

REMARKS BY SENATOR HUBERT H. HUMPHREY
to
TRADE POLICY RESEARCH CENTER

LONDON, ENGLAND
JULY 30, 1971

In November of 1963, in a message to an agricultural trade symposium in Amsterdam. I said, and I quote:

We regard a United Europe as a partner to join with us and others in reducing trade barriers; as a partner to develop coordinated economic policies, and as a partner capable of playing an even greater role in our common defense. We look forward to a full and working Atlantic partnership. We await the day eagerly when we will stop talking of sixes and sevens, but of one. This one Western European Community will not be built overnight, but with the best of will and a generosity of spirit, it will be constructed. And, it will be constructive to a still better future.

I do not feel it judicious to get further involved in the Great Debate in this country on the question of Common Market membership. I know there are deep differences among you.

What I would like to discuss with you tonight is the pattern of international economic policies which appears to be emerging in Western Europe -- a pattern which apparently is being accepted in the United Kingdom.

The European Community has been taking a series of steps which add up to a shift from multilateral trade based on the Most Favored Nation principle to regional and bilateral special arrangements and the formation of a preferential trading bloc. These activities are contrary to the principles agreed to at the General Agreement on Tariffs and Trade.

The trouble is that the present six member countries have been seeking solutions to internal problems without taking full account of the legitimate economic interests of non-members.

I do not question the fact that many countries outside the Common Market have in general benefited from the restoration of prosperity among the Six. America's exports to the European Community -- and her income from investments there -- have grown rapidly over the last decade.

But the role of the EEC with respect to world production and trade in agricultural commodities has created multinational difficulties. We are seeing a system of high internal rising support prices which have stimulated production uneconomically and curtailed demand.

These price levels are buttressed by variable levies and other devices. Thus, potential exporters with comparative advantage are deprived of markets within the EEC. Moreover, any internal surplus is placed into export by subsidization. The nonmembers are losing markets both ways.

As far as grains are concerned, the U. S. farmer has lost a substantial part of the potential market and consequently has received lower market prices. As an elected public official, representing a great grain producing state, I join in the chorus of protest coming from official and non-official sources.

In contrast, soybean and soybean meal receive, as a result of the Dillon Round, duty free access to the Community. Exports of these items are at record levels and are fueling the expanding demand for high protein meals. Any restrictive actions on these items would result in an immediate response by the U. S. government.

The proliferation of preferential trade agreements threatens the continued existence of the GATT system. It threatens the American objective of a world economic order that is non-discriminatory.

Our Congress, your Parliament, the legislatures of other countries in Western Europe and elsewhere, all need international rules to help us maintain balanced and outward-looking policies. International principles are our best defense against internal weaknesses.

Americans are becoming increasingly worried about the future of international agricultural trade. They are especially worried, of course, about the future for American exports of farm products.

Our agriculture is becoming highly efficient by world standards. One out of every four American farm acres goes into exports. Our farm support programs are being increasingly geared to the world market.

Yet we are coming up against farm support programs in other countries which block our exports or which artificially stimulate surplus production which then has to be off-loaded on the world market at subsidized prices. The resultant distortion of world trade in agricultural products is becoming costly for all concerned.

Farmers may be small in number, but in America -- as in other countries -- they are politically important. And so they should be.

For many years we have been hearing about the political power of cash grain producers in some parts of the EEC. I am not unmindful of the political balance of power of U. S. grain producers in many of our states.

American farmers have on the whole been more outward-looking over the last decade or so. They have come to see the world as their marketplace. They have favored the liberalization of international trade and have helped, again and again, to beat back the forces of economic isolationism in the United States.

Farm interests are crucial to the American position on international economic policy. American farm interests are, therefore, bound up with the economic interest of Western Europe which rests on the achievement of an open world economy.

Nearly all governments provide assistance to farmers one way or another and to greatly varying degrees. It is the method of means, though, that this assistance is provided which is so important to world production and trade.

At a very early stage in its life the European Community developed the Common Agricultural Policy. Initially the CAP was said to be an instrument for stabilizing market conditions inside the Common Market and avoiding the bad effects of sporadic dumping by outside suppliers.

In practice, however, the CAP has become a major disruptive force in world agricultural markets. Its workings have gone far beyond the original objectives. The import levy system that the Common Market has constructed is much worse than import quotas because they make imports a matter of residual supply.

The price of imports is kept above the internal price. If there are bumper crops within the European Community, imports automatically suffer, and, as a consequence, there can be no long-term planning in international trade.

The Community's farm support policies stimulate production by artificial means. The Common Market now is nearly self-sufficient in all temperate-zone foodstuffs.

This has been achieved by setting internal support prices at roughly double world market levels in the key commodities. It is hardly surprising that surpluses are generated.

