

THE EUROPEAN COMMUNITY'S  
AGRICULTURAL POLICIES AND  
THE UNITED STATES

SPEECH GIVEN

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TO

THE MIDWESTERN GOVERNORS' CONFERENCE

DES MOINES, IOWA

I. THE EUROPEAN COMMUNITY AND IOWA

AS I WAS PREPARING TO COME TO IOWA AND PERUSED SOME OF THE DOCUMENTS PREPARED BY THE IOWA DEVELOPMENT COMMISSION DESCRIBING THE ECONOMY OF YOUR BEAUTIFUL STATE, I COULD NOT HELP BUT NOTICE THAT THE EUROPEAN COMMUNITY (EC) AND IOWA ARE IN MANY WAYS COMPLEMENTARY ECONOMIC UNITS WITH MUTUAL INTERESTS IN THE DEVELOPMENT OF AGRICULTURAL TRADE.

AS THE EC IS THE LARGEST EXPORT MARKET FOR U.S. AGRICULTURE -- SOME \$9 BILLION A YEAR --, IOWA PRODUCTS GREATLY BENEFIT FROM THAT TRADING RELATIONSHIP. YOUR STATE, AS YOU KNOW, RANKS SECOND IN AGRICULTURAL EXPORTS IN THE UNITED STATES AFTER ILLINOIS AND BEFORE CALIFORNIA. IOWA, I UNDERSTAND, RANKS FIRST IN THE

/UNITED STATES

UNITED STATES IN CORN PRODUCTION AND SECOND IN SOYBEAN PRODUCTION. THE EC IS THE WORLD'S BIGGEST IMPORTER OF CORN (9.9 MILLION TONS IN 1980); SOYBEANS (11.8 MILLION TONS); AND SOYA CAKE (7.2 MILLION TONS).

THEREFORE, AT A TIME WHEN THE UNITED STATES-WESTERN EUROPEAN RELATIONSHIP IS EXPERIENCING SOME OF THE MOST SEVERE TENSIONS EVER, IT IS WITH SOMEWHAT LESS TREPIDATION THAN I ANTICIPATED THAT I HAVE COME TO IOWA TO SPEAK ON THE EC'S AGRICULTURAL POLICIES AND TRADE.

I APPRECIATE THIS OPPORTUNITY TO PRESENT THE EC VIEW ON AN ISSUE IN THE TRANSATLANTIC RELATIONSHIP THAT, ON MANY OCCASIONS, HAS CAUSED BITTER DISPUTES AND, IN AT LEAST ONE INSTANCE, A TRADE WAR.

/THE EC'S COMMON

## II. THE EC'S COMMON AGRICULTURAL POLICY (CAP)

THE EC WAS CONCEIVED OVER A QUARTER OF A CENTURY AGO AND CONSTITUTED ONE OF THE MOST SIGNIFICANT RESPONSES TO THE SEVERE ECONOMIC DISLOCATION THAT WESTERN EUROPE EXPERIENCED FOLLOWING THE SECOND WORLD WAR.

THE CREATION AND DEVELOPMENT OF THE INSTITUTIONS OF THE EUROPEAN COMMUNITY ARE PART AND PARCEL OF THE PROCESS OF EUROPEAN RECONSTRUCTION, INTEGRATION AND UNIFICATION, INITIATED UNDER THE AUSPICES OF THE MARSHALL PLAN SOME 35 YEARS AGO. THE EC IS ONE OF THE GREATEST ACCOMPLISHMENTS OF POST-WAR U.S. DIPLOMACY. IT HAS HELPED BRING PEACE, ECONOMIC PROSPERITY AND POLITICAL STABILITY TO A WAR-TORN

/CONTINENT, CREATED

CONTINENT, CREATED A LARGE, DIVERSE AND INTEGRATED MARKET FOR U.S. AGRICULTURAL AND INDUSTRIAL GOODS, AND PROVIDED EUROPE WITH THE MEANS TO PLAY AN ACTIVE ROLE IN THE DEVELOPING WORLD.

