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INTERVIEW

Common Rules for Farming Policies within GATT

Interview with Dr Sicco Leendert Mansholt, Vice-President of the EEC Commission, Brussels

In the past months the public has been confronted increasingly with the problem of sufficient food supplies for a steadily growing world population. A large part of mankind is starving while not a few countries are trying to master the problem of surplus production. It is therefore no more than consequent that the member countries of the different international organisations agreed on an examination of their agricultural policies. The topical emergency of this problem is expressed by the FAO's warnings, the OECD Conference of Ministers of Agriculture and last but not least the agricultural negotiations within GATT. In this connection the EEC's notions of farming policy are deserving of particular consideration. In the following interview *INTERECONOMICS** has asked the Vice-President of the EEC Commission in Brussels, Dr Sicco L. Mansholt—who as well is the Commission member competent for agricultural policy—to explain to its readers the most important aspects of a worldwide conception of farming policy as are to be negotiated in the Kennedy Round.

QUESTION: During the Kennedy Round—which is the name used for the current tariff negotiations at Geneva within GATT—it is now the first time that protectionist practices used to support farming have been the subject of international talks. The general aim of the Kennedy Round is an allround lowering of such barriers to international trade. How will that operate regarding agriculture? Dr Mansholt,

would you kindly explain to us the major objectives of this GATT Round as it will affect farming?

ANSWER: Unfortunately it has to be admitted that the major aims of the various partners in the Geneva negotiations, in so far as they touch farming, are widely different. The EEC's objective in agricultural policy is to secure for our farming output a firm position in

the world. It will, of course, be necessary for us to adapt ourselves in this process to conditions as they prevail inside and outside our Community.

QUESTION: The EEC Commission has entered the talks at Geneva with a special conception for its negotiations on agriculture. Which are the basic ideas of this conception?

ANSWER: The EEC is willing and prepared to make its entire farming policy a matter of negotiation. In other words, it is willing to subject this policy to rules laid down within the framework of an organisation like GATT. To be prepared to tie our practical agricultural decisions means a change of major importance for our farmers, which implies, as a matter of course, that we must also insist on full reciprocity to be granted us by the other GATT partners.

* Interview arranged by Christian Franck and Dietrich Kebschull.

SICCO LEENDERT MANSHOLT

since 1958 has been Vice-President of the EEC Commission and EEC Commissary competent for agriculture. He was born in Ulrum (province of Groningen) on September 13, 1908. After his training and holding an assistantship at an agricultural college he spent five years on Java. In 1936 he returned to the Netherlands. In 1945 he became a member of the Government as Minister of Agriculture, Fisheries and Supplies. During his twelve-year term of office the Netherlands agriculture became Europe's "model farm". The inclusion of agriculture in integration and the carrying-through of a homogeneous conception of farming policy are among Dr Mansholt's services to the EEC.

QUESTION: What then, are the differences between the approach of the other GATT partners and that embodied by the wishes of the EEC?

ANSWER: In brief, the other partners in GATT came to the negotiations with widely different notions: They wanted to negotiate at Geneva exclusively on tariffs and market guarantees, without discussing farming policies as such, or subjecting them to fixed rules. The entire problem of farming was thus only seen under its trading aspects. And therefore they advocated the widest freedom in marketing farming products. What would have been the effects if such a policy was to be left to deal with by individual States, which meant, mainly the importing countries.

However, our own experiences have taught us that a policy of this type will hardly be able to intensify exchanges of farming products. Past events have provided ample proof—individual countries will always do what they like unless their farming policies are based on binding general rules. For instance, it is not difficult at all to lower tariffs but, at the same time, to use other policy measures, say, subsidies for production and exports, to obstruct imports and to strengthen the position of one's own farmers. The United Kingdom provides a convincing example. Britain always imported large quantities of eggs. Egg import duties were slashed to the bone. But gradually we learned that the United Kingdom, though remaining the biggest egg importer, at the same time developed its export of eggs. Subsidies for British egg production have vitiated completely the effect of low egg import duties. Much the same applies to fruit and vegetables. In spite of low import duties, massive subsidies make it impossible to import much.

QUESTION: Originally, it was the aim of the Kennedy Round to achieve a linear cut of 50 % on all import duties. But you have just stated that tariff reductions alone do not mean much for farming.

Now, what does the EEC offer, and about which additional subjects is to be negotiated?

ANSWER: In the first instance, the EEC offers to consolidate all its measures of agricultural protection in the future and, offering this, we do not deny at all that a cut in import duties might still be possible for certain products. Thus, the EEC has also submitted offers of this kind at Geneva.

As I have shown earlier on, however, general protection for farm production does not consist in tariffs but mainly in agricultural policies. There are subsidies, equalisation "skimming-offs", minimum prices—in fact, there is an entire arsenal of protectionist weapons. The EEC refuses point blank to take only an isolated instance from this diverse accumulation and to negotiate only on this, the import duties. What may be suitable for industry, whose protection is mainly based on tariffs, cannot simply be imitated in the field of farming. Agriculture must be tied down to fixed universal regulations.