The Community releases its surpluses on to world markets with the help of heavy subsidies. The subsidy payments often are larger than the market value of the products and they are financed by the levies on those imports that are able to enter the Common Market. That is a bad system, and it is costly.

I am not attacking the idea of government aids to farmers.

But farm policies do not have to be so protectionist. They do not have to attack the interests of others. It should not be necessary to make the efficient farmers of one country pay for the farm program of another.

One reason why the CAP is so disruptive is that its price levels are so far above world market levels.

Another reason is that price relationships within the CAP system are set in such a way as to favor the use of expensive home products in place of lower priced imports. Soft wheat, for example, grown in the Common Market, is increasingly used to substitute for imported corn in feeding animals.

Surpluses are low at the present time. But most experts believe they will be with us again before long. This will be especially true in Western Europe, where world market prices are expected to level off or go lower. The surpluses, therefore, will be costly to either store or export.

Recent studies in the Community have confirmed what anyone experienced in agriculture already knows! Low-income farmers, being small operators, get high prices on their small output, but only benefit marginally from the Common Market's price-support policy.

On the other hand, large farmers in the Community, already operating at high-income levels, are able to reap windfall profits from the high prices obtained on their large outputs. I am told, moreover, that many of the large farms in the Community are owned by "weekend" farmers having other sources of income. This happens in the U.S. in all too many instances.

Estimates by the United States Department of Agriculture put the cost of the national farm support programs of the present member countries of the European Community at about \$5 billion a year. This must be added to the roughly \$3 billion that is spent each year under the CAP program jointly managed from Brussels.

But these are not the only costs. The high prices maintained by the CAP program probably cost consumers in the Common Market another \$6 billion to \$7 billion a year over and above what they would pay if food were available at world market prices. This in turn releases strong inflationary forces, causing workers to fight for higher and higher wages to cover their weekly food bills.

There is reason to believe that in the 1970's the CAP system will work to the detriment of manufacturing industries in the Common Market as food prices affect wage demands and thereby push up labor costs.

The European Community thus is operating a farm-support system at a phenomenally high cost which does not benefit in any significant way the small farmer it is supposed to help. Surely the minds of men can design a better set of policies than that! Surely it is within the realm of possibility to find the means for assisting the incomes of small farmers without providing windfall gains for large farmers and without forcing consumers to pay more than they need for their daily fare.

While the agricultural interests of the United States may be hurt, the agricultural interests of Australia, Canada, and most especially New Zealand, are hurt even more. All the small countries face spill-over effects from European agricultural protectionism.

As for the poor countries of the Third World, looking for export benefits from the Green Revolution, they are being faced with a market situation based on competition among the Treasuries of the rich countries.

We cannot maintain for long a world trading system with national farm support policies which are so crudely mercantilistic. It is not sensible, or politically viable, to continue to base production and exports on competition between Treasuries, or on competition to see which government can squeeze its consumers and wage earners most. Yet that is where we stand at the beginning of the 1970's.

Britain's shift last year to an import-levy system of agricultural protection, similar to that of the CAP system, was a cause of grave concern to me and to many of my Congressional colleagues. Here was the United Kingdom, a model to other countries with its deficiency payment system of income support for farmers, suddenly embracing a most wasteful and disruptive form of farm support.

Those in the United States Congress, if not all of those in the Administration, who interest themselves in international economic affairs, have been disappointed by the extent to which the United Kingdom and other applicants for Common Market membership have been so prepared to embrace the CAP system as it stands.

Unless the CAP system is reformed, the enlargement of the European Community can be expected to have a further disillusioning effect on the United States attitude toward the new Europe.

I urge you to put your minds to work on devising new ways and means for assisting low-income farmers in Western Europe. If you assist them, perhaps by direct payments, and also reduce internal prices, as the Vedel Commission in France has recommended, you will in the end ease the cost of the CAP and thus benefit yourselves as well as low-cost agricultural suppliers elsewhere in the world.

European and "outside" interest have much in common. I am not saying to you and your friends across the Channel: "Tear up the CAP. Start again." What I am saying is that you should rearrange CAP measures and practices in order to curb its more costly and more distorting aspects. There is an opportunity, with the adjustments which must follow the Community's enlargement, for gradual changes to be made over the next few years in the CAP system, attuning it more to the objectives of an open world economy.

If the enlarged Community could be induced to look in that direction, the United States also would have to look to its farm support policies, as would other industrialized countries like Japan, and agricultural exporters such as Australia and Canada. The task would be challenging. But setting agricultural policies in the right direction would serve all our interests.

Look at the benefits. We would be working toward a world of economic peace and minimizing the threat of trade wars. We would be working toward a rationalization of world food production to provide a basis for feeding the world at reasonable costs and avoiding large pockets of starvation and deprivation.

Instead of trade restriction, we must move toward increasing consumption, improving nutrition, developing new uses and increasing efficiency to reduce production costs.