AN IMPORTANT ELEMENT IN THE PROCESS OF EUROPEAN UNITY AND INTEGRATION IS THE COMMON AGRICULTURAL POLICY -- THE CAP.

THE CAP IS INSPIRED BY THREE PHILOSOPHICAL PRINCIPLES:

- FIRST, THE PROVISION OF ADEQUATE FOOD SUPPLIES HAS BEEN AT THE ROOT OF MOST EC AGRICULTURAL POLICIES. THIS HAS RESULTED FROM THE ALL-TOO-CLOSE EXPERIENCE WITH FOOD SHORTAGES AND EVEN HUNGER IN EUROPE DURING THE

/SECOND WORLD

SECOND WORLD WAR AND IMMEDIATELY THEREAFTER.

- SECOND, THE ADEQUACY OF FOOD SUPPLIES WOULD NOT HAVE BEEN POSSIBLE WITHOUT THE CREATION OF A SINGLE MARKET AND THE BETTER UTILIZATION OF AGRICULTURAL RESOURCES, BY THE ELIMINATION OF TRADE BARRIERS AMONG EUROPEAN NATIONS. FOR CENTURIES, EUROPE HAD TRIED TO DEVELOP AN EFFICIENT AND FLEXIBLE AGRICULTURAL INDUSTRY. THE ESTABLISHMENT OF THE EUROPEAN COMMUNITY CREATED THE NECESSARY POLITICAL AND ECONOMIC CONDITIONS FOR THE TRANSITION FROM VARIOUS NATIONAL, AND OFTEN HIGHLY DIVERGENT, AGRICULTURAL POLICIES

/TO A COMMON

TO A COMMON AGRICULTURAL POLICY. THE RESULT WAS A STAGGERING INCREASE IN PRODUCTIVITY AND PRODUCTION. THE CONSOLIDATION OF MARKETS AND POLICIES HAS PERMITTED THE UNITED STATES AND OTHER COUNTRIES TO DEAL WITH ONE INSTEAD OF TEN DIFFERENT REGIMES AND FACILITATED ENTRY OF IMPORTS INTO THE EC.

- THIRD, AN EFFICIENT AND PRODUCTIVE AGRICULTURAL SECTOR REQUIRED THE SIZEABLE REDUCTION OF THE EC'S AGRICULTURAL WORK-FORCE. THE CAP HAS OVER THE YEARS SOUGHT TO ENCOURAGE MODERNIZATION AND INCREASE PRODUCTIVITY BY FACILITATING

/THE MIGRATION

THE MIGRATION FROM LAND TO CITY AND INCREASING FARM SIZE. THIS POLITICALLY SENSITIVE TASK WAS ACCOMPLISHED RAPIDLY AND WITHOUT CAUSING EXTREME SOCIAL UPHEAVAL AND DISORDER.

### III. U.S. PERCEPTIONS OF THE CAP AND THE REALITY

#### A. THE CAP AND AGRICULTURAL IMPORTS:

THE CAP IS OFTEN DEPICTED AS AN IMPREGNABLE, PROTECTIONIST FORTRESS WHICH PROTECTS INEFFICIENT FARMERS, WHO BECOME RICH AT THE EXPENSE OF THE TAXPAYERS AND CONSUMERS, AND WHICH DISCRIMINATES AGAINST FOOD IMPORTS FROM COUNTRIES OUTSIDE THE COMMON MARKET. THIS IS FICTION.

