

# COUNCIL OF EUROPE CONSEIL DE L'EUROPE

21st September, 1961

Doc. 1358

## CONSULTATIVE ASSEMBLY

### REPORT

on

Agricultural Policies in Europe <sup>(1)</sup>

(Rapporteur: Mr. Vondeling)

1. Draft Order  
(Presented by the Committee on Agriculture) <sup>(2)</sup>

The Assembly,

Having considered the report of its Committee on Agriculture on agricultural policies in Europe (Doc. 1358);

Attaching great importance to the establishment of a European agricultural policy, in particular with a view to the possibility of the accession to, or association with, the European Economic Community of member States of the Council of Europe which are not already Members of the Community;

Instructs its Committee on Agriculture:

To continue to study developments in this field and report back to the Assembly in due course.

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(1) See Order No. 180, 26th April, 1961.

(2) Adopted by the Committee on Agriculture on 21st September, 1961.  
Members of the Committee: Mr. Lucifora (Chairman) (Substitute: Mr. Sibille); Sir Anthony Esmonde, Mr. Guillon (Vice-Chairmen); MM. Andersson, Bourgoin, Cotiadis, From, Gerns, Jacobs, Jannuzzi, Jonasson (Substitute: Mrs. Thorsteinsdottir, Lucker, Maitland, Margue, Meyersson, Pavlou, Repossi, Rogers, Sandberg, Scott-Hopkins (Substitute: Mr. Mathew), Sourbet, Stürghk (Substitute: Mr. Reichl), Vondeling.

N.B. The names of Representatives taking part in the vote are underlined.

2. Explanatory Memorandum by Mr. Vondeling

PROBLEMS OF AGRICULTURAL INTEGRATION  
IN THE LIGHT OF RECENT DEVELOPMENTS

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I. Agriculture - a key problem of European economic integration

A. The intergovernmental versus the community approach

Is agriculture the main stumbling block on the road to international economic co-operation and European economic integration? Seemingly this is so whether one considers small groups as Benelux or world trade generally. For 60 years now efforts have been made to stabilise trade and prices in a number of agricultural products. Neither the international tea and rubber agreements between the two world wars, nor the present sugar and wheat agreements can be described as successes. The importance of the former International Institute of Agriculture was not great; its achievements were mostly in the statistical field and in the creation of an excellent library. The FAO (Food and Agriculture Organisation) which is, in some sense, the successor to IIA, has unfortunately not acquired the central function which many of its founders hoped. A former official of IIA, who has many years experience behind him, rightly wrote in 1947 in regard to the influence of these organisations on the market (1): "If the FAO desires to co-ordinate national efforts on a legal basis, it can do so only if it is given the power to make regulations. Otherwise its importance will be scarcely any greater than that of IIA."

So far as agriculture is concerned GATT allows so many exceptions (especially in Articles III, XI and XX (provision of waivers)) that in practice it hardly operates for this sector of the economy. The general acknowledgment by its members (in 1958) that more must be done in the agricultural sector, starting e.g. by precise agreements (codes) on the nature of measures of agricultural policy, has not yet been translated into action.

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(1) H.F.W.M. van Haastert, Het Internationaal Landbouw Instituut (IIA) en de Organisatie voor Voedsel en Landbouw (FAO) Leiden 1947.

In the more limited European framework, even the fertile OEEC has not found solutions for the most complex agricultural problems, those of the international market and international trade. In the chapter on food and agriculture of the publication "At work for Europe" (1960) the paragraph headed "Confrontation of Agricultural policies" contains on page 113 the words: "It is difficult at present to say exactly what effect these recommendations have had". My personal reply would be "very little". Almost all countries have displayed a haughty disdain for recommendations drafted and adopted by common consent. In the latest Report of the Ministerial Committee for Agriculture and Food, "Major developments in agricultural policy since 1955 in relation to principles and recommendations of the Ministerial Committee", it is stated in paragraphs 187 and 188: "However, countries have not always been able to follow simultaneously all the principles, and sometimes have taken no action in response to specific recommendations" and "Governments have stated that their difficulties in acting more fully in accordance with the principles and recommendations arise from pressing short-term problems or continuing structural weaknesses; moreover, significant modifications in their policies or systems can only be achieved through continuing effort over a period of time." Bearing in mind the optimistic tone customarily heard in the reports of international organisations when speaking of results obtained, particularly their own results, we must again regard this judgment as strictly negative.

How difficult it is to resolve problems of agricultural policy by intergovernmental negotiation may be clearly seen from the proceedings of the Benelux Interparliamentary Consultative Council on 7th and 8th July of this year. The inevitable conclusion was that there had been no progress either in the past or in recent years towards the harmonisation of agricultural policies to which the three Governments were committed by solemn agreement. The Benelux intergovernmental policy of harmonisation, which is simply marking time, has already been overtaken by the supranational policy of the European Economic Community. Thus as an independent goal and method it has died a natural death. Personally, I have spent too long at the bedside of the invalid to waste any more tears. However, I am glad to have attended the laborious birth of this policy and

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watched the congenital disease which soon set in. I feel I can now say with confidence that a common agricultural policy cannot be arrived at by intergovernmental collaboration - even between neighbours and friends.