The European Community, as the world's largest trading entity, should see the need to do this. I am hopeful that the coincidence of your fundamental interests and those of others, including the United States, may make such an endeavor possible.

The time has come to begin building a new multilateral economic system, one based on the old system, but going well beyond it. Perhaps the high-level OECD study group on world trade could provide that beginning. I hope so.

I also am hopeful that the enlarged European Community will at last begin to confront the fundamental problems which beset the world economy. But it will require a major effort in Britain and in the other member countries of the enlarged Community to alter the course of recent policies. The Common Market is no weak and fragile competitor, and it will be less so once Britain and the other applicants have joined.

Regional trading blocs or economic spheres of influence do not provide an answer to the problems of the world economy. If only for political reasons, the weaker developing countries cannot survive as client-states under the economic dominance of one of the world's major commercial powers.

New trade negotiations are required. The international trading system has to be developed a stage further to provide rules for agricultural as well as industrial trade. Ways have to be found for coping with the non-tariff barriers to trade which in the United States have evoked the slogan that "foreign trade is not fair trade."

What we need is a global strategy for the further liberalization of international trade on a programmed basis capable of securing the benefits while avoiding painful dislocations.

The industrialized countries of the world have become too interdependent economically to turn back without great loss to themselves. Instead they must move forward, recognizing that the easy solutions lie behind us, and the hardest problems lie ahead. It is the tough issues such as agriculture that remain to be tackled. We all would benefit if agricultural policies could be set in new trade liberalizing directions.

Mr Hugh Corbett

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SENATOR HUBERT H. HUMPHREY

TRADE POLICY RESEARCH CENTRE

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Mr Frank Mc Fadyen
Ch

IN NOVEMBER OF 1963, IN A MESSAGE TO AN AGRICULTURAL
TRADE SYMPOSIUM IN AMSTERDAM, I SAID, AND I QUOTE:

" WE REGARD A UNITED EUROPE AS A PARTNER
TO JOIN WITH US AND OTHERS IN REDUCING
TRADE BARRIERS; AS A PARTNER TO DEVELOP
COORDINATED ECONOMIC POLICIES, AND AS
A PARTNER CAPABLE OF PLAYING AN EVEN GREATER
ROLE IN OUR COMMON DEFENSE. WE LOOK
FORWARD TO A FULL AND WORKING ATLANTIC
PARTNERSHIP. WE AWAIT THE DAY EAGERLY
WHEN WE WILL STOP TALKING OF SIXES AND
SEVENS, BUT OF ONE. " *This continues to
be my position and my hope.*

Then I said - -2-

" THIS ONE WESTERN EUROPEAN COMMUNITY WILL NOT

BE BUILT OVERNIGHT, BUT WITH THE BEST OF WILL

AND A GENEROSITY OF SPIRIT, IT WILL BE

CONSTRUCTED. AND, IT WILL BE CONSTRUCTIVE

TO A STILL BETTER FUTURE.

" Then I believe and it is the objective that I directed my remarks.

I DO NOT FEEL IT JUDICIOUS TO GET FURTHER

INVOLVED IN THE GREAT DEBATE IN THIS COUNTRY ON

THE QUESTION OF COMMON MARKET MEMBERSHIP. I KNOW

THERE ARE DEEP DIFFERENCES AMONG YOU.

You will resolve these differences, and in your own way make your decision.

WHAT I WOULD LIKE TO DISCUSS WITH YOU TONIGHT

IS THE PATTERN OF INTERNATIONAL ECONOMIC POLICIES

WHICH APPEARS TO BE EMERGING IN WESTERN EUROPE, ~~A PATTERN~~

~~WHICH IS BEING ADOPTED IN THE UNITED KINGDOM.~~

THE EUROPEAN COMMUNITY HAS BEEN TAKING A SERIES
OF STEPS WHICH ADD UP TO A SHIFT FROM MULTILATERAL
TRADE BASED ON THE MOST FAVORED NATION PRINCIPLE TO REGIONAL
AND BILATERAL SPECIAL ARRANGEMENTS AND THE FORMATION
OF A PREFERENTIAL TRADING BLOC. THESE ACTIVITIES, *I believe,*
ARE CONTRARY TO THE PRINCIPLES AGREED TO AT THE GENERAL
AGREEMENT ON TARIFFS AND TRADE.

as I recall, THAT THE PRESENT SIX MEMBER COUNTRIES
HAVE BEEN SEEKING SOLUTIONS TO INTERNAL PROBLEMS WITHOUT
TAKING FULL ACCOUNT OF THE LEGITIMATE ECONOMIC INTERESTS
OF NON-MEMBERS.

I DO NOT QUESTION THE FACT THAT MANY COUNTRIES
OUTSIDE THE COMMON MARKET HAVE IN GENERAL BENEFITED
FROM THE RESTORATION OF PROSPERITY AMONG THE SIX.

