

E U R O P E A N P E R S P E C T I V E S

ADDRESS PRESENTED

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DELEGATION OF THE COMMISSION

OF

THE EUROPEAN COMMUNITIES

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LET ME THANK YOU VERY MUCH FOR YOUR KIND INVITATION. IT IS ALWAYS A GREAT PLEASURE FOR ME TO TRAVEL WEST, YOU ARE VERY FAR FROM EUROPE BUT YOUR GOOD REPUTATION CROSSED THE UNITED STATES AND THE ATLANTIC. YES, EVEN IN EUROPE WE HEARD ABOUT THE GOOD WASHINGTON STATE APPLES.

TODAY, I WOULD LIKE TO TALK TO YOU ABOUT SOME ASPECTS OF THE TRADE IN AGRICULTURAL PRODUCTS. FIRST, I WILL ASSESS THE TWO-WAY TRADE FLOW BETWEEN THE UNITED STATES AND THE EUROPEAN ECONOMIC COMMUNITY, AND I WILL FOCUS ON THE NEW DEVELOPMENTS OF THE COMMON AGRICULTURAL POLICY WHICH MAY HAVE A GREAT INFLUENCE ON OUR TRADE RELATIONSHIPS IN THE FUTURE.

I WILL THEN DISCUSS THE CURRENT EFFORTS BY OUR RESPECTIVE GOVERNMENTS IN THE FRAMEWORK OF THE INTERNATIONAL TRADING RULES SYSTEM TO EASE TRADE RELATIONS IN THE FIELD OF AGRICULTURE.

DUE TO COMPARABLE CLIMATIC CONDITIONS, BASICALLY THE WASHINGTON STATE IS MORE A COMPETITOR WITH US THAN A PRODUCER OF COMPLEMENTARY COMMODITIES. THIS MEANS THAT OUR DIRECT TRADE RELATIONSHIPS ARE LIMITED, BUT INDIRECTLY WE ENTER INTO COMPETITION ON THE WORLD MARKET WITH SOME OF OUR PRODUCTIONS. IT IS FOR THIS REASON THAT I WOULD LIKE LATER ON TO ELABORATE A LITTLE BIT ON THE INTERNATIONAL TRADING RULES.

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YOUR MAIN PRODUCTIONS IN THE STATE OF WASHINGTON ARE WHEAT AND DAIRY PRODUCTS, SUCH COMMODITIES ARE ALSO LARGELY PRODUCED AND SHIPPED ABROAD BY THE EEC. EVEN IF OUR LOCATIONS ARE SUCH THAT OUR TRADITIONAL CUSTOMERS ARE DIFFERENT, WE DIRECTLY OR INDIRECTLY ENTER INTO COMPETITION ON THE WORLD MARKET. THE DECISIONS RECENTLY TAKEN BY THE EUROPEAN ECONOMIC COMMUNITIES IN THE AREA OF WHEAT AND DAIRY COMMODITY PROGRAMS MUST BE TAKEN INTO ACCOUNT BECAUSE OF THEIR FUTURE IMPACT ON THE WORLD MARKET. I WILL BRIEFLY OUTLINE LATER THE MAJOR CHANGES IN OUR POLICIES.

BEFORE DOING SO, I WOULD LIKE TO TELL YOU THAT WHEN WE ASSESS OUR TRADE WITH THE UNITED STATES WE ARE CONSIDERING THE COUNTRY AS A WHOLE AND NOT COMPUTING OUR TRADE STATISTICS STATE BY STATE. THEREFORE, IT IS IMPOSSIBLE FOR ME TO FOCUS ON THE SPECIFIC WASHINGTON STATE/EEC TRADE RELATIONSHIPS, BUT I WILL TRY TO DO THIS ON THE GLOBAL US/EEC LEVEL.

WHAT IS THE CURRENT HEALTH OF OUR TRADING RELATIONSHIPS ? THE BEST WAY TO ASSESS THIS HEALTH IS TO LOOK AT RECENT FIGURES.