/ THE CONCERN

THE CONCERN ABOUT THE ADEQUACY OF FOOD SUPPLIES -- WHICH I MENTIONED EARLIER -- HAS LED THE EC TO GIVE ITSELF, FOR CERTAIN PRODUCTS, A DEGREE OF PROTECTION AGAINST THE INSTABILITY OF INTERNATIONAL MARKETS. HOWEVER, THAT POLICY IS NOT INSULATING AND ALLOWS US TO PARTICIPATE FULLY IN WORLD AGRICULTURAL MARKETS. THE TREATY OF ROME, ESTABLISHING THE EUROPEAN ECONOMIC COMMUNITY, SPELS OUT NOT ONLY THAT BARRIERS AMONG THE MEMBER STATES SHOULD BE ELIMINATED, BUT ALSO THAT THE EC - AS AN ENTITY - SHOULD SEEK TO CONTRIBUTE TO THE SMOOTH DEVELOPMENT OF WORLD TRADE, THE PROGRESSIVE ELIMINATION OF INTERNATIONAL TRADE RESTRICTIONS AND THE LOWERING OF TRADE BARRIERS.

/ THE OBJECTIVES

THE OBJECTIVES OF THE CAP ARE NOT UNLIKE THOSE OF U.S. FARM POLICIES: PROTECTING FARM INCOMES; GIVING CONSUMERS FAIR PRICES; STABILIZING MARKETS; INCREASING AGRICULTURAL PRODUCTIVITY; AND ASSURING THE AVAILABILITY OF FOOD SUPPLIES.

THE EC REMAINS THE LARGEST IMPORTER OF AGRICULTURAL PRODUCTS IN THE WORLD, TAKING IN SOME 24% OF WORLD FOOD PRODUCTS (THE U.S. TAKES IN 10%).

WE HAVE A WORLD AGRICULTURAL DEFICIT OF ABOUT \$20 BILLION; WE HAVE AN AGRICULTURAL DEFICIT WITH THE U.S. THAT HAS GROWN FROM \$1.7 BILLION IN 1971 TO ABOUT 7 BILLION IN 1981. IN 1981 THE EC BOUGHT OVER \$9 BILLION WORTH OF AGRICULTURAL GOODS FROM THE U.S., WHILE THE U.S. BOUGHT ONLY SOME 2.3 BILLION FROM THE EC. THE TEN-NATION /EC IS THE

EC IS THE AMERICAN FARMER'S LARGEST FOREIGN CUSTOMER.

B. THE CAP AND U.S. IMPORTS:

WHILE THE CAP IS FREQUENTLY CRITICIZED IN THE UNITED STATES FOR SOME OF ITS PRACTICES, IT SHOULD BE RECALLED THAT THE CAP, OVER THE YEARS, HAS HAD A POSITIVE IMPACT ON CERTAIN AGRICULTURAL IMPORTS COMING FROM THE UNITED STATES.

FOR EXAMPLE, THE SPECTACULAR GROWTH OF ANIMAL PRODUCTION IN THE EC (MILK, BEEF, POULTRY, EGGS), ENCOURAGED IN PART BY SPECIFIC PRICE SUPPORT MEASURES, HAS INCREASED DEMAND FOR ANIMAL FEEDSTUFFS BY COMMUNITY BREEDERS.

/ ALSO IT SHOULD

ALSO IT SHOULD BE NOTED THAT THE VARIABLE-LEVY SYSTEM -- WHICH ENSURES THAT IMPORTED AGRICULTURAL PRODUCTS WILL ENTER THE COMMUNITY AT PRICES NO LOWER THAN EC PRICES -- DOES NOT CUT OFF IMPORTS IN AN ABSOLUTE WAY. (THE U.S. HAS BENEFITED FROM A GATT WAIVER SINCE 1955 ALLOWING IT TO IMPOSE QUOTAS -- ON BEEF AND DAIRY PRODUCTS; AMONG OTHERS, -- WHICH THE EC DOES NOT.) IN FACT, ONLY 14.5% OF THE EC'S AGRICULTURAL IMPORTS FROM INDUSTRIALIZED COUNTRIES, PARTICULARLY CEREALS, COME UNDER THE VARIABLE-LEVY SYSTEM. HALF OF THE REMAINING 85.5% IN FARM IMPORTS FROM THE INDUSTRIAL COUNTRIES ENTERED THE E.C. DUTY-FREE.