QUESTION: The EEC offers to consolidate its protective measures for farming. Many have been disappointed by this offer, and critics have mainly objected to a stabilisation of present protection being painted as a concession. Does this not rather mean that the present forms and scope of protection will be more firmly entrenched—in contrast with the desired liberalisation? Can you, Dr Mansholt, make it clearer to us what the EEC really means in this respect?

ANSWER: It is self-understood that the EEC might also cut down its agricultural protection, but only on the assumption that its protective walls are too high. In drafting our offers for the Kennedy Round, we have tried to assess the precise impact of our protection. In most cases, the effect of overall protection for any individual farming product finds expression in its price or, more exactly, in the difference between its prices within the EEC and in the world markets. What else could we do than to fix prices

at a level which can be consolidated within GATT? Perhaps, merely as an example, we might have fixed the wheat price not at DM 425 but at DM 450 per ton, enabling us to offer a cut by DM 25 per ton at Geneva for consolidating at DM 425 per ton. But this would not make sense, or would it?

QUESTION: Does the EEC find the offers of other GATT partners satisfactory?

ANSWER: No, in the same way as the other negotiating partners are not satisfied with the EEC's offer, the EEC feels that it cannot praise the offers of its partners in GATT. But that seems to be normal. At the outset of any negotiations nobody will ever be satisfied, as it would be foolish to state right at the beginning that anybody is glad to have received such good offers from the others.

Yet no other GATT partner has made such far-reaching offers as the EEC has done, and I should be surprised if our partners in GATT would, and could, go as far as we did.

QUESTION: Is it then a fact that the EEC's GATT partners prefer to make their offers and concessions mainly in the field of tariffs, whilst the EEC's offer affects the entire field of protection?

ANSWER: Yes, that is true. Importing countries are supposed to make concessions, whilst exporting countries, especially the United States, are far from willing to impose, for example, cuts on their export subsidies. Their attitude is completely one-sided, for not only importing countries cling to farming protection, thus causing the world markets to deteriorate, but exporting countries do the same.

QUESTION: Can it be said that the contest of the Kennedy Round is mainly one between the US and the EEC?

ANSWER: Each country naturally plays its own part. As negotiations proper have only just started, the negotiating parties are still in a waiting posture, mutually testing

their different positions and evaluating their points of departure. You cannot yet say that given attitudes have grown rigid. Things are being discussed openly and frankly in an atmosphere free of bias.

QUESTION: Up to now, the Agricultural Committee has not done much more than listening to general explanations about the meaning of individual offers—together about forty. How is this to continue? At the moment, it seems more promising to break out from multilaterality and to return to bilateral negotiations. Do you believe that such bilateral talks have greater chances, at least between the most important parties to the negotiations, in order to achieve certain concessions?

ANSWER: I don't believe that this question of method is as decisive as all that. It is more a problem of negotiating techniques whether, at a certain stage, bilateral contacts are taken up. On the other hand, we must insist on eventual agreement being based on the multilateral plane. Should it be necessary to prepare for such a multilateral agreement by bilateral negotiations, there is no objection against this.

QUESTION: There is another question about negotiating techniques: the EEC is acting for the first time as a single negotiating body representing the six individual countries. It has been given a special mandate to negotiate. Is this a useful method of negotiating? Has the EEC Commission been given sufficient authority for negotiating flexibly, or may it not need during the negotiations, perhaps early in 1967 when the decisive phase begins, additional powers, or a new mandate?

ANSWER: The answer to the first question is yes. It is a very useful method for the Council of Ministers to issue a negotiating mandate under the Treaty of Rome, asking the Commission to act on behalf of the Community. It would, on the other hand, be bad to let the Council of Ministers do the negotiating, as has been seen clearly during the talks with Britain up to January, 1963.

Whether the authority granted to the EEC Commission up to now for negotiating at Geneva will be sufficient cannot be stated with certainty. For my part, I do not believe that it is so. The Commission has already drawn the Council of Ministers' attention to a number of points on which further decisions will have to be made. But, for the time being, it will be necessary first to negotiate with the GATT partners. Only after that has been done, we may say that this is insufficient, because a different policy must be followed and additional concessions will have to be made. It will then be necessary to reconvene the Council of Ministers for making new decisions. This, of course, puts the EEC Commission in a position that is weaker than that of its negotiating partners. Moreover, its mandate is fully known to everybody at Geneva, which is not true of the mandates with which the other GATT partners have invested their delegations.

QUESTION: This procedure has much delayed negotiations during the Kennedy Round. Is there not perhaps a danger that the Americans, being compelled to carry out the prescriptions of the Trade Expansion Act until 1967, must leave the negotiations without the talks having arrived at a conclusive result?

ANSWER: There is naturally always the risk that negotiations take too long. It is a pity that we have lost much time during the last three years. Vast obstacles have got into the way of obtaining any mandate. It is true that the mechanism of the EEC works more slowly and ponderously than it is customary with individual national states. But we must also not forget that something completely new is being put into practice at Brussels, and that our experience in handling it is limited.