The fact that the six countries making up the EEC have devoted a special title in their treaty - comprising no less than 10 lengthy articles - to "Agriculture" is a clear sign that this sector - like others - calls for quite special handling and therefore attention. During the preparation of a common agricultural policy, to which very great efforts are now being devoted, it has become obvious how extensive the problem is and what tremendous importance attaches to it from the political angle in the member States. On page 5 of the last annual report of the EEC Commission (1) we read: "The Commission is aware that the implementation of this common agricultural policy will constitute a test of the Community's success in the field of common policy". The many discussions on Agricultural policy in the European Parliamentary Assembly reflect the same ideas.

When the EEC Treaty was being prepared a "special working party" of the Council of OEEC produced a report "on the possibility of creating a Free Trade Area in Europe" (2). In this Report too - my story is getting monotonous - a special chapter deals with agriculture (The Problem of Agriculture). I quote from paragraph 49: "He (the Representative of the United Kingdom) considered that the Free Trade Area should not include agricultural products". This viewpoint was upheld

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(1) Fourth General Report by the Commission of the European Economic Community on the activities of the Community (Doc. 26/I/II) (16th May 1960 - 30th April 1961).

(2) OEEC - Report on the possibility of creating a Free Trade Area in Europe. Paris Doc. C (57) 5th January 1957.

later when, in the OEEC framework and under the Chairmanship of Mr. Maudling, negotiations for the establishment of a Free Trade Area took place. Mr. Maudling then put forward (October 1957 and January 1958) a "draft outline of an agreement of agriculture and fisheries" to illustrate the British point of view that farm products should be subject to a different system from industrial products and it may be noted that agriculture was excluded from the Stockholm Treaty (EFTA).

Now that the United Kingdom Government is thinking of entering EEC, agriculture is proving a big obstacle. The British Government has said so on every possible occasion, while in the Parliamentary debates the problems of farming have also received the lion's share of attention. Indeed, agriculture has frequently been classed as the most serious obstacle of all. It is not only domestic farming policy which is said to be a grave impediment to entry into EEC, but the dominant element in the Commonwealth problem is also shown to be agricultural in nature. The two problems - agriculture and the Commonwealth, which are often linked together - are seen on closer examination to be one and the same, i.e. that of agriculture in the widest meaning of the term. The objections raised, e.g. by Canada, Australia and New Zealand, may be fairly enough summarised by the words "wheat, dairy products, fruits, sugar, meat". The British Foreign Secretary said in the House of Lords on 21st June last: "Any Commonwealth Secretary has 'butter' written on his heart for the rest of his life" (Hansard, page 627).

It is obvious from the foregoing how necessary it is to devote special attention to agriculture in any discussion of European policy. What exactly are the difficulties? Can they be solved, and if so, how? The report which follows is an attempt to define the problem, to outline its importance and to suggest paths whereby we can emerge from the bog on to terra firma. These paths must exist. In theory nothing is more logical or more beneficial than free trade in agricultural products. The fact is that from one region to another, from one country to another, from one continent to another the conditions governing production differ nowhere so much as in agriculture. Soil and climate are the decisive factors, and they are everywhere different. Even more decisive is the point that these two elements are immovable; they are fixed features of a given place. It ought therefore to be the most normal thing in the world for the farming community to arrange for a natural distribution of their work among regions and nations. In no other branch of activity can this be so obvious. Nevertheless, there is no branch in which this simple law of economics is so constantly broken and in so flagrant a manner. It is nationalism which is the culprit. ./.

However, if we are not to give an over-simplified picture, it must be said that neither the farmers nor the consumers of their products can dispense with intervention by the authorities in the organisation of the market. In practice such intervention is common all over the world, or at any rate it is attempted. Admittedly the results are not generally very good and, whether viewed from the world or from the European standpoint, even discouraging. The reason does not lie in the principle of intervention itself, but in the way in which it is handled, that is to say practically without paying any heed to the problems of other countries growing the same products. Economic nationalism appears to be nowhere so common, so strong and so rigid as in the agricultural field. Thus we are very far from any healthy international division of labour. The wealth of nations is consequently less than it might be. How can we improve this highly unsatisfactory situation in the interests just as much of farmers as of consumers and taxpayers, to say nothing of the bedgered politician? Everybody knows that it is not enough to create a bigger market to abolish tariffs and quotas in trade between a number of nations. Apart from these obstacles to trade there are many more effecting agricultural production. In one of the many excellent studies by FAO (1) there is a list of almost 40 processes which at various times have been or are still applied to stabilise national markets. Much more is therefore required than the mere abolition of tariffs and quotas if we are to achieve healthy trade in farm produce. In addition, a common market for a number of countries demands a common policy towards third countries. In short, the various national measures should be replaced by a common policy on the part of those countries which desire to form a single market. The sorry experience of several decades has conclusively taught us that nothing less will do. Such is the only conclusion of this lengthy introduction, but how important it is!

## B. Essential features of a common agricultural policy

It may be useful briefly to summarise the necessary conditions for the conduct of a common agricultural policy. It is not difficult to list them, since they are exactly the same as those required by a sound domestic policy for farming. In my view the most important are the following:

### (a) A well-defined objective

Most national definitions resemble each other but they are insufficiently clear. At least as much attention must be paid to structural policy as to a policy for prices and markets.

(1) "The disposal of agricultural surpluses" FAO, Rome 1954.

(b) A competent and vigorous Executive Power

The Executive Authority cannot avoid having a supra-national character, and it should as soon as possible be placed in a position to take decisions by simple majority. Those who shape and implement the common policy must have a European outlook that is above suspicion and, so long as they remain in their posts, must have no links with national Governments. They must be policy makers and not officials.