C. SUBSIDIES:

IN ADDITION, THE EC, WITH ITS

/"SUBSIDIZED"

DO NOT ENTAIL THE ACQUISITION OF MORE THAN AN EQUITABLE SHARE OF THIRD MARKETS. WE HAVE ABIDED BY THE CODE. IN FACT, IN SOME COMMODITIES, PARTICULARLY WHEAT, THE UNITED STATES HAS TAKEN A LARGER SHARE OF THE EXPANSION IN THE VOLUME OF WORLD EXPORTS IN RECENT YEARS.

EC EXPORTS OF WHEAT (INCLUDING WHEAT FLOUR) DOUBLED BETWEEN 1960-70 AND 1980-81 TO 14 MILLION TONS; HOWEVER, WORLD TRADE EXPANDED SO RAPIDLY THAT THE EC SHARE FELL FROM 16.6% TO 14.9%. DURING THE SAME PERIOD, U.S. EXPORTS WENT FROM 16.5 TO 41.9 MILLION TONS, I.E. FROM 38.4% TO 44.8% OF THE WORLD MARKET. IN THE CASE OF WHEAT, THE MAJOR DETERMINANTS OF WORLD PRICE ARE THE SIZE OF THE U.S. AND CANADIAN CROPS AND THE DEMAND FROM THE SOVIET UNION, ITS SATELLITE STATES, AND CHINA.

THE VOLUME OF OUR EXPORTS, IN NOMINAL TERMS, HAS EXPANDED IN RECENT YEARS BECAUSE WORLD DEMAND HAS RISEN

/(FOR BOTH U.S.

"SUBSIDIZED" AGRICULTURAL EXPORTS, IS BEING ACCUSED OF NOT RESPECTING GATT RULES, THEREBY REDUCING THE POTENTIAL ACCESS OF U.S. PRODUCTS IN THIRD MARKETS, AND IS BEING BLAMED FOR THE CURRENT DIFFICULTIES OF THE U.S. FARMER.

THE PERCEPTION THAT THE EC'S AGRICULTURAL POLICY VIOLATES GATT AND IS RESPONSIBLE FOR THE DIFFICULT SITUATION OF THE AMERICAN FARMERS TODAY IS A MYTH.

SUBSIDIES ARE ALLOWED FOR CERTAIN AGRICULTURAL COMMODITIES, ACCORDING TO A "CODE" NEGOTIATED AND AGREED TO BY THE UNITED STATES WITHIN GATT, AS LONG AS SUBSIDIZED PRODUCTS

/DO NOT ENTAIL

FOR BOTH U.S. AND EC). MOREOVER, OVERALL EC AGRICULTURAL EXPORTS, AS A PERCENTAGE OF WORLD AGRICULTURAL EXPORTS HAVE ONLY RISEN FROM 10% TO 11% BETWEEN 1971 AND 1980, WHILE THE U.S. SHARE WENT FROM 14% TO 17% IN THE SAME PERIOD.

FURTHERMORE, EUROPEAN EXPORTERS ARE FULLY CONSCIOUS OF SOME DIRECT AND INDIRECT TRADE PROMOTION MEASURES FROM WHICH U.S. EXPORTERS BENEFIT: EXPORT CREDITS, GUARANTEES AND INSURANCE (CCC); FOOD AID ARRANGEMENTS (P.L. 480); DISC TAX ARRANGEMENTS; DOMESTIC DEFICIENCY PAYMENTS (WHICH KEEP EXPORTED PRODUCTS CHEAP).