1. CONTRARY TO WHAT IS OFTEN SAID AND THOUGHT IN THE UNITED STATES, THE EUROPEAN ECONOMIC COMMUNITY IS A NET IMPORTER AND THE FIRST NET IMPORTER OF AGRICULTURAL PRODUCTS IN THE WORLD.

OUR GLOBAL BALANCE OF TRADE IN THE AGRICULTURAL SECTOR IS IN DEFICIT AND THIS DEFICIT HAS BEEN GROWING FROM ABOUT 17 BILLION EUROPEAN CURRENCY ACCOUNT* IN 1973 TO 24 BILLION EUROPEAN CURRENCY ACCOUNT IN 1983.

2. THE EUROPEAN ECONOMIC COMMUNITY IS THE FIRST WORLD IMPORTER OF AGRICULTURAL PRODUCTS WITH IMPORTS AMOUNTING TO 50 BILLION ECUS IN 1983.

3. THE EEC IS OFTEN ACCUSED TO BE PROTECTIONIST, BUT MAY I TELL YOU THAT MORE THAN HALF OF OUR IMPORTS ARE DUTY AND LEVY-FREE AND MAY I REMIND YOU THAT ON YOUR SIDE YOU ARE USING A GATT WAIVER TO IMPOSE RESTRICTIONS OF IMPORTS OF SOME AGRICULTURAL PRODUCTS INTO THE U.S.

4. THE EUROPEAN ECONOMIC COMMUNITY IS THE FIRST CUSTOMER FOR US AGRICULTURAL PRODUCTS WITH MORE THAN 7 BILLION DOLLARS IN 1983. EVEN IF OUR TRADE DEFICIT HAS BEEN REDUCED DURING THE TWO PAST YEARS, WE ARE STILL FACING A TRADE IMBALANCE WITH THE USA OF 4,5 BILLION ECUS IN 1983 COMPARE WITH 3.4 BILLION ECUS IN 1973.

IN THE CURRENT ASSESSMENT OF OUR TWO-WAY TRADE A SPECIAL ATTENTION MUST BE DEVOTED TO THE EXCHANGE RATES WHICH CAN PLAY A GREATER ROLE THAN MOST OF THE OTHER FACTORS.

* \$1.00 IS ABOUT 1.3 ECU

AS YOU KNOW, THE DOLLAR IS CONTINUING TO APPRECIATE VERSUS OTHER CURRENCIES, THUS MAKING YOUR PRODUCTS LESS COMPETITIVE IN OTHER MARKETS COMPARED WITH OURS AND MAKING IMPORTED PRODUCTS MORE ATTRACTIVE IN YOUR COUNTRY.

FOR A LONG TIME, THE EEC HAS ASKED THE USA TO PUT SOME ORDER IN THE INTERNATIONAL EXCHANGE MARKET, BUT THE EEC IS NOT TO BE BLAMED FOR THE FAILURE TO REACH AN AGREEMENT SINCE THE US GOVERNMENT REFUSED TO CO-OPERATE WITH US IN THIS AREA.

IN OTHER WORDS, IF I MAY SUMMARISE, I SHOULD SAY THAT OUR TRADE RELATIONSHIPS IN AGRICULTURE VIEWED FROM THE US SIDE SHOULD BE QUALIFIED AS VERY GOOD ! WHY ?

- BECAUSE WE ARE YOUR BEST CUSTOMERS, BUYING A QUARTER OF YOUR TOTAL EXPORTS ;
- BECAUSE WE HAVE A TREMENDOUS TRADE DEFICIT WITH YOU ;
- BECAUSE WE ARE A RELIABLE CUSTOMER FOR YOUR COUNTRY, BUYING REGULARLY AND PAYING CASH ;
- BECAUSE WE ARE THE LARGEST IMPORTER OF FOOD PRODUCTS IN THE WORLD, STIMULATING THE GLOBAL TRADE ;
- BECAUSE WE ARE COMPLYING WITH THE INTERNATIONAL TRADING RULES WE AGREED UPON DURING THE PAST GATT ROUNDS.

