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Common trade policy—EEC's cinderella

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holders, and will require a change of the power structure. The reform measures must be sweeping to be effective. A cursory look at the reforms of the past two decades shows that they have dealt with the problem only superficially. They have actually been treating the symptoms rather than the cause.

The sweeping effects of a reform program can be pointed out by reference to the Mexican reform, bloody and violent as it was. It provided the catalyst which released and set in motion the multitude and complex forces to which Mexico owes its sustained rate of agricultural and industrial growth. It gave

the rural population an opportunity for both horizontal and vertical mobility; it deeply effected the political structure and brought the country out of a colonial impasse; it opened Mexico up to technological progress and paved the way for the beginning of road building and irrigation programs. Urban expansion and the public works policy created a huge demand for cement, steel and other products of the construction industry, thus setting the basis for Mexico's industrial revolution. Without the agrarian revolt, Mexico would probably be today in a situation similar to most of its underdeveloped Latin American counterparts.

Agrarian Policy

Common Trade Policy — EEC's Cinderella

by Professor Dr Herbert Weichmann, Hamburg

On the occasion of the centenary of the Association of the Grain Merchants of the Hamburg Bourse the First Burgomaster of Hamburg, Professor Weichmann, addressed a meeting on September 19, 1968. The Vice President of the Commission of the European Communities was present when Professor Weichmann spoke of the importance of the grain trade, of the problems of the European agrarian policy and of the fight against world famine. The following is a summary of his address.

Opinion may differ as to what constitutes a common agrarian policy. But one thing cannot be denied: Nowhere in the world has so much progress been made towards integration in one special field in so short a time as in the field of a common agrarian policy within the EEC. No doubt, the realisation of a customs union for industrial products may also be hailed as a great pioneering effort towards a greater Europe, but to align six different agrarian policies and bring them into unified market organisations for nearly 90 per cent of the farm products has been a much more difficult undertaking. Its success has therefore been an outstanding achievement which proves that coordination of various national interests can lead to successful integration.

Hamburg Favours Liberalisation

This on the whole positive assessment does not, however, preclude some critical objections from the Hamburg point of view. Hamburg has always adopted an

enlightened attitude towards the idea of European integration. On the other hand, being the overseas-orientated industrial, trade and shipping centre we are, we have never ceased to urge with all the emphasis at our command that the EEC should be extended to cover in particular Great Britain, the Scandinavian countries and Austria and that liberalisation of trade should be world-wide. But apart from the partial success achieved in the Kennedy-Round negotiations, these wishes of ours have remained unfulfilled.

On the contrary, the forces of protectionism are constantly gaining in strength, and to combat them is a particular concern of us who are living in Hamburg. It is not for selfish motives that we demand liberalisation of the world's trade; we do so because increased international division of labour will lead to a faster growth in standards of living everywhere, from which we naturally hope to benefit, too. Article 110 of the EEC-Treaty with its conflicting aims between agrarian interests seeking protection and those

wishing for greater freedom for foreign trade is nowadays mostly interpreted in favour of agriculture, for a common trade policy is still the Cinderella of the EEC.

Dangers of Artificially High Farm Prices

We have no objections in principle against regulating a market through its price structure. What we find depressing is to see high prices fixed for political considerations which ignore essential economic aspects: In the long run import regulations are bound to affect adversely the balance-of-payments situation of those third countries which depend primarily on agricultural exports and which obtain their investment goods from the EEC. The danger of restrictive measures and shifts in trade cannot be dismissed, and the EEC as the world's second largest exporter of industrial products would undoubtedly have to accept a slowing down of its growth rate as a result of such measures. At the same time such a policy will prevent largely agricultural countries from expanding their markets — a consequence which should not be underestimated when one thinks specifically of pursuing in future a development policy through fostering trade.

Moreover, artificially high farm prices within the EEC will tend to discourage efforts on the part of farmers to rationalise and in this manner to increase their productivity. To achieve an increase in the real incomes of farmers is a primary aim of economic policy — an aim which will thus be prejudiced. Finally, high prices for farm produce admittedly lead to high nominal incomes in agriculture; by the same token these high prices prevent the freeing of labour forces and impede their mobility — their movement into areas where they could contribute to an improvement of the country's economic structure. There are unfortunately many examples, particularly in agriculture, to prove that failure to achieve structural improvements leads to general political dissatisfaction which in turn expresses itself only too easily in radical tendencies.

From whatever angle one may approach specific problems of agricultural policy in the Economic Com-

munity the point to emphasise—as far as Hamburg is concerned—is that what is at stake are not only the interests of the producers, not only the interests of the individual national economies, but those of the many millions of consumers in Europe. What can be done to improve the agricultural situation may be summarised under three headings:

□ First of all, an attempt must be made to bring the various prices for farm products more closely into line with costs and to refrain from fixing "political" prices which constitute an incentive to high output. To destroy surpluses does not only cause a trauma in the politician; it must also make the EEC suspect in the eyes of its citizens.

□ Secondly, account should be taken of the fact that the sales of food products increase in lesser proportion than the national income. Growth can be achieved essentially only through an expansion of services and industrial output, and this—as far as the German Federal Republic is concerned—is largely export-orientated.

□ Thirdly, what matters is for the farming policy of the EEC to lay greater emphasis on quality. Only through specialisation can industrial methods be introduced into agriculture, and only through specialisation can the farming community share in the general economic growth.

Fight against Famine in the World

For only too many pitiable people, for much too many hungry human beings a handful of grain constitutes the decisive difference between continued existence and death. In this field, in the fight against hunger all over the world, all nations, but particularly the world powers confront a task of truly secular dimensions. It is towards this task that the powers with gigantic industrial capabilities at their disposal should bend their energies. Such an appeal today still goes sadly unheeded to judge by realities. As long as ever increasing numbers of people are forced to vegetate on the brink of the existence minimum, so long will world peace remain a fragile edifice.



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