#### D. THE CRISIS IN U.S. AGRICULTURE

AMERICAN AGRICULTURE, IT IS TRUE, IS FACING ITS GRAVEST CRISIS IN OVER

/ 45 YEARS

45 YEARS. THE MAJOR CAUSES OF THESE DIFFICULTIES ARE THREEFOLD:

-- FIRST, A GREATER NUMBER OF COUNTRIES ARE DEVELOPING A MORE COMPETITIVE AGRICULTURE, PARTICULARLY SOME OF THE SO-CALLED NEWLY-INDUSTRIALIZED COUNTRIES (NICS), LIKE BRAZIL AND ARGENTINA.

-- SECOND, ON THE ONE HAND U.S. FARMERS ARE FACED WITH INCREASING COSTS DUE TO HIGHER PRICE FOR MACHINERY, FUEL AND FERTILIZERS AND THE INCREASED COST OF BORROWED CAPITAL. ON THE OTHER HAND LARGE SURPLUSES IN SOME COMMODITIES DEPRESS PRICES AND INCOME.

-- THIRD, THE HIGH VALUE OF THE

/U.S. DOLLAR



U.S. DOLLAR, CAUSED BY A U.S. POLICY OF DISINFLATION, HAS MADE U.S. EXPORTS LESS ATTRACTIVE ON WORLD MARKETS.

E. GATT CASES:

NEVERTHELESS, THE PERCEPTION THAT THE CAP IS RESPONSIBLE FOR AMERICAN AGRICULTURE'S CURRENT PLIGHT PERSISTS -- A PERCEPTION WHICH THE U.S. DEPARTMENT OF AGRICULTURE SEEMINGLY ENCOURAGED BY "ESCALATING" AGRICULTURAL DISPUTES, RAISING THE LEVEL OF RHETORIC AND OPENLY CHALLENGING THE ARRANGEMENTS OF THE CAP.

THE UNITED STATES, BY FILING AN UNPARALLELED NUMBER OF CASES AGAINST THE EC FOR ADJUDICATION IN THE GATT - FOR WHEAT FLOUR, SUGAR, POULTRY, PASTA,

/CANNED FRUIT,

CANNED FRUIT, RAISINS, AND CITRUS - RISKS STRAINING THE DISPUTE SETTLEMENT PROCESS.

AS THE U.S. USES THE GATT INSTRUMENTS TO SEEK ADJUDICATION OF A SERIES OF DISPUTES ON BOTH INDUSTRIAL AND AGRICULTURAL GOODS, WE HOPE THAT THE U.S. WILL NOT CARRY OUT ITS INTENTION TO SEEK A REVISION OF GATT RULES, SHOULD THE CASES NOT GO ITS WAY. THIS WOULD SET A DANGEROUS PRECEDENT FOR OTHER COUNTRIES, THAT IN TURN COULD THEMSELVES SEEK RENEGOTIATION OF GATT RULES IF FUTURE CASES WENT AGAINST THEM.

IV. THE EC'S MEDITERRANEAN POLICY

AN IMPORTANT ASPECT OF THE EUROPEAN /COMMUNITY'S

COMMUNITY'S POLICY ON IMPORTED AGRICULTURAL PRODUCTS -- WHICH SYMBOLIZES ITS POLITICAL DIMENSION -- INVOLVES ITS PREFERENTIAL TRADING ARRANGEMENTS WITH THE MEDITERRANEAN COUNTRIES.

THE PROSPECTIVE ENTRY OF SPAIN AND PORTUGAL, LIKE THE RECENT ENTRY OF GREECE, POSES NUMEROUS PROBLEMS FOR THE E.C. ALL THREE OF THESE STATES IN THE LAST SEVEN YEARS HAVE GONE FROM DICTATORSHIP TO DEMOCRACY. THEY ARE ALSO AMONG EUROPE'S POOREST COUNTRIES AND ARE HEAVILY DEPENDENT ON AGRICULTURAL EXPORTS.

THE EC HAS MADE THE CONSCIOUS POLITICAL DECISION TO ALLOW THEM ENTRY INTO THE EC. THIS WILL BE AN EXPENSIVE PROPOSITION, BUT ONE WHICH IS NECESSARY TO ENSURE ECONOMIC SECURITY AND POLITICAL STABILITY ON THE NORTHERN SHORES OF

/THE MEDITERR

THE MEDITERRANEAN.