IN FACT, OUR RELATIONSHIPS ARE NOT AS GOOD AS THEY SHOULD BE BECAUSE WE ARE OFTEN CONSIDERED AS A SCAPEGOAT RESPONSIBLE FOR ALL YOUR TRADE PROBLEMS. I JUST

MENTIONED TO YOU THE EFFECT OF EXCHANGE RATES; I COULD ADD A LONG LIST OF OTHER US INTERNAL POLICIES RESPONSIBLE FOR OUR CURRENT DIFFICULTIES (EMBARGO, HIGH INTEREST RATES,...).

BESIDES THE REALITY OF THE CURRENT TRADE, THERE ARE OTHER ELEMENTS WHICH ARE FUNDAMENTAL FOR THE FUTURE OF OUR TRADING RELATIONSHIPS. IT IS OUR INTERNAL AGRICULTURAL POLICIES AND THEIR CONNECTION WITH THE WORLD MARKET IN THE GENERAL FRAMEWORK OF INTERNATIONAL TRADING RULES.

THE COMMON AGRICULTURAL POLICY OF THE EUROPEAN ECONOMIC COMMUNITIES HAS NOW BEEN ESTABLISHED MORE THAN 20 YEARS AGO IN A PERIOD FOLLOWING THE SECOND WORLD WAR. WHEN IT HAS BEEN INITIATED, EUROPE WAS STILL SUFFERING THE WAR EFFECTS. THE GENERAL ECONOMY AND THE AGRICULTURE HAD TO BE REBUILT. FOR A LARGE PART OF ITS SUPPLY, EUROPE WAS DEPENDENT ON FOREIGN COUNTRIES. THE FIRST GOAL OF THE EUROPEAN ECONOMIC POLICIES WAS TO BRING BACK PROSPERITY.

IN SPITE OF THE INABILITY OF THE CAP TO BRING SELF-SUFFICIENCY BACK, AS I ALREADY MENTIONED TO YOU EARLIER, IT LARGELY SUCCEEDED IN DEVELOPING A MODERN AND EFFICIENT AGRICULTURE ABLE TO MEET THE GROWING FOOD REQUIREMENTS, NOT ONLY IN EUROPE BUT ALSO IN THIRD COUNTRIES IN THE SIXTIES AND THE SEVENTIES; SO DID THE US AGRICULTURE.

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IN SOME AREAS LIKE WHEAT, SUGAR OR DAIRY PRODUCTS, THE SUCCESS WAS SO GREAT THAT EUROPE WENT OVER SELF-SUFFICIENCY. THE CAP ALSO SUCCEEDED IN ALLOWING CONSUMERS TO BENEFIT OF FAIR AND STABLE PRICES. DURING THE PAST TWENTY YEARS CONSUMERS EXPENSES DEVOTED TO FOOD DECREASED GREATLY, THEY ARE NOW CLOSE TO THE US ONES : AROUND 15% OF THE TOTAL CONSUMER EXPENSES.

THE GROWING PRODUCTION TRENDS WERE CAUSING NO PROBLEMS WHEN THERE WAS A REAL FOOD SHORTAGE IN THE WORLD AND SUCH A SOLVENT DEMAND THAT THE EXPORTERS LIKE THE US OR EUROPE COULD INCREASE THEIR EXPORTS. UNFORTUNATELY, THE ECONOMIC CRISIS IN THE EARLY EIGHTIES HAS AFFECTED THE WORLD EXCHANGE OF AGRICULTURAL PRODUCTS. THE COMPETITION HAS BEEN HARDER BETWEEN THE EXPORTERS. INTERNAL POLICIES WHICH HAVE BEEN DESIGNED UNDER OTHER CIRCUMSTANCES HAD TO BE ADAPTED TO MATCH THE CURRENT SITUATION.

THE EUROPEAN ECONOMIC COMMUNITIES CONSCIOUS OF ITS RESPONSIBILITIES HAS TAKEN DRASTIC MEASURES TO BETTER ADAPT THE OFFER TO THE DEMAND IN THE LONG RUN. SOME BASIC POLICIES HAVE BEEN ALTERED. THESE CHANGES ARE NOW PROGRESSIVELY IMPLEMENTED AND WILL NO DOUBT CONTRIBUTE IN THE MEDIUM TERM TO EASE THE SITUATION.