AMERICA'S EXPORTS TO THE EUROPEAN COMMUNITY -- AND
HER INCOME FROM INVESTMENTS THERE -- HAVE GROWN RAPIDLY
OVER THE LAST DECADE.

BUT THE ROLE OF THE EEC WITH RESPECT TO WORLD
PRODUCTION AND TRADE IN AGRICULTURAL COMMODITIES HAS
CREATED MULTINATIONAL DIFFICULTIES. WE ARE SEEING
A SYSTEM OF HIGH INTERNAL RISING SUPPORT PRICES WHICH
HAVE STIMULATED PRODUCTION UNECONOMICALLY AND CURTAILED
DEMAND.

THESE PRICE LEVELS ARE BUTTRESSED BY VARIABLE LEVIES
AND OTHER DEVICES, THUS, POTENTIAL EXPORTERS ~~ARE~~
~~COMPARATIVE ADVANTAGE~~ ARE DEPRIVED OF MARKETS WITHIN
THE EEC. MOREOVER, ANY INTERNAL SURPLUS IS PLACED
INTO EXPORT BY SUBSIDIZATION. THE NONMEMBERS ARE LOSING
MARKETS BOTH WAYS.

AS FAR AS GRAINS ARE CONCERNED, THE U. S. FARMER
HAS LOST A SUBSTANTIAL PART OF THE POTENTIAL MARKET
AND CONSEQUENTLY HAS RECEIVED LOWER MARKET PRICES.

AS AN ELECTED PUBLIC OFFICIAL, REPRESENTING A GREAT
GRAIN PRODUCING STATE, I JOIN IN THE CHORUS OF ~~CONCERN~~
COMING FROM OFFICIAL AND NON-OFFICIAL SOURCES.

↳ IN CONTRAST, SOYBEAN AND SOYBEAN MEAL RECEIVE,

AS A RESULT OF THE DILLON ROUND, DUTY FREE ACCESS

TO THE COMMUNITY. ↳ EXPORTS OF THESE ITEMS ARE AT RECORD

LEVELS AND ARE FUELING THE EXPANDING DEMAND FOR HIGH

PROTEIN MEALS. ↳ ANY RESTRICTIVE ACTIONS ON THESE

ITEMS WOULD RESULT IN AN IMMEDIATE RESPONSE BY THE

U. S. GOVERNMENT.

↳ *But,*

THE PROLIFERATION OF PREFERENTIAL TRADE AGREEMENTS

THREATENS THE CONTINUED EXISTENCE OF THE GATT SYSTEM.

↳ IT THREATENS THE OBJECTIVE OF A WORLD ECONOMIC

ORDER THAT IS NON-DISCRIMINATORY.

OUR CONGRESS, YOUR PARLIAMENT, THE LEGISLATURES
OF OTHER COUNTRIES IN WESTERN EUROPE AND ELSEWHERE,

ALL NEED INTERNATIONAL RULES TO HELP US MAINTAIN

BALANCED AND OUTWARD-LOOKING POLICIES.

INTERNATIONAL *rules and*

PRINCIPLES ARE OUR BEST DEFENSE AGAINST INTERNAL

pressures.

AMERICANS ARE BECOMING INCREASINGLY WORRIED ABOUT

THE FUTURE OF INTERNATIONAL AGRICULTURAL TRADE.

THEY

ARE ESPECIALLY WORRIED, OF COURSE, ABOUT THE FUTURE

FOR AMERICAN EXPORTS OF FARM PRODUCTS.

OUR AGRICULTURE IS BECOMING HIGHLY EFFICIENT

BY WORLD STANDARDS. ONE OUT OF EVERY FOUR AMERICAN

FARM ACRES GOES INTO EXPORTS. OUR FARM SUPPORT PROGRAMS

ARE BEING INCREASINGLY GEARED TO THE WORLD MARKET.

YET WE ARE COMING UP AGAINST FARM SUPPORT PROGRAMS

IN OTHER COUNTRIES WHICH BLOCK OUR EXPORTS OR WHICH

ARTIFICIALLY STIMULATE SURPLUS PRODUCTION, WHICH THEN

HAS TO BE OFF-LOADED ON THE WORLD MARKET AT SUBSIDIZED

PRICES. THE RESULTANT DISTORTION OF WORLD TRADE IN

AGRICULTURAL PRODUCTS IS BECOMING COSTLY FOR ALL CONCERNED.

FARMERS MAY BE SMALL IN NUMBER, BUT IN AMERICA --
AS IN OTHER COUNTRIES -- THEY ARE POLITICALLY IMPORTANT.

AND SO THEY SHOULD BE.

FOR MANY YEARS WE HAVE BEEN HEARING ABOUT THE

POLITICAL POWER OF CASH GRAIN PRODUCERS IN SOME PARTS

OF THE EEC. *I can understand this.*

I AM NOT UNMINDFUL OF THE POLITICAL BALANCE OF POWER OF
U. S. GRAIN PRODUCERS IN MANY OF OUR STATES.