THIS, IN TURN, WILL CREATE NEW PROBLEMS FOR THE SOUTHERN TIER OF THE MEDITERRANEAN.

THE EUROPEAN COMMUNITY GRANTS PREFERENTIAL TARIFF ARRANGEMENTS TO EXPORTERS OF FRUITS AND VEGETABLES FROM NOT ONLY SPAIN, BUT ALSO ISRAEL, ALGERIA, TUNISIA, MOROCCO, CYPRUS AND TURKEY. THESE TARIFF ARRANGEMENTS ALLOW CITRUS AND OTHER PRODUCTS TO ENTER THE COMMUNITY AT LOWER RATES. THIS POLICY IS ALSO BASED ON A POLITICAL DECISION IN EUROPE TO ASSIST, THROUGH TRADE, PRODUCERS OF PRIMARY GOODS IN THE THIRD WORLD, WHICH ARE HIGHLY DEPENDENT FOR THEIR EXPORT EARNINGS ON THESE PRODUCTS.

/ BY ENSURING

BY ENSURING A MORE SECURE MARKET FOR THEIR GOODS, THE ECONOMIES OF MANY DEVELOPING COUNTRIES ARE ASSISTED, THEREBY HELPING TO PRESERVE POLITICAL STABILITY. WITHOUT THESE PREFERENTIAL ARRANGEMENTS, THESE COUNTRIES - MANY OF WHICH ARE CLOSE ALLIES AND FRIENDS OF THE UNITED STATES, IN NORTH AFRICA, THE EASTERN MEDITERRANEAN AND MIDDLE EAST - WOULD BE SUBJECT TO GREATER ECONOMIC INSTABILITY AND POLITICAL TURMOIL.

THE UNITED STATES AND THE EUROPEAN COMMUNITY HAD IN THE PAST AGREED INFORMALLY THAT THE UNITED STATES WOULD NOT CHALLENGE THESE ARRANGEMENTS AS LONG AS WE DID NOT REQUIRE OTHER COUNTRIES TO RECIPROCATE BY GIVING PREFERENCE TO US FOR OUR PRODUCTS.

/ CHALLENGING

CHALLENGING THEM TODAY, AS THE U.S. SEEMS TO BE DOING, WHEN THE PROBLEMS RISK BECOMING MORE ACUTE WOULD BE COUNTER-PRODUCTIVE. IT FURTHERMORE WOULD BE ILLOGICAL IN VIEW OF THE FACT THAT PRESIDENT REAGAN'S RECENTLY ANNOUNCED "CARIBBEAN BASIN INITIATIVE", DESIGNED TO IMPROVE ECONOMIC CONDITIONS AND THE POLITICAL SITUATION IN THE CARIBBEAN AND CENTRAL AMERICA, EMULATES SOME OF THE OBJECTIVES AND STRATEGIES SET IN MOTION BY THE EUROPEAN COMMUNITY HALF A GENERATION AGO. NEEDLESS TO SAY, WE SUPPORT THIS EFFORT.

#### V. REFORM OF THE CAP

WITHOUT ABANDONING THE BASIC OBJECTIVES OF THE CAP, THE COMMISSION

/OF THE EUROPEAN

OF THE EUROPEAN COMMUNITY IS SEEKING TO INSTITUTE A SERIES OF REFORMS THAT WILL REMEDY SOME OF THE LESS DESIRABLE ASPECTS OF EUROPEAN AGRICULTURAL PRACTICES.

AGRICULTURAL SPENDING HAS GROWN AND SURPLUSES OF SEVERAL COMMODITIES HAVE DEVELOPED, CAUSING US TO DISPOSE OF THEM DOMESTICALLY OR ON THE WORLD MARKET ON A SUBSIDIZED BASIS.