THE EUROPEAN COMMUNITY HAS NOW ADOPTED A NEW ATTITUDE TOWARDS THE PRODUCTION OF MOST OF OUR COMMODITIES. THERE IS NO MORE OPEN-ENDED GAURANTEE FOR PRODUCTION IN EXCESS.

TO ILLUSTRATE MY COMMENTS, I WOULD LIKE TO TAKE AS EXAMPLES (AS I MENTIONED EARLIER) TWO COMMODITIES WHICH ARE IMPORTANT FOR YOUR STATE : WHEAT AND DAIRY PRODUCTS. FOR INSTANCE, IT HAS BEEN DECIDED FOR WHEAT TO IMPOSE A GUARANTEE THRESHOLD. OVER A CERTAIN LEVEL OF PRODUCTION, THE PRICE GUARANTEE IS PROGRESSIVELY LOWERED IN ORDER TO AVOID OVERPRODUCTION. IT HAS ALSO BEEN DECIDED TO REDUCE STEP BY STEP THE GAP BETWEEN THE WORLD PRICES AND OUR PRICES. IT IS THE REASON WHY IN 1984 THE GUARANTEE PRICES HAVE BEEN LOWERED BY 1% IN EUROPEAN CURRENCY OF ACCOUNT WHICH MEANS MUCH MORE FOR THE FARMERS IN REAL TERMS, DUE TO THE GENERAL LEVEL OF INFLATION (WHICH IS AROUND 8%). THESE PRICES MAY BE FURTHER REDUCED IN THE FUTURE.

UNFORTUNATELY FOR US, THE CLIMATIC CONDITIONS HAVE BEEN PARTICULARLY FAVORABLE IN 1984 IN EUROPE FOR WHEAT AND WE WILL FACE A RECORD PRODUCTION.

-IN THE WHEAT AREA, IT MAY BE NOTED THAT DUE TO THE CURRENT VALUE OF THE DOLLAR COMPARED WITH THE EUROPEAN CURRENCIES AND BECAUSE THE WORLD PRICE IS EXPRESSED IN DOLLARS, OUR INTERNAL PRICES ARE NOW CLOSE TO THE WORLD PRICES WHICH MEANS THAT WE DON'T NEED ANY MORE REFUND FOR OUR WHEAT EXPORT TO THIRD COUNTRIES.

-IN THE DAIRY SECTOR, OUR EXPORTS AND SHARE OF THE WORLD MARKET HAVE BEEN GREATLY AFFECTED DURING THE PAST YEARS BY THE ECONOMIC CRISIS AND THE GROWING CONCESSIONAL SALES MADE PARTICULARLY BY THE UNITED STATES.

IN ORDER TO FIGHT AGAINST THE SURPLUSES, WE RECENTLY INTRODUCED A TOUGH POLICY BASED ON PRODUCTION QUOTAS IN OUR MEMBER STATES. IN 1984, PRODUCTION LEVEL HAS BEEN ESTABLISHED AT THE 1981 LEVEL + 1% WHICH MEANS A REDUCTION OF MORE THAN 5% COMPARED WITH THE 1983 LEVEL. IF PRODUCERS EXCEED THIS LIMIT, THEY WILL BE HIGHLY TAXED.

SO, WE ARE TRYING OUR BEST TO EASE THE WORLD TRADE SITUATION IN ADOPTING POLICIES WHICH, AS YOU CAN IMAGINE, ARE HIGHLY CONTROVERSIAL AMONG OUR FARMERS. WE DON'T ONLY TRY TO ADOPT OUR INTERNAL POLICY, WE ARE ALSO OPEN TO DISCUSS THE INTERNATIONAL TRADING RULES AS THEY WERE ESTABLISHED IN THE GENERAL AGREEMENT ON TARIFF AND TRADE (GATT).

ABOUT THE INTERNATIONAL TRADING RULES, YOU KNOW THAT OUR MEMBER STATES AND THE UNITED STATES ARE SIGNATORIES OF THE GENERAL AGREEMENT ON TARIFF AND TRADE AND WE HAVE BEEN DISCUSSING DURING MANY ROUNDS RULES WE COMMONLY AGREED.