But,

AMERICAN FARMERS HAVE ON THE WHOLE BEEN MORE

OUTWARD-LOOKING OVER THE LAST DECADE OR SO. THEY

HAVE COME TO SEE THE WORLD AS THEIR MARKETPLACE. THEY

HAVE FAVORED THE LIBERALIZATION OF INTERNATIONAL TRADE

AND HAVE HELPED, AGAIN AND AGAIN, TO BEAT BACK THE

FORCES OF ECONOMIC ISOLATIONISM IN THE UNITED STATES.

h

FARM INTERESTS ARE CRUCIAL TO THE AMERICAN POSITION

ON INTERNATIONAL ECONOMIC POLICY. *h* AMERICAN FARM INTERESTS

ARE, THEREFORE, BOUND UP WITH THE ECONOMIC INTEREST

OF WESTERN EUROPE WHICH RESTS ON THE ACHIEVEMENT OF

AN OPEN WORLD ECONOMY.

*and we
have a
rising tide
of protection*

L NEARLY ALL GOVERNMENTS PROVIDE ASSISTANCE TO FARMERS
ONE WAY OR ANOTHER AND TO GREATLY VARYING DEGREES. *This is necessary*

IT IS THE METHOD OF MEANS, THOUGH, THAT THIS ASSISTANCE
IS PROVIDED WHICH IS SO IMPORTANT TO WORLD PRODUCTION
AND TRADE,

AT A VERY EARLY STAGE IN ITS LIFE THE EUROPEAN
COMMUNITY DEVELOPED THE COMMON AGRICULTURAL POLICY.
INITIALLY THE CAP WAS SAID TO BE AN INSTRUMENT FOR
STABILIZING MARKET CONDITIONS INSIDE THE COMMON MARKET
AND AVOIDING THE BAD EFFECTS OF SPORADIC DUMPING

BY OUTSIDE SUPPLIERS. *Its declared purpose
was constructive and beneficial.*

IN PRACTICE, HOWEVER, THE CAP HAS BECOME A MAJOR
DISRUPTIVE FORCE IN WORLD AGRICULTURAL MARKETS. \leftarrow ITS
WORKINGS HAVE GONE FAR BEYOND THE ORIGINAL OBJECTIVES.
THE IMPORT LEVY SYSTEM THAT THE COMMON MARKET HAS CONSTRUCTED
IS MUCH WORSE THAN IMPORT QUOTAS BECAUSE THEY MAKE
IMPORTS A MATTER OF RESIDUAL SUPPLY.

\leftarrow THE PRICE OF IMPORTS IS KEPT ABOVE THE INTERNAL
PRICE. \leftarrow ~~IF THERE ARE DUMPED CROPS WITHIN THE EUROPEAN~~
~~COMMUNITY, IMPORTS AUTOMATICALLY SUFFER, AND AS A~~
~~CONSEQUENCE, THERE CAN BE NO LONG-TERM PLANNING IN~~
~~INTERNATIONAL TRADE.~~

↳ THE COMMUNITY'S FARM SUPPORT POLICIES STIMULATE
PRODUCTION BY ARTIFICIAL MEANS. THE COMMON MARKET
NOW IS NEARLY SELF-SUFFICIENT IN ALL TEMPERATE-ZONE
FOODSTUFFS.

↳ THIS HAS BEEN ACHIEVED BY SETTING INTERNAL SUPPORT
PRICES AT ROUGHLY DOUBLE WORLD MARKET LEVELS IN THE

KEY COMMODITIES. ↳ IT IS HARDLY SURPRISING THAT SURPLUSES

ARE GENERATED. *But, the surpluses must be
sold - so*

THE COMMUNITY RELEASES ITS SURPLUSES ON TO WORLD
MARKETS WITH THE HELP OF HEAVY SUBSIDIES.

↳ THE SUBSIDY PAYMENTS OFTEN ARE LARGER THAN THE MARKET
VALUE OF THE PRODUCTS AND THEY ARE FINANCED BY THE LEVIES

ON THOSE IMPORTS THAT ARE ABLE TO ENTER THE COMMON

to me, this seems to be
MARKET, ~~THAT~~ IS A BAD SYSTEM, AND IT IS COSTLY.

↳ I AM NOT ATTACKING THE IDEA OF GOVERNMENT AIDS

TO FARMERS.