If a vigorous policy is to be followed, there must be far-reaching powers to meet rapid and often unexpected changes in economic conditions.

(c) Equally important is that agriculture should be viewed as a part of general social and economic policy. Close relations with the farmers and consumers associations are likewise desirable.

(d) The transitional phase between domestic and common agricultural policy need not and indeed cannot be long, if only to prevent distortions, and should be such as to come to an end automatically.

(e) Everywhere and almost always domestic agricultural policy entails a burden on public funds. This will be equally true of a policy conducted on a broader scale. Therefore the new international authority which determines policy must have its own financial means, and experience has shown that these must be fairly considerable.

(f) A democratic system aiming at the common welfare demands a balance between the powers of the executive and those of its controlling parliamentary body. From the outset there must be parliamentary representation endowed with the competence to encourage, advise, supervise. Ultimately this body must assume full parliamentary control over Community policies.

It need cause no surprise that questions of general political import are treated in a report on agricultural policy. Throughout the world farming is subject to continuous and intensive State intervention. There is no sphere of the economy where such intervention is equally strong. As the process of integration proceeds, by far the greatest attention will be allotted to agriculture, as the daily conduct of affairs in the EEC shows. In the abolition of commercial obstacles common instruments and organs are not needed. But they certainly are needed in the formation of an active social and economic policy such as the agricultural sector requires. This does not mean that, in the rapporteur's opinion, this is not necessary in the rest of the economy! Hence it is logical and inevitable that this report should also refer to the institutions of the Economic Community. ./.

## II. The development of the agricultural policy in the EEC.

Before briefly sketching the progress made by the Six-power Community in the field of common agricultural policy, a few remarks on the tenor of the Treaty so far as agriculture is concerned may be helpful. Compared with the conditions set forth in the previous chapter the Treaty presents a number of weak points.

First, the declared objective of agricultural policy is rather vague. Furthermore, in some articles there are expressions echoing an already outmoded agricultural fundamentalism or a mentality which is too inward-looking.

Secondly, it may be feared, according to the letter of the Treaty, that the Commission's powers are too restricted compared with those of the Council of Ministers to allow of any really energetic policy, although this is highly necessary even during the transitional period when the way is being cleared for the common agricultural policy.

Next it may be asked whether the Treaty does not permit or advocate the use of too many different measures and methods during the transitional period as a means to the final end. There appears to be a danger that each country will continue to go its own way and that a gradual rapprochement will be prevented.

Happily the Commission has lessened the threat of some of the drawbacks which might be read into the text of the Treaty. More than a year ago it submitted proposals "concerning the working out and putting into effect of the common agricultural policy" mentioned in Article 43.

The great virtues of this important document (1) are:

1. It clarifies the objectives, which, as we have said, are only very broadly and vaguely defined in the Treaty;
2. It emphasises the unbreakable link between agriculture and the remainder of social and economic life;
3. Great stress is laid on the need for an active structural policy alongside a common policy for markets and prices;
4. Attention is given to social policy in rural areas;

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(1) Doc. VI/Com. (60) 105. Brussels, 30th June 1960.

5. The Commission has made practical proposals for gradually harmonising the national policies of the Six countries during the transitional period. The most important is that during the transitional period and in respect of a number of important products the various forms of protection of the national markets should be replaced by a single system of levies, to the exclusion of the systems hitherto in force (quantitative restrictions, import duties, minimum prices and long-term contracts).
6. It is proposed that the transitional period be considerably shortened;
7. The proposal is made to the Council that in preparing a number of (difficult) decisions, it should follow the procedure set forth in Article 149 which strengthens the position of the Commission; (decisions to be taken by the Council on the proposal of the Commission, which the Council may amend only by unanimous vote).

Little by little, then, the common agricultural policy is beginning to take shape. It is most necessary that it should, for soon the first four years will have elapsed. We are now at the end of the first stage in the transitional period - an important date. Article 8 of the Treaty stipulates that: "Transition from the first to the second stage shall be conditional upon a confirmatory statement to the effect that the essence of the objectives specifically laid down in this Treaty for the first stage has been in fact achieved and that, subject to the exceptions and procedures provided for in this Treaty, the obligations have been observed." The forthcoming decision on the ending of the first stage is inextricably linked with another event, which is the so-called "speed-up". As we know, the Council has postponed the extremely important decision on these two points until the coming Autumn. I venture to make the following comments on the present situation:

- (a) Many proposals have been made and discussed and a few decisions of principle have been taken, but there have been no really important decisions. It cannot therefore be said exactly that the conditions of Article 8 regarding the beginning of the second stage have been fulfilled.
- (b) Although three years have already passed, no decision has yet been taken on the determination of objective criteria for the establishment of minimum price systems for particular products (e.g. horticultural). This is contrary to the provisions of Article 44.

- (c) The "speed-up" has gone further in regard to industrial than to agricultural products. This leads to an unbalanced policy as long as no simultaneous start is made with the implementation of a common agricultural policy. If a true Common Market is to be built up it is essential that the rate at which tariffs and mutual quotas are abolished should be in harmony with the introduction of such a common policy. This most important principle of the intrinsic harmony of the Community's economic policy cannot once again be infringed, on pain of failure.
- (d) Little progress has still been made with regard to a common line of conduct for the Community's imports and exports, especially as regards the financial consequences. Incidentally, the question of how a common agricultural policy is to be financed has generally received too little consideration.
- (e) The structural policy so far outlined for agriculture and the rural districts is inadequate, since it envisages the co-ordination of national action instead of a joint supranational policy. Hence, there is a lack of balance between plans for a market policy and plans to improve the structure.