THE GENERAL AGREEMENT HAS BEEN WITHOUT ANY DOUBT AN INSTITUTION WHICH ALLOWED A DECREASE IN THE GENERAL LEVEL OF PROTECTION AGAINST THE INTERNATIONAL TRADE IN :

- REDUCING THE AVERAGE EXTERNAL TARIFFS ;
- DEFINING A FRAMEWORK FOR THE TRADING RULES.

OF COURSE, IT IS NOT PERFECT. WE BOTH DON'T LIKE SOME OF THE PROVISIONS WE AGREED UPON DURING PREVIOUS ROUNDS OF NEGOTIATIONS. FOR EXAMPLE, YOU DON'T LIKE THE PRINCIPLE OF EXPORT REFUND ALLOWED FOR PRIMARY PRODUCTS, WE OURSELVES DON'T LIKE THE IMPORT RESTRICTIONS IMPOSED ON CERTAIN AGRICULTURAL PRODUCTS ACCORDING TO THE WAIVER. WE ARE OPEN TO AN IMPROVEMENT OF THE CURRENT RULES GOVERNING THE INTERNATIONAL TRADE IN AGRICULTURE.

UNDER DISCUSSION IN THE AGRICULTURAL COMMITTEE OF THE GATT IN GENEVA IS THE LANGUAGE WHICH WOULD PERMIT NEXT YEAR THE SERIOUS EXPLORATION OF NEW AND TOUGHER DISCIPLINES FOR INTERNATIONAL TRADE IN AGRICULTURAL PRODUCTS. SOME CONCERN HAS BEEN VOICED THAT THE COMMUNITY IS BACKING AWAY FROM AN EARLIER COMMITMENT TO CONSIDER THE POSSIBLE BASIC PROHIBITION OF ALL EXPORT SUBSIDIES WITH AGREED EXCEPTIONS. WE HAD ENTERED INTO NO FIRM COMMITMENT TO FOLLOW THIS EXCLUSIVE LINE.

THE COMMUNITY HAS ALWAYS, AND EVEN DURING THE DISCUSSION FOR THE ESTABLISHMENT OF THE CTA, EXPRESSED ITS WILLINGNESS TO MAKE PROGRESS ON TRADE LIBERALIZATION THROUGH AN IMPROVEMENT OF EXISTING RULES, AS IS REFERRED TO IN THE MANDATE OF THE CTA. HOWEVER, DURING THE DISCUSSION IN THE CTA, THE IDEA OF CONSIDERING A NEW RULE WHEREBY EXPORT SUBSIDIES WOULD BE COVERED BY A GENERAL PROHIBITION BUT WITH CERTAIN EXCEPTIONS HAS BEEN STRONGLY ADVOCATED BY CERTAIN PARTICIPANTS AND, IN PARTICULAR, THE UNITED STATES.

IN A VERY OPEN ATTITUDE, THE COMMISSION DID NOT OPPOSE GIVING FURTHER CONSIDERATION TO THIS APPROACH, PROVIDED THAT THE IMPROVEMENT OF EXISTING RULES COULD ALSO BE CONSIDERED, AS AN ALTERNATIVE, AND THAT THE NECESSARY BALANCE BETWEEN MEASURES ON BOTH IMPORTS AND EXPORTS WAS ENSURED.