↳ BUT FARM POLICIES DO NOT HAVE TO BE SO PROTECTIONIST,

~~THEY DO NOT HAVE TO ATTACK THE INTERESTS OF OTHERS.~~

↳ IT SHOULD NOT BE NECESSARY TO MAKE THE EFFICIENT
FARMERS OF ONE COUNTRY PAY FOR THE FARM PROGRAM OF
ANOTHER.

as I've already noted -

ONE REASON WHY THE CAP IS SO DISRUPTIVE IS THAT

ITS PRICE LEVELS ARE SO FAR ABOVE WORLD MARKET LEVELS

but ANOTHER REASON IS THAT PRICE RELATIONSHIPS WITHIN

THE CAP SYSTEM ARE SET IN SUCH A WAY AS TO FAVOR THE

USE OF EXPENSIVE HOME PRODUCTS IN PLACE OF LOWER PRICED

IMPORTS | SOFT WHEAT, FOR EXAMPLE, GROWN IN THE COMMON

MARKET, IS INCREASINGLY USED TO SUBSTITUTE FOR IMPORTED

CORN IN FEEDING ANIMALS.

SURPLUSES ARE LOW AT THE PRESENT TIME. BUT MOST

EXPERTS BELIEVE THEY WILL BE WITH US AGAIN BEFORE

LONG. THIS WILL BE ESPECIALLY TRUE IN WESTERN EUROPE,

~~WHERE WORLD MARKET PRICES ARE EXPECTED TO LEVEL~~

~~OFF OR GO LOWER.~~

THE SURPLUSES ~~WILL BE~~ WILL BE COSTLY TO EITHER STORE
OR EXPORT.

↳ RECENT STUDIES IN THE COMMUNITY HAVE CONFIRMED
WHAT ANYONE EXPERIENCED IN AGRICULTURE ALREADY KNOWS!

LOW-INCOME FARMERS, BEING SMALL OPERATORS, GET HIGH
PRICES ON THEIR SMALL OUTPUT, BUT ONLY BENEFIT MARGINALLY
FROM THE COMMON MARKET'S PRICE-SUPPORT POLICY.

↳ ON THE OTHER HAND, LARGE FARMERS IN THE COMMUNITY,
ALREADY OPERATING AT HIGH-INCOME LEVELS, ARE ABLE
TO REAP WINDFALL PROFITS FROM THE HIGH PRICES OBTAINED
~~ON THEIR LARGE OUTPUTS.~~
ON THEIR LARGE OUTPUTS.

I AM TOLD, MOREOVER, THAT MANY OF THE LARGE FARMS IN THE COMMUNITY ARE OWNED BY "WEEKEND" FARMERS HAVING OTHER SOURCES OF INCOME. THIS HAPPENS IN THE U.S. IN ALL TOO MANY INSTANCES.

ESTIMATES BY THE UNITED STATES DEPARTMENT OF AGRICULTURE PUT THE COST OF THE NATIONAL FARM SUPPORT PROGRAMS OF THE PRESENT MEMBER COUNTRIES OF THE EUROPEAN COMMUNITY AT ABOUT \$5 BILLION A YEAR. THIS MUST BE ADDED TO THE ROUGHLY \$3 BILLION THAT IS SPENT EACH YEAR UNDER THE CAP PROGRAM JOINTLY MANAGED FROM BRUSSELS.

BUT THESE ARE NOT THE ONLY COSTS. THE HIGH PRICES MAINTAINED BY THE CAP PROGRAM PROBABLY COST CONSUMERS IN THE COMMON MARKET ANOTHER \$6 BILLION TO \$7 BILLION A YEAR OVER AND ABOVE WHAT THEY WOULD PAY IF FOOD WERE AVAILABLE AT WORLD MARKET PRICES. THIS IN TURN RELEASES STRONG INFLATIONARY FORCES, CAUSING WORKERS TO FIGHT FOR HIGHER AND HIGHER WAGES TO COVER THEIR WEEKLY FOOD BILLS.

↳ THERE IS REASON TO BELIEVE THAT IN THE 1970'S *unless modified-* THE CAP SYSTEM WILL WORK TO THE DETRIMENT OF MANUFACTURING INDUSTRIES IN THE COMMON MARKET AS FOOD PRICES AFFECT WAGE DEMANDS AND THEREBY PUSH UP LABOR COSTS.

THE EUROPEAN COMMUNITY THUS IS OPERATING A FARM-
SUPPORTE SYSTEM AT A [REDACTED] HIGH

COST WHICH DOES NOT BENEFIT IN ANY SIGNIFICANT WAY

THE SMALL FARMER IT IS SUPPOSED TO HELP, SURELY THE

MINDS OF MEN CAN DESIGN A BETTER SET OF POLICIES THAN

THAT! SURELY IT IS WITHIN THE REALM OF POSSIBILITY

TO FIND THE MEANS FOR ASSISTING THE INCOMES OF SMALL

FARMERS WITHOUT PROVIDING WINDFALL GAINS FOR LARGE

FARMERS AND WITHOUT FORCING CONSUMERS TO PAY MORE

THAN THEY NEED FOR THEIR DAILY FARE.

