

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

EEC: The “right price” for farm products

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1967) : EEC: The “right price” for farm products, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 02, Iss. 12, pp. 312-, <https://doi.org/10.1007/BF02930446>

This Version is available at:

<https://hdl.handle.net/10419/137832>

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COMMENTS

20 Years GATT

Not only a Jubilee

The 24th GATT session, lasting from November 9 to 24 in Geneva, coincided with the 20th birthday of this organisation. On October 30, 1947, the General Agreement on Tariffs and Trade was signed. Since that day, GATT has made a considerable contribution towards regarding national trade policy problems no longer from a purely nationalist view, but from that of the common interest of the member nations to abolish tariff barriers to world trade. GATT's activities concerning trade policy have, however, by no means been terminated, and the 24th session was not only a jubilee. Above all the developing countries pointed to the fact that from 1953-66 world trade with industrial goods rose by 240 per cent; however, world trade with farm products, being vital for their exports, only by 86 per cent. No doubt, the Kennedy Round could not comply with all wishes of the developing countries. But it had more advantageous results for them than their spokesmen admit. In future, there will be considerable possibilities for them, as some industrial products, for which tariff reductions were agreed upon in the Kennedy Round, can soon be exported by the young nations, too. In addition, GATT declared its willingness to employ its trade centre even more for the promotion of exports of developing countries.

It would have been unrealistic to anticipate new initiatives for further tariff reduction rounds from the GATT session just finished. In Geneva, merely preparatory works could be introduced, in order to enable new trade policy negotiations. It must, however, be avoided, as some delegates emphasised, that for sheer preparatory investigations and studies the liberalisation of world trade is neglected. kr.

EEC

The "Right Price" for Farm Products

The Ministers of Agriculture of the six EEC member states have agreed, late in October, 1967, on increased common prices for farm products to be charged in 1968. They decided to raise the prices for beef cattle, calves, rye, barley, maize, rice, and olive oil by between 2.4 and 4.75 per cent. This price lift poses afresh the question which price may be the "right price". The rules and regulations governing the market for farm products in the EEC serve the purpose to keep EEC prices on a level above the prices in the world markets. EEC countries im-

pose varying equalisation levies upon imported foodstuffs as a counter-balance vis-à-vis the world market prices that are "unreasonably low", and these are also intended to eliminate the disturbances created by dumping exports designed to get rid of foreign farm surpluses.

Nobody will deny that government support of exports has contributed to the decline in world market prices. However, conservative estimates of experts assess the extent of these artificial price cuts at between five and ten per cent, and not at between thirty and fifty per cent, as the rates at which equalisation levies are raised might lead one to believe.

In foodstuffs, the European Economic Community has largely become self-sufficient and, of some commodities, it has even started to accumulate exportable surpluses. This means, however, that agreed marked regulations will be thrown out of gear because, as soon as imports cease, it will be impossible to support the internal price level through making imports (through equalisation levies) more expensive. It remains to be seen whether the EEC will not be compelled, in the long term, to follow world market prices that are "unreasonably low", under pressure of its own farm production "explosion". re.

Added Value Tax

New Export Boom?

From January 1, 1968, the German turnover tax, hitherto levied on gross trade prices, will be replaced by the Added Value Tax. The change is highly significant in terms of trade policy, as it will not only affect the entire economic process inside the Federal Republic of Germany but also its foreign trade.

In most countries, it is usual to waive national turnover taxes on goods intended for export, because the country importing these goods levies a corresponding tax on its imports. Up to now the waiving of such taxes was carried out by simply not subjecting the individual export to turnover tax, and in addition by paying a subsidy to the exporter, graded according to global assumptions about the amount of turnover tax contained in the product manufactured for export purposes, through the taxed raw materials and intermediate products entering its production. Under the new system of Added Value Tax, goods earmarked for export remain tax-free, and tax contained in the goods and services that have entered its manufacture can be precisely assessed and refunded. This means that the product in question will