THREE POINTS NEED TO BE MADE AT THIS STAGE. THE FIRST IS THAT AS WE HAVE OFTEN POINTED OUT, AGRICULTURAL SUBSIDIES ARE NOT A UNIQUELY EUROPEAN PHENOMENON. OUT OF A TOTAL COMMUNITY BUDGET LAST YEAR OF \$23 BILLION SOME \$15 BILLION WERE SPENT ON AGRICULTURE. IN THE US, THE COUNCIL OF ECONOMIC ADVISERS LISTS FEDERAL FARM PRICE SUPPORT AID LAST YEAR AT \$18.9 BILLION PLUS \$9.4 BILLION FOR PIK FOR SOMETHING LIKE A QUARTER THE NUMBER OF FARMERS WE HAVE IN THE EC. SECONDLY, IN DISCUSSION OF THE RULES APPLYING INTERNATIONALLY TO AGRICULTURAL TRADE, IT IS ESSENTIAL TO BEAR IN MIND THAT SUBSIDIES ARE ONLY ONE OF MANY INSTRUMENTS CONCERNED. RESTRICTIONS ON IMPORTS, EVEN EXPORT CREDITS, NEED TO BE TAKEN INTO ACCOUNT AND IT IS NOT UNFAIR HERE TO RECALL THAT THE UNITED STATES IN 1955, YEARS BEFORE THE GREAT US EXPORT BOOM OF THE 1970s, SECURED A WAIVER (WHICH STILL EXISTS) FROM THE GATT IN ORDER TO ENSURE THAT ITS OWN DOMESTIC SUPPORT PROGRAMMES WERE NOT AFFECTED BY THE GATT RULES. SO, IN

OTHER WORDS, A COMPREHENSIVE BALANCED APPROACH IS CALLED FOR IF GOVERNMENT INTERVENTION IN INTERNATIONAL AGRICULTURAL TRADE IS TO BE REALISTICALLY STUDIED.

THE THIRD POINT IS THAT WE IN THE COMMUNITY HAVE ALREADY TAKEN - AND AIM TO TAKE - DIFFICULT AND FAR-REACHING DECISIONS TO CUT AGRICULTURAL SUBSIDIES. IN MARCH OF THIS YEAR, THE COUNCIL OF MINISTERS AGREED ON CUTS IN AGRICULTURAL SUPPORT WHICH RESULTED IN PARTICULAR IN CUTS OF SOMETHING LIKE 3 MILLION TONS OF DAIRY PRODUCTS THIS YEAR. DISCUSSIONS ARE GOING ON AND WE NATURALLY HOPE THAT A SATISFACTORY COMPROMISE CAN BE REACHED.

IN OUR VIEWS, TRADE IS AND MUST BE TWO-WAYS. WE IMPORT SOYABEAN AND OTHER FOODSTUFFS FROM THE UNITED STATES AMONG OTHER AGRICULTURAL PRODUCTS, WHY SHOULDN'T WE EXPORT OTHER PRODUCTS IF WE ADHERE TO THE PREVIOUSLY AGREED INTERNATIONAL TRADING RULES. YOU CANNOT EXPECT US TO JUST BUYING FROM YOU AND SELLING NOTHING.

WE MUST BE CAREFUL BECAUSE A NEW CONCEPT HAS RECENTLY EMERGED FROM SOME FARM GROUPS IN THE UNITED STATES : THE CONCEPT OF SECTORIALITY WHICH WOULD REQUIRE AN EXACT TRADE BALANCE PRODUCT BY PRODUCT. THIS CONCEPT HAS PARTIALLY BEEN INCLUDED IN A RECENTLY ADOPTED BILL: THE WINE EQUITY BILL, WHICH REQUIRES THE PRESIDENT TO TAKE STEPS TO RESTORE A TRADE BALANCE IN THIS AREA.

FOR MORE THAN TWENTY YEARS NOW, WE HAVE BEEN NEGOTIATING OUR TARIFF AND EXTERNAL TRADE POLICIES IN THE FRAMEWORK OF THE GATT FOLLOWING A GLOBAL APPROACH WHERE CONCESSIONS WERE MUTUALLY BALANCED IN AN OVERALL PACKAGE. IF SOME PRODUCERS WANT NOW TO RESTORE A SECTORIAL TRADE BALANCE, IT WILL OF COURSE PENALISE YOUR OWN TRADE SINCE WE HAVE A GLOBAL DEFICIT WITH YOU.

I REALLY HOPE THAT IN THE FUTURE WE CAN STILL WORK TOGETHER (EC AND US GOVERNMENT) AND TRY TO FIND MUTUALLY ACCEPTABLE SOLUTIONS TO THE BENEFIT OF OUR TRADE AVOIDING A TRADE WAR, OR AT LEAST TRADE DISPUTES.

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