THESE SURPLUSES, HOWEVER, CAN BE SEEN AS THE RESULT OF THE SUCCESSFUL APPLICATION OF THE PHILOSOPHICAL PRINCIPLES I OUTLINED AT THE OUTSET. THE EC, IN A SENSE, HAS BEEN A VICTIM OF ITS OWN SUCCESS. FURTHERMORE, INCREASING EC EXPORTS REFLECT GROWING AGRICULTURAL IMPORTS FROM THE U.S.

/WE HAVE ACHIEVED

WE HAVE ACHIEVED SELF-SUFFICIENCY AND FOOD SECURITY, FOR MAJOR FOOD ITEMS, AND WE ARE NOW SEEKING WAYS TO ADJUST OUR POLICIES TO WORLD MARKET REALITIES.

IN EACH OF THE PAST THREE YEARS, ANNUAL INCREASES IN FARM SUPPORT PRICES HAVE BEEN KEPT BELOW THE COMMUNITY'S INFLATION RATE. THE RESULT HAS BEEN A DROP IN THE EC FARMERS' REAL INCOMES OF 2% IN 1981, 7% IN 1980, AND 3% IN 1979. THE MESSAGE BEHIND THIS TOUGH AND DIFFICULT POLICY IS THAT EC FARMERS MUST ADJUST TO WORLD MARKET CONDITIONS.

THE RECENTLY APPROVED AGRICULTURAL PRICE INCREASES FOR 1982-83, WHICH ARE SLIGHTLY BELOW THE 1981 COMMUNITY GENERAL INFLATION RATE OF 12.7% AND WELL BELOW AGRICULTURAL INPUT COST INCREASES (16%), HAVE MET WITH STRONG RESISTANCE

/FROM FARMERS

FROM FARMERS THROUGHOUT EUROPE AND THE EUROPEAN PARLIAMENT. PUBLIC PRESSURES OPERATE AS STRONGLY IN EUROPE AS THEY DO HERE.

THUS, SINCE 1976, THE COMMUNITY HAS CONTINUED TO SLOW DOWN FARM PRICE INCREASES IN AN ATTEMPT TO BRING THEM CLOSER TO WORLD PRICES. THE COMMUNITY HAS STATED ITS INTENTION OF FIXING PRODUCTION TARGETS FOR MAJOR AGRICULTURAL PRODUCTS AND TRYING TO ADJUST THEM TO THE REALITIES OF THE MARKET (THIS HAS BEEN DONE FOR DAIRY PRODUCTS AND IS BEING DONE FOR CEREALS).

WE ARE UNDERTAKING A POLICY WHICH WOULD PLACE MORE RESPONSIBILITY ON FARMERS THEMSELVES FOR DISPOSING OF SURPLUSES BY HAVING THEM CONTRIBUTE TO THE COST OF SURPLUS DISPOSAL. THIS

/SYSTEM IS

SYSTEM IS ALREADY IN EFFECT FOR SUGAR AND PARTIALLY FOR MILK.

IN THE CASE OF GRAINS, THE GAP BETWEEN EC SUPPORT PRICES AND THOSE IN OTHER MAJOR EXPORTING COUNTRIES SHOULD BE PROGRESSIVELY REDUCED OVER THE NEXT FEW YEARS, WHICH WILL REDUCE THE RATE OF INCREASE OF SURPLUSES OF GRAINS.

IT MUST BE ADDED HERE THAT THE RECENT PROPOSAL BY THE EC COMMISSION TO STABILIZE EC CORN GLUTEN FEED IMPORTS FROM THE U.S. AT THEIR CURRENT LEVEL IS AN INTEGRAL PART OF THIS EFFORT.