Our greatest concern, however, is that the Commission, which under Article 155 shall "ensure the functioning and development of the Common Market" and whose members shall "perform their duties in the general interest of the Community with complete independence" (Article 157), will prove too weak in face of the Council, which is "composed of representatives of the member States" (Article 146). The threat is thus by no means imaginary that in certain difficult cases there will be excessive hesitation in taking highly necessary decisions. In the interests of launching a common agricultural policy it is desirable, nay, it is essential, that every opportunity should be taken of strengthening the Commission's position so that it corresponds to that of the High Authority of ECSC.

We would end this chapter by expressing the hope that the necessary decisions will soon be taken fully to implement the common agricultural policy within the EEC.

### III. Problems which would arise for UK agriculture if Britain joined the Community

It is hardly necessary to give any justification for devoting special attention in this Report to the opinions of the British. It has become obvious that the British point of view and the accession, if any, of the United Kingdom to the Common Market will have a decisive influence on the attitude of several other European countries. In addition, the United Kingdom is of great importance to world trade in farm products and has an agricultural policy of its own. All these are sufficient reasons for us to give special consideration to this aspect. But we cannot on that account neglect the agricultural positions of the other countries. I cannot, however, deal with everything at once. From the standpoint of promoting European unity, first priority must be given to relations between the EEC and the British.

I propose to list (A - G) hereafter the main points raised in the United Kingdom debate on agriculture and the Common Market since the spring of this year.(1) My sources are a number of governmental declarations, parliamentary debates and Press articles. It has not yet seemed absolutely necessary - and indeed it would be difficult - to weigh up the different viewpoints and arguments and to evaluate the political backing they command. However, an attempt has been made to give some form of realistic commentary, and as the British Minister for Agriculture, Mr. Christopher Soames, said the other day ".... to examine dispassionately the possible methods".(2)

#### A. "The 'Agricultural Acts' of 1947 and 1957 give the British farmers more security than the proposals of the EEC Commission."

A number of statistical data and other calculations (see, e.g. Economic Survey of Europe 1960, Chapter III, p. 12-15) show in fact that the income of British agriculturists, both farmers and their labourers, is among the highest in Europe. Several factors are at the root of this situation, and they most certainly include the British Government's policy. It must be asked, however, whether this is due to the system of protection or rather to the degree to which protection has been afforded in the past.

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- (1) And up to time of writing (end of July 1961)
- (2) Agricultural debate, 12th July 1961, Hansard, page 26



As regards the differences between the "system" instituted by British policy and that of the EEC countries, this problem has frequently been exaggerated. The British system varies with the products. For wheat and meat, it operates differently than for sugar; in the case of milk, for liquid consumption, still other measures are applied, while horticulture is protected in another way again by high tariffs. Only half (by value) of British production is supported by deficiency payments (see Graham Hallett, British Agriculture and Europe. Crossbow, Supplement, No. 111). The system is not, therefore, a rigid one. To quote a competent British spokesman: ".... It is not a fixed shelter against all winds from all quarters. It is only a temporary shelter as it were, an umbrella against passing storms to give time to our farming community to protect it so that it has a chance to adjust its economy."

In any case, the relevant comparison to establish is not with the individual agricultural policies of the member countries of EEC but with the future common agricultural policy of the Community as it is being shaped on the basis of the Rome Treaty. Indeed, much of what is said in the preceding paragraphs about the British system would seem to apply to the system taking shape in the EEC. Thus, it has already been found more than once on both sides that the aims of British agricultural legislation and of the Title devoted to agriculture in the EEC Treaty are - although vague - not greatly different. The British Minister for Agriculture, speaking on this subject on 12th June last observed: "The main difficulty which one sees .... is how one can construe what is, I quote, 'a fair standard of living for the agricultural population'" (1) (Hansard p. 59). The manner in which this is done is - very rightly - accorded second place, even in British opinion.

The most important advantage often claimed for the British deficiency payment system, compared with the system providing guarantees at the frontier, is the constant pressure from taxpayers on the cost of price support, resulting in less encouragement to increase production. However, the Joint Parliamentary Secretary, Mr. Vane, found, not without pride, that ".... not only are farm incomes today higher than they have ever been, but production is also at a record level." (2) He might have added that the degree to which agricultural production is protected in the United Kingdom is fairly high compared with the other European countries. "Countries falling more clearly in the middle group - roughly in increasing order of protection - are Belgium, Sweden, the United Kingdom, Western Germany and Italy" (page 24, Chapter III, Economic Survey of Europe 1960).

(1) Quoted from Article 39 of the Rome Treaty

(2) Hansard, page 155

With regard to the British system it may also be remarked that shortly it will very probably have to be adapted to altered circumstances. This was repeatedly asserted, for instance, in the last agriculture debate in the Commons. In proportion as the degree of autarky enjoyed by a number of products in the United Kingdom increases and the prices of imported farm products fall - particularly where they represent burdensome surpluses - the disadvantages of existing forms of protection are being more clearly felt. In Great Britain, too, it is possible to speak of a "fluid situation". Mr. Vane said in this context during the debate mentioned above, among other things: ".... we must admit that the present system may well be becoming more costly to maintain." In other words, it is far from certain that British policy can afford to maintain in the future the same high degree of support it has given its farmers in the past.