*- This same
challenge faces us in the U.S.*

WHILE THE AGRICULTURAL INTERESTS OF THE UNITED STATES MAY BE HURT, THE AGRICULTURAL INTERESTS OF AUSTRALIA, CANADA, AND MOST ESPECIALLY NEW ZEALAND, ARE HURT EVEN MORE. ALL THE SMALL COUNTRIES FACE SPILL-OVER EFFECTS FROM EUROPEAN AGRICULTURAL PROTECTIONISM.

↳ AS FOR THE POOR COUNTRIES OF THE THIRD WORLD, LOOKING FOR EXPORT BENEFITS FROM THE GREEN REVOLUTION, THEY ARE BEING FACED WITH A MARKET SITUATION BASED ON COMPETITION AMONG THE TREASURIES OF THE RICH COUNTRIES.

WE CANNOT MAINTAIN FOR LONG A WORLD TRADING
SYSTEM WITH NATIONAL FARM SUPPORT POLICIES WHICH ARE
SO CRUDELY MERCANTILISTIC. IT IS NOT SENSIBLE, OR
POLITICALLY VIABLE, TO CONTINUE TO BASE PRODUCTION
AND EXPORTS ON COMPETITION BETWEEN TREASURIES, OR ON
COMPETITION TO SEE WHICH GOVERNMENT CAN SQUEEZE ITS
CONSUMERS AND WAGE EARNERS MOST. YET THAT IS WHERE
WE STAND AT THE BEGINNING OF THE 1970's.

BRITAIN'S SHIFT LAST YEAR TO AN IMPORT-LEVY SYSTEM
OF AGRICULTURAL PROTECTION, SIMILAR TO THAT OF THE
CAP SYSTEM, WAS A CAUSE OF ~~THE~~ ^{CONSIDERABLE} CONCERN TO ME AND
TO MANY OF MY CONGRESSIONAL COLLEAGUES.

HERE WAS THE UNITED KINGDOM, A MODEL TO OTHER COUNTRIES
WITH ITS DEFICIENCY PAYMENT SYSTEM OF INCOME SUPPORT FOR
FARMERS, SUDDENLY EMBRACING A MOST WASTEFUL AND DISRUPTIVE
FORM OF FARM SUPPORT.

h THOSE IN THE UNITED STATES CONGRESS, IF NOT ALL
OF THOSE IN THE ADMINISTRATION, WHO INTEREST THEMSELVES
IN INTERNATIONAL ECONOMIC AFFAIRS, HAVE BEEN DISAPPOINTED
BY THE EXTENT TO WHICH THE UNITED KINGDOM AND OTHER
APPLICANTS FOR COMMON MARKET MEMBERSHIP HAVE BEEN
SO PREPARED TO EMBRACE THE CAP SYSTEM AS IT STANDS.

L UNLESS THE CAP SYSTEM IS REFORMED, THE ENLARGEMENT
OF THE EUROPEAN COMMUNITY CAN BE EXPECTED TO HAVE
A FURTHER DISILLUSIONING EFFECT ON THE UNITED STATES
ATTITUDE TOWARD THE NEW EUROPE.

L I URGE YOU TO PUT YOUR MINDS TO WORK ON DEVISING
NEW WAYS AND MEANS FOR ASSISTING LOW-INCOME FARMERS
IN WESTERN EUROPE. IF YOU ASSIST THEM, PERHAPS BY DIRECT
PAYMENTS, AND ALSO REDUCE INTERNAL PRICES, AS THE
VEDEL COMMISSION IN FRANCE HAS RECOMMENDED, YOU WILL
IN THE END EASE THE COST OF THE CAP AND THUS BENEFIT
YOURSELVES AS WELL AS LOW-COST AGRICULTURAL SUPPLIERS
ELSEWHERE IN THE WORLD.

↳ EUROPEAN AND "OUTSIDE" INTEREST HAVE MUCH IN COMMON.

I AM NOT SAYING TO YOU AND YOUR FRIENDS ACROSS THE

CHANNEL: "TEAR UP THE CAP. START AGAIN." WHAT I AM

SAYING IS THAT YOU SHOULD REARRANGE CAP MEASURES AND

PRACTICES IN ORDER TO CURB ITS MORE COSTLY AND MORE

DISTORTING ASPECTS. ↳ THERE IS AN OPPORTUNITY, WITH

THE ADJUSTMENTS WHICH MUST FOLLOW THE COMMUNITY'S

ENLARGEMENT, FOR GRADUAL CHANGES TO BE MADE OVER

THE NEXT FEW YEARS IN THE CAP SYSTEM. ↳ ATTUNING IT

MORE TO THE OBJECTIVES OF AN OPEN WORLD ECONOMY.

IF THE ENLARGED COMMUNITY COULD BE INDUCED TO
LOOK IN THAT DIRECTION, THE UNITED STATES ALSO WOULD
HAVE TO LOOK TO ITS FARM SUPPORT POLICIES, AS WOULD
OTHER INDUSTRIALIZED COUNTRIES LIKE JAPAN, AND AGRICULTURAL
EXPORTERS SUCH AS AUSTRALIA AND CANADA. THE TASK WOULD
BE CHALLENGING. BUT SETTING AGRICULTURAL POLICIES
IN THE RIGHT DIRECTION WOULD SERVE ALL OUR INTERESTS.

LOOK AT THE BENEFITS! WE WOULD BE WORKING TOWARD
A WORLD OF ECONOMIC PEACE AND MINIMIZING THE THREAT
OF TRADE WARS. WE WOULD BE WORKING TOWARD A RATIONALIZATION
OF WORLD FOOD PRODUCTION TO PROVIDE A BASIS FOR FEEDING
THE WORLD AT REASONABLE COSTS AND AVOIDING LARGE POCKETS
OF STARVATION AND DEPRIVATION.

h INSTEAD OF TRADE RESTRICTION, WE MUST MOVE TOWARD
INCREASING CONSUMPTION, IMPROVING NUTRITION, DEVELOPING
NEW USES AND INCREASING EFFICIENCY TO REDUCE PRODUCTION
COSTS.

L THE EUROPEAN COMMUNITY, AS THE WORLD'S LARGEST
TRADING ENTITY, SHOULD SEE THE NEED TO DO THIS. I AM
HOPEFUL THAT THE COINCIDENCE OF YOUR FUNDAMENTAL INTERESTS
AND THOSE OF OTHERS, INCLUDING THE UNITED STATES,
MAY MAKE SUCH AN ENDEAVOR POSSIBLE.

THE TIME HAS COME TO BEGIN BUILDING A NEW MULTILATERAL
ECONOMIC SYSTEM, ONE BASED ON THE OLD SYSTEM, BUT
GOING WELL BEYOND IT, PERHAPS THE HIGH-LEVEL OECD
STUDY GROUP ON WORLD TRADE COULD PROVIDE THAT BEGINNING.

I HOPE SO.

I ALSO AM HOPEFUL THAT THE ENLARGED EUROPEAN
COMMUNITY WILL AT LAST BEGIN TO CONFRONT THE FUNDAMENTAL
PROBLEMS WHICH BESET THE WORLD ECONOMY, BUT, IT WILL
REQUIRE A MAJOR EFFORT IN BRITAIN AND IN THE OTHER
MEMBER COUNTRIES OF THE ENLARGED COMMUNITY TO ALTER
THE COURSE OF RECENT POLICIES.

↳ THE COMMON MARKET IS NO WEAK AND FRAGILE COMPETITOR, AND
IT WILL BE LESS SO ONCE BRITAIN AND THE OTHER APPLICANTS
HAVE JOINED.

↳ REGIONAL TRADING BLOCS OR ECONOMIC SPHERES OF
INFLUENCE DO NOT PROVIDE AN ANSWER TO THE PROBLEMS
OF THE WORLD ECONOMY. ↳ IF ONLY FOR POLITICAL REASONS,
THE WEAKER DEVELOPING COUNTRIES CANNOT SURVIVE AS CLIENT-
STATES UNDER THE ECONOMIC DOMINANCE OF ONE OF THE
WORLD'S MAJOR COMMERCIAL POWERS.

NEW TRADE NEGOTIATIONS ARE REQUIRED THE INTERNATIONAL

TRADING SYSTEM HAS TO BE DEVELOPED A STAGE FURTHER

TO PROVIDE RULES FOR AGRICULTURAL AS WELL AS INDUSTRIAL

TRADE WAYS HAVE TO BE FOUND FOR COPING WITH THE

NON-TARIFF BARRIERS TO TRADE WHICH IN THE UNITED

STATES HAVE EVOKED THE SLOGAN THAT "FOREIGN TRADE IS

NOT FAIR TRADE."

WHAT WE NEED IS A GLOBAL STRATEGY FOR THE FURTHER

LIBERALIZATION OF INTERNATIONAL TRADE ON A PROGRAMMED

BASIS CAPABLE OF SECURING THE BENEFITS WHILE AVOIDING

PAINFUL DISLOCATIONS.

THE INDUSTRIALIZED COUNTRIES OF THE WORLD HAVE

BECOME TOO INTERDEPENDENT ECONOMICALLY TO TURN BACK

WITHOUT GREAT LOSS TO THEMSELVES. INSTEAD THEY MUST

MOVE FORWARD, RECOGNIZING THAT THE EASY SOLUTIONS LIE

BEHIND US, AND THE HARDEST PROBLEMS LIE AHEAD. IT IS

THE TOUGH ISSUES SUCH AS AGRICULTURE THAT REMAIN TO

BE TACKLED. WE ALL WOULD BENEFIT IF AGRICULTURAL

POLICIES COULD BE SET IN NEW TRADE LIBERALIZING DIRECTIONS.

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