on specialty steel imports last summer, the Community and the U.S. participated in discussions under the GATT aimed at determining appropriate compensation. Only after the deadline had been extended twice and an agreement could not be reached did the E.C. announce that it would take countermeasures on a modest list of American exports to the Community, Sir Roy noted.

A similar approach should be followed in the corn gluten dispute, he said. "Let us by all means argue about the amount of trade involved by stabilization and discuss the compensation which would be appropriate," Sir Roy said. "But let neither of us shoot from the hip.

"To do so would be the beginning of the end of the one world trading system which the United States has done much across the years to support, and which has been responsible over the last 35 years for the biggest increase in prosperity in the recorded history of the West."

Some in the U.S. have also inaccurately portrayed a Commission proposal for a sales tax on oils and fats as a measure that would impair the duty-free access to the E.C. of soyabeans, soyameal and other oilseed products, Sir Roy said. This tax, also part of the CAP reform package, is not directed specifically at imports, but would also affect domestic products. Furthermore, it would not affect directly the bulk of E.C. imports of soyabeans from the U.S., he said.

Sir Roy also discussed a more general disagreement between the U.S. and the Community over agriculture - the claim in the United States that Europeans are capturing overseas markets through massive subsidies of agricultural exports. Yet in 1983, the U.S. spent more than \$20 billion on farm price supports alone (excluding the Payment in Kind program) - compared with \$13.5 billion in agricultural spending by the Community. The Tokyo Round of trade negotiations that were concluded in 1979 recognized agricultural subsidies as a fact of life, he said.

Despite complaints about protectionism in the Common Agricultural Policy, the Community had an agricultural trade deficit with the U.S. of nearly \$5 billion in 1983, making it the American farmer's best customer, Sir Roy noted.

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