REDUCING THE GAP BETWEEN U.S. AND EC CEREALS PRICES WILL, IN TIME, REDUCE THE INCENTIVE TO IMPORT INCREASED QUANTITIES OF CEREAL SUBSTITUTES,

/INCLUDING CORN

INCLUDING CORN GLUTEN FEED. THIS, IN TURN, WILL ALLOW INCREASED DOMESTIC EC CONSUMPTION OF LOWER-QUALITY EC WHEAT AND IMPORTED CORN. SUCH A DEVELOPMENT WOULD BENEFIT U.S. CORN EXPORTS TO THE COMMUNITY AND U.S. WHEAT EXPORTS TO THIRD COUNTRIES. (THE CONTINUING GROWTH IN IMPORTS OF CEREAL SUBSTITUTES INTO THE COMMUNITY HAS RESULTED IN LOWER EC IMPORTS OF CORN AND HIGHER EXPORTS OF CEREALS AND POULTRY, WITH NEGATIVE CONSEQUENCES FOR BOTH THE EC BUDGET AND U.S. FARM EXPORTS.)

THESE REFORMS WILL NOT OCCUR OVERNIGHT. THEY WILL BE PUT INTO PRACTICE PROGRESSIVELY OVER THE NEXT FEW YEARS. HOWEVER, THEY CANNOT BE SUCCESSFUL IF OUR MAJOR AGRICULTURAL TRADING PARTNER PERSISTS IN ATTACKING

OUR POLICIES IN THE WAY IT HAS DONE IN THE PAST YEAR. IT IS IRONIC THAT AT A TIME WHEN THE EC HAS BEGUN TO UNDERTAKE REFORMS THAT WILL ADDRESS MANY U.S. CONCERNS -- AND THIS AT A TIME OF ECONOMIC DOWNTURN -- THE UNITED STATES HAS CHOSEN TO SHARPEN ITS ATTACK ON OUR POLICIES. THIS CAN ONLY BE COUNTER-PRODUCTIVE AND STIMULATE UNWELCOME COUNTER-MEASURES.

## VI. CONCLUSION

AGRICULTURAL PROBLEMS HAVE ALWAYS BEEN THE MOST INTRACTABLE. BOTH THE UNITED STATES AND THE EUROPEAN COMMUNITY WANT TO PRESERVE THE INTERESTS OF THEIR RESPECTIVE FARMING COMMUNITIES AS MUCH AS POSSIBLE. THIS IS NATURAL.

FARMERS ARE FACING TROUBLED TIMES ON BOTH SIDES OF THE ATLANTIC.

FORTUNATELY, THE MECHANISMS OF GATT PROVIDE A FRAMEWORK FOR ADJUDICATING MANY OF OUR DISAGREEMENTS.

WHAT EUROPE, THE EC, WANTS IS THAT THE LEVEL OF 'RHETORIC' EMERGING FROM CERTAIN QUARTERS OF THE ADMINISTRATION BE TONED DOWN, FOR IT ACCOMPLISHES NOTHING EXCEPT TO INCREASE ILL-FEELING UNNECESSARILY.

WHAT IS NEEDED IS A CONCERTED, CONSTANT, AND OPEN DIALOGUE BETWEEN US, WHICH TAKES INTO CONSIDERATION POLITICAL AND ECONOMIC REALITIES AND FACTS ON BOTH SIDES. SUCH A DIALOGUE IS ALL THE MORE NECESSARY AT A TIME WHEN PROTECTIONIST PRESSURES ARE CONTINUING TO MOUNT EVERYWHERE.

/ONLY A COMMON

ONLY A COMMON EFFORT ON THE PART OF THE MAJOR TRADING PARTNERS, A RENEWED DEDICATION TO OPEN INTERNATIONAL TRADE, AND A COMMITMENT TO THE JUDICIOUS USE OF GATT PRINCIPLES CAN ENSURE THE EXPANSION OF TRADE AND THE RESURGENCE OF ECONOMIC PROSPERITY.

I AM CONVINCED THAT WE CAN WORK OUR PROBLEMS OUT TOGETHER IF WE ARE HONEST AND OPEN WITH EACH OTHER.