Finally, it should not be overlooked that on the continent a greater proportion of the population still work in agriculture than is the case in the British Isles. The possibility that less attention should be paid to their interests than in the United Kingdom is not on that account very great. If British publications already speak of a powerful agricultural lobby when the latest data show that only 3.9% of the working population are engaged in farming, how much greater will be the British farmers' security when they realise that in a European Economic Community to which Britain belonged agricultural occupation would account for a percentage of the population several times greater than in their own country.

This does not prevent a basic change from involving understandable inconveniences especially when it is introduced in a short space of time. Agriculture is notoriously rigid in structure; adaptations take time, are often costly and call for a great moral effort from many small independent undertakings. This of course also applies to continental farmers, on whom an adaptation at least equally rapid and far-reaching is likewise being imposed.

- B. "The influence of the National Farmers' Union on the fixing of prices through the annual price reviews with the British Government would be sacrificed."

Strictly speaking this may be true but it is self-evident that in the distant future there will be consultation between the national organisations defending certain interests and the national Governments, even though the final decisions

cannot be taken in such direct negotiations. It is in the nature of things, further, that apart from national consultations there should be European talks at least once a year between the European Federal professional organisations and the organs of the European authority. The detailed annual reports to be published by the European Commission will provide a useful basis for such discussions. In the EEC framework, a start has already been made. The Economic and Social Committee has several times played a useful part as an advisory body (it has a specialised section for agriculture) and we in the Consultative Assembly are well aware that the Parliamentary Assembly of EEC, and particularly its Committee on Agriculture, have already had considerable influence on the proposals at present under discussion.

Last but not least, advisory committees on which the Farmers' Union will be represented will be attached to the various Boards envisaged for each product or group of products.

There is little reason to fear, therefore, that those most closely affected will be unable to make their views known in time or to defend their interests before the competent bodies.

- C. "Entry into the Community means a weakening of national sovereignty, which is of such great importance to agriculture: accession would spell unconditional surrender."

It is true that a part of the nation's powers would have to be transferred. Here, it must be remarked that already there is no longer such a thing as absolute national sovereignty. British interests are so bound up with those of other countries that the nation's freedom of action is in fact limited. Under Section A, for example, it was said that the British system for protecting its own agriculture will probably in any case be modified principally through pressure from outside. Particularly in a country whose economy is as open as that of the United Kingdom national sovereignty, though undiminished in theory is in practice constantly being eroded.

The use of the term "unconditional surrender" awakens strong feelings of aversion. But the term is not justified in the case of possible accession to EEC. It is obvious that as a full Member of a wider community Great Britain would participate in shaping the common policy, in taking decisions and in implementing them. I think it is by no means improbable that we shall soon see confirmation of the words of a British MP - certainly not one of the least important - who said: "It might be that once in, we should be the foremost champions of further integration."

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- D. "Accession would involve higher production costs for agriculture and higher foodstuff prices in the United Kingdom."

It is a pity that so far no official calculations have been made whereby prices can be validly compared. Perhaps a Joint Report by the EEC statisticians and their counterparts in the United Kingdom will throw more light on this important point, which it is difficult to summarise in figures. A comprehensive quantitative study announced by "Britain in Europe Limited" and carried out by the well-known "Economist Intelligence Unit" will not be published until early 1962. Furthermore, the discussion of this question is seriously hampered by our ignorance concerning what sort of arrangement will be found for Commonwealth imports into the United Kingdom and, equally important, concerning the future price levels in the EEC. However, a few preliminary studies have already been made which to some extent clarify the issue.(1)

With regard to production costs: the price of fodder cereals will increase in the United Kingdom, in particular because imported cereals will be subject to duty. I have no data on the cost of chemical fertilisers, weed-killers, motor fuels, agricultural machines, buildings, etc. Since import duties on industrial products are higher in the United Kingdom than in the Community, it seems improbable that free internal trade in such products would result in higher prices in Great Britain; rather the contrary. Wage levels will be discussed later.

In the NRU study it is predicted that as a consequence of accession "the increase in food costs .... will exert an inflationary pressure on the economy as a whole".(2) We feel this to be an exaggeration. Undoubtedly there will be an increase in the prices of some products such as meat, bread, butter and tea; on the other hand the price of milk, potatoes and vegetables should fall. The net effect will probably nevertheless

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- (1) Graham Hallett, British Agriculture and Europe. Crossbow, Supplement to the issue of spring 1961.

PEP Food prices and the Common Market, No. 13, 29th May 1961.

Colin Clark: Press statement 23rd May 1961. Agr. Econ. Research Inst., Oxford.