We must now, of course, make haste to achieve the basic agreement till about February, 1967. If we succeed in this, all the technical questions could be cleared up in time until July 1, 1967. I would not yet say that this is impossible. But

the coming months up to February will be decisive.

QUESTION: Dr Mansholt, what do you think of the saying that delayed negotiations will be welcomed by protectionist circles in the US? We have heard that the Americans are already somewhat tired with the Kennedy Round, and that there are forces favouring stronger protectionism, who would much prefer the entire Kennedy Round to fall to the ground.

ANSWER: We would, of course, greatly regret such a development in America. I can fully understand American impatience and dissatisfaction. The long delay has strengthened those in America who are not interested in the Kennedy Round—and both in America and in Europe there are protectionists; at least, it has strengthened the hands of those who exert pressure on the US Administration, which continues to support the Kennedy Round. On the other hand, I do not believe in a danger that the US Government might withdraw from Geneva.

QUESTION: The EEC has acquired highly specialised experiences in negotiating techniques, especially in tying and untying so-called negotiating packets. In the light of such experience, do you think it useful to negotiate a "tied bargain", as proposed by the Americans, between concessions in the field of industrial and in that of farming trade? Would it be possible to suggest to the one or another partner that they should make wider concessions on farm products?

ANSWER: I agree wholeheartedly with this suggestion. The EEC Commission also has always held the opinion that such mutual "ties" should be created.

We must use the need for, and the opinion that such mutual reduced import duties on industrial goods for achieving pledges on farm produce. And we do make use of such connections. If we would deal with agricultural problems exclusively, I am afraid that conflicts and difficulties would

prove to be so overwhelming in agriculture alone as to prevent any solution.

QUESTION: But does this not also create the risk that failure to agree on agriculture may affect the industrial markets, too?

ANSWER: Such risks will always exist. But in spite of all this, I stick to the opinion that the need for concessions on industrial markets gives us a greater chance for making some progress also in the field of farming.

QUESTION: What does this mean in practice? A "tied deal", after all, would mean that concessions for industrial and farming trade would have to be judged purely quantitatively. Concessions on industrial goods can be measured by the rate of import duty, which will then be cut by, say, 50 %. But how can this be done in negotiating for concessions in overall farming policy? How to measure them? Have the Geneva negotiating partners any practical ideas about this?

ANSWER: We must be clear that in our negotiations for linear reductions of protection it is not possible to evaluate precisely each individual concession, product against product, as it used to be done during bilateral talks. But this is not, after all, the meaning of the Kennedy Round.

Linear negotiations have to deal, above all, with the exceptions from the principle of linearity. Of course, negotiators will always ask themselves: What do I yield? But it will not be possible in the case under discussion to calculate the precise value of all the concessions, as happened during earlier GATT negotiations.

QUESTION: In order to solve the farming problem, the EEC has proposed forming worldwide agricultural agreements for individual farm products, e.g. for grain. And they are also being considered for meat, dairy products, and sugar. But what chance does the EEC give such agreements? Does not the history of other agreements show that they operate unsatisfactorily, and that they have never led to a long-term solution of the problems they were designed to deal with?

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ANSWER: We have never believed that any complete and final solution of all the problems besetting farming production and farm products trade can be achieved. This was indeed never the purpose of our proposals. We can only take a first step for making world trade healthier. This trade has been deprived of many of its functions through numerous state interventions in production, trade, and consumption. What we propose for a worldwide grain trade means only an extension of our offers made already in the cases of other farm products. We believe that worldwide agreements must serve the prevention of available surplus production from reaching the world markets in an uncontrolled fashion. Certain rules have to be found for governing the ways in which such surpluses are marketed. For example, we would be willing to provide finance for aid programmes, to deflect such surpluses to underdeveloped areas, thus eliminating their disturbing influence on normal trade. But an indispensable condition for this would be agreed criteria for noting a surplus, and a consolidation of agricultural protection, lest increased protection led to additional production, in spite of existing surpluses.

QUESTION: Does this programme form also a special EEC contribution to development aid?

ANSWER: No, and I do not believe that GATT would be the body within which to design and carry out a new development policy on farming. The problems of develop-

ment aid have a much wider scope. An agreement under GATT could be no more than a first step, to be joined up later with international organisations, e.g. FAO.

QUESTION: The EEC is only now on its way to grow into a complete customs and economic union. It went through great difficulties of its own. Only gradually does it succeed in agreeing on common tariff and trade policies. Would it not therefore be correct to state that the Kennedy Round came too early for the EEC? Would the chances for success have perhaps been greater after July 1, 1968, after the common industrial and agricultural market has been completed?

ANSWER: Yes and no. I believe it was a good thing to confront the EEC with the Kennedy Round as early as it did happen; for it is essential to know the eventual height of the future common tariff already during the process of its creation, especially for countries which must raise their import duties. Otherwise they would have to increase them and later to cut them again.

Perhaps it is true to say that the GATT negotiations came somewhat prematurely for our agriculture, because we were not able to make any offers before we had a common agricultural policy. And this was indeed the cause of the well-known delay. On the other hand, we were thus forced to become quick workers in dealing with our common farming and trading policies.