- (2) Page 63

be an increase. On the other hand there is likely to be a fall in the prices of industrial products. In addition, any reduction in deficiency payments could permit the Treasury to reduce taxes on certain consumer goods or increase certain social payments. The real income of the lower income groups would thus be safeguarded. Hallett(1) even goes so far as to say: "It is fairly certain that the general price level will fall." Thus, for the time being our impression is that the impact on price levels will be less serious than is generally supposed.(2)

E. "Farm wages will fall"

In some circles (of the Trade Unions) the fear has been expressed that the relatively high wages enjoyed by British farm labourers will suffer by pressure from the lower level on the continent. But it is difficult here to draw sound comparisons. Even within one and the same country there are sometimes great disparities, for example, between wage levels. A comparison of hourly wages leads to different results from those obtained by comparing weekly wages (because of the length of the working day). The average wage of all workers in a certain branch of industry means something other than the average in agriculture, because there is not the same proportion of male and female or young and old workers. A very different result is also obtained depending upon whether the point of comparison is industrial wages in rural or urban areas; in regions where there is unemployment conditions are different again. Further, comparisons are most difficult since the purchasing power of the currency is frequently not what one would expect from the conversion of foreign exchange at the official rates. Great caution is therefore needed when dealing with certain comparative data. Nevertheless, direct observation in country districts anywhere clearly shows that there are considerable differences.

(1) Page 12

(2) Note: If we consider expenditure on alcoholic drink and tobacco, which in 1960 together represented 14% of consumers' expenditure (Economic Survey 1961, page 45, London, April 1961), as also belonging to the food sector, it seems not impossible that in the long run there would be some fall in the prices of these items, which are relatively high in Britain at present.

The opinion sometimes encountered that social harmonisation would also mean equalisation of wages in the member States does not accord with reality. Admittedly we may expect that there will be some attempt to reach certain minimum conditions of labour, including a minimum wage, but the development of the Community in this field gives no grounds for expecting revolutionary changes.

The same applies to the migration of workers within the Community. It is wrong to think that after accession the United Kingdom would be submerged by a flood of cheap labour mainly desirous of working in agriculture. For many reasons (language, food, climate, housing, habits and social contacts) migration from one country to another is a much slower and more difficult operation than would be thought having regard to the differences in working conditions. Within a country's own frontiers a similar phenomenon has already been experienced; men are not just sacks of flour to be carted around at will. Greater efforts are constantly being made to bring the work to the men - indeed, this has already become part of the Community's policy. The creation of the European Social Fund and the European Investment Bank (Articles 123 and 129 of the Treaty) are among the means which make such a policy possible.

Hence in my opinion, when the former British President of the International Landworkers' Federation says that he will "continue to tell my friends, the farmworkers, that it will be a disastrous day for them if Great Britain enters the Common Market," (1) he is tilting at windmills.

F. "Competition from countries of Southern Europe will cause horticulture serious losses."

Safe behind high tariff walls and encouraged by the British authorities, horticulture has developed in the United Kingdom on a large scale. It is particularly feared that greenhouse cultivation will be unable to compete with produce from Southern Europe where climatic conditions are more favourable. In support of this argument it is claimed that for vegetables and fruits there is to be no common market organisation in the EEC, but simply rules for trade and the standardisation of qualities. Protection within the Community will be small, while protection at the frontier will consist of fixed import duties. It is being said in

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(1) Hansard, page 115, 12th June 1961

Great Britain that the protection of home production was already insufficient, for, "as a weapon of protection, the tariff is slow, blunt and inaccurate." What is advocated in the United Kingdom is a flexible system of minimum prices as practised by most of the EEC countries.

The alleged disadvantages are not imaginary. Hot-houses will have to meet heavy competition from open-air cultivation in warmer regions. It seems cruel to say "that is just what is needed". The virtues of a large common market are to be found inter alia in a better division of labour, in specialisation. If nothing were changed, all the work and all the efforts to set up a Common Market would have been in vain.

But there are some consolations. The first of these is a poor one, namely the consolation of seeing that the neighbours are also hard hit. Producers in the Netherlands and Belgium are coming up against the same problems and their production is relatively greater. It is a better consolation that the proximity of the market still remains a factor which must not be under-estimated, as has already been shown in practice. It would also seem that the results of intensive scientific research, a technique of greater production and perfect market organisation can offset - at least for the time being - the disadvantages of a less favourable climate. The example of Dutch horticulture, which enjoys no form of price subsidy, is a clear proof.

- G. "The Community's agricultural policy aims too much at autarky; market organisation leads to too much bureaucracy."

The argument that there is too strong a trend towards autarky can easily be justified. In the Treaty and in a number of the proposals for implementing it, elements tending in this direction can be found without difficulty, but there are other tendencies too (e.g. Articles 18, 29 and 110). The coming years along will show whether real life or dogma is to have the upper hand.

In considering this point we should not lose sight of the following: almost all countries are pursuing an agricultural policy with an autarkic tendency. There is no reason to believe that this tendency should necessarily be stronger in the Community than it has been and still is in the six States taken individually. Rather may we expect the contrary.

British agricultural policy has also shown autarkic trends after the war. The target of a 60% increase over pre-war production was already reached in 1956. Between pre-war and 1960/61 (forecast) production has risen by 72%, which is more than twice the increase in the Community.(1)

Hence the dreaded increase of pressure on the British market will be not only the result of smaller import requirements by the EEC countries, but equally of increased home production of certain farm products in the UK. The present position is, however, that Community countries import more food products (SITC Section 0) than the UK if intra-Community trade is included, and somewhat less if it is not.

It is to be hoped that the fear of an exaggerated bureaucracy springing from the common market system will not be justified. The question is whether the British Government,

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- (1) For 1957/58 the figures were 62% and 28% respectively. Economic Survey 1961, page 54. Proposals for a common agricultural policy, part I, graph No. 1.

The development of the degree of self-sufficiency in food and foodstuffs in the EEC and the UK were as follows:

EEC

United Kingdom

pre-war	1950/52	1957/59	pre-war	1950/52	1957/59
85%	87%	86%	30%	46%	45%

Source: OEEC Food Balance Sheets  
See also: Dr. Hans-Broder Krohn: Das  
Schutzbedürfnis der Land-  
wirtschaft Agriforum 1961



if it does not join the Community, will not in any case require a bigger administration in the future to check the origin of imported products and measures to combat market deterioration through increased supplies of surpluses.

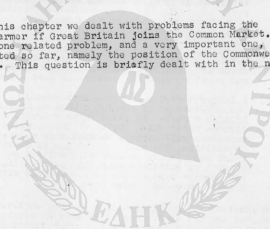
Obviously the numerous articles and discussions on this subject have also brought out certain aspects favourable to British agriculture:

- (a) A larger market also opens up fresh possibilities for a number of products in which British agriculture specialises. Incidentally, it is hard to see why British farmers, generally speaking, could not compete with their colleagues in the Community. Their production conditions on the average are certainly no worse than those of the Community countries: e.g. the climate is extremely favourable for pasture-land, farms are much larger and more mechanised, and rural population pressure is less strong.
- (b) A larger market will prove less sensitive to the off-loading of surpluses than an exclusively British market. It would further create conditions under which the inevitable problem of surpluses will perhaps be easier to solve. In addition, the special position of Denmark, which was already causing difficulties on account of relations with the Commonwealth, can perhaps more easily be regularised within a wider European common market.

In conclusion, the difficulties we have outlined in this chapter are not so serious as to prevent accession. When opinions are expressed it is too often forgotten that the economics of the European countries are not static but highly dynamic. People sometimes look at a photograph, a snap-shot, and think that they are seeing reality. But reality is characterised by violent evolution. If we are to spot the difficulties which will arise in the event of mutual rapprochement, we must make a film covering at least the remainder of the transitional period. Over such

a longer term there are many changes in mutual relations: shifts in production, consumption, wages, etc., perhaps even in currency values, as happened this year! A reduction in spending, such as the British Government has recently imposed, is likely to have far greater consequences than would the gradual adaptation of British agriculture to a European market! The spectacular successes of science and their impact on technical development, in agriculture as elsewhere, constitute another factor that may leave a stronger imprint on society than the formation of a common market. It may even be difficult to recognise these consequences as such!

In this chapter we dealt with problems facing the British farmer if Great Britain joins the Common Market. However, one related problem, and a very important one, has been omitted so far, namely the position of the Commonwealth countries. This question is briefly dealt with in the next chapter.



#### IV. The Commonwealth issue

In recent months it has become even clearer than before that the "Commonwealth argument" is mainly agricultural in nature. The agricultural problem was the principal theme of the very interesting debate in the House of Lords on 21st June of this year on the question: "to ask Her Majesty's Government in the event of Britain joining the Common Market, what special arrangement they envisage for the protection of Commonwealth food exports to the United Kingdom" (Hansard, page 610 et seq.). The various statements by the Governments of the Commonwealth countries in the temperate zone also dealt almost exclusively with trade in agricultural produce. We must therefore take a look at the extent and gravity of the problem. It is of course not the first time that this has been done in the Council of Europe; reference need only be made to the report presented by Mr. Vos in April of this year (Doc. 1282) and in particular to the Appendix by the Secretariat, "The Commonwealth and Europe", which contains many interesting data and observations.

In the first place it should be noted that the importance of Commonwealth preferences is no longer so great as in the past. Manifold economic and political factors have tended to reduce their significance over the years. It must, however, be stressed that the figures in the following table should be interpreted with caution. The change in the significance of preference is largely to be ascribed to shifts in the trade pattern, which may shift again, and also to the sugar agreement of 1951.

	1937	1948	1957
Percentage of imports into the UK from Commonwealth countries enjoying preferences	Approx. 60%	50%	47%
Average preferential margin of privileged imports	19% to 20%	11% to 13%	9%

Proportion of UK's Commonwealth imports in 1957  
enjoying preference, and average margins of preference -  
by commodity groups.

	Percentage enjoying preference	Average percentage margin	
		on goods enjoying preference	on all goods
Total imports	47	9	4
Food, beverages, tobacco	73	8	6
Raw materials	27	8	2
Mineral fuels	1	13	-
Manufactured goods	79	16	12

Source: PEP, Commonwealth preference in the UK

More recent figures concerning total imports and exports also show that there has been a slight shift from the Commonwealth countries to Western Europe.

	1950	1957	1960
<u>Imports into UK</u>			
In % of total imports			
From Commonwealth	42	43	39
From OEEC	24	25	29
of which from EEC	-	12	15
<u>Exports from UK</u>			
In % of total exports			
To Commonwealth	48	48	42
To OEEC	29	28	31
of which to EEC	-	15	15

Source: OEEC Statistical Bulletins

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Simultaneously, overseas Commonwealth countries' trade showed a tendency towards more 'universalism'. This may be illustrated by the fact that between 1954-55 and 1959-60 exports of manufactures to the overseas Sterling Area from the UK - although still of great importance - increased by only 5%, as compared with 61% from the EEC countries, 75% from Japan and 52% from the USA. (1)

In the agricultural sector the main products of interest to Commonwealth trade and affected by European integration are dairy products, meat, wheat, sugar and fruit. A comparison of the total volume of imports of these products with total production in the Six and in the United Kingdom leads to the curious finding that this volume is relatively small. In 1958 the value of exports (including Irish exports) to the United Kingdom of the five groups of products mentioned reached a total of about £400,000,000. This is less than 7% of the value of the combined production by the seven countries mentioned. Bearing in mind the rate of production increase (see the Report on agricultural policies, Doc. 1276), a figure of 7%, viewed over the long term - e.g. the next ten years - is not such a forbidding figure. Sooner or later West European agriculture will certainly be plagued with surpluses, whether Britain joins the Common Market or not, and a British MP was quite right when he said: "... in a few years' time, the whole question of international trade in foodstuffs is likely to become a question of the disposal of surpluses, which will be bound up necessarily with the whole question of aid to under-developed countries". (2) In my view, then, the concern expressed by some Commonwealth countries is not so much fear of losing the preferential treatment in the UK market as the threat of a general contraction of the markets for their principal products. (3)

The products which will cause the fewest difficulties would appear to be meat and fruit. There will be an increasingly heavy demand in the case of these products, where varieties and qualities play a large part. The price is certainly an important element, but it is not decisive for competition, certainly not in the case of fruit.

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- (1) Source: National Institute of Economic & Social Research, March 1961.
- (2) House of Lords, 21st June 1961. Hansard, page 643.
- (3) See also The Economist, 8th July.

The sole really serious difficulty, and an urgent one, is the problem of dairy produce. Commonwealth preferences are fairly considerable, e.g. in respect of butter and cheese. For these commodities the usual import duties are 5% (ad valorem) and 15% respectively. But for imports from the Commonwealth there are no duties. However, it is remarkable that these same dairy products, coming from different countries, show price differences of 10% and sometimes 15% on the British market. Quality, taste and reputation may thus completely offset tariff differences! This will not rule out the need, should Britain join the Community, for a special arrangement within the framework of a common policy at least for dairy produce coming from the Commonwealth, not on a bilateral basis between the United Kingdom and the Commonwealth, but between the Community and the Commonwealth. Indeed, from the economic standpoint it is scarcely desirable, and politically extremely difficult, to conclude a special arrangement for a single Community country. It is also probable that the Commonwealth countries will prefer to come to terms with the entire Community rather than with one of its Members only, however close may be their links with that Member.

Of all the suggestions put forward in recent months (see also, for example, the Report by our colleague Mr. Mathew to the Assembly of Western European Union, "The Policy of Member States of WEU", Doc. 200, 29th April 1961) the simplest seems to be the best. In the matter of exports of dairy produce from Commonwealth countries to Europe, the Community might guarantee to buy a certain quantity (or a certain value) of dairy products for a certain number of years (e.g. during the transitional period). The important question of tariffs will also have to be solved in connection with other tariff problems, among them those affecting industrial products. It is quite likely that the products would continue to go chiefly to the British market. The British consumers are used to them. The fact that the consumer - especially in regard to food - is very conservative in his choice means that established trade currents are diverted much more slowly than we often tend to think.

So far as that other difficult product, wheat, is concerned, it would seem easily possible to guarantee the exporting countries (especially Canada and Australia) a market for a certain quantity for a number of years. Again the tariff problem will require a solution. The transitional period is long enough to enable satisfactory arrangements to be made to cushion the shock.

It is not unfair that the United Kingdom should be obliged to make a few sacrifices in the agricultural field and in its relations with the Commonwealth.<sup>(1)</sup>

- For tropical products - provided that politically the will is there - the simplest way would be the abolition at a very rapid rate of all import duties.

It may be that I shall be thought to have emerged in too cavalier a fashion from the problem discussed in this chapter. However, there is in fact no easy road. I am convinced that lengthy and laborious negotiations will be required.<sup>(2)</sup> But I also firmly believe that even if Britain does not join the Common Market many difficulties will arise to beset the trade in agricultural products between the Commonwealth countries. In the case of dairy products these difficulties have already raised their ugly head, e.g. in 1958. They cannot simply be evaded. But they will be easier to solve if the number of markets is reduced and if a common policy replaces the international catch-as-catch-can we have been witnessing for so long.

- (1) The British economy has profited in past years by the fall in the world prices of primary agricultural products and feedstuffs; a large proportion of these goods was sold at lower than cost and sometimes with the help of export subsidies. The relation between the price level of exported and imported goods (terms of trade) has been as follows:

Great Britain: (1954 = 100)

<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u> (March)
101	104	111	112	112	116

To understand the full importance of this trend, which is so favourable to Britain, it must be realised that a 12 point increase (from 100 to 112) with an annual volume of imports and exports running at around £3,500 million represents a profit of about £400 million. This is equal to the total value of imports from Commonwealth countries of the five groups of products mentioned above.

- (2) I further consider that it is not for parliamentarians to make too detailed proposals. The problem is too complex for that, and all the data (including those of a general political nature) are not known.

It is also my view - in the light of my experiences in Benelux and of recent developments in the Community - that the agricultural problems can be resolved only in close connexion with measures affecting the other economic sectors. This applies equally to the difficulties that would arise if Britain comes into the Community. Is not the march of economic events in the Commonwealth a clear illustration of the fact that agriculture is an integral part of the general economy and that it cannot be treated in isolation, at any rate if final success is desired?

V. Note on the problems arising for Denmark and Ireland

The economies of both Denmark and Ireland are highly dependent on foreign trade. Exports of goods and services amount to nearly 35% of GNP in both countries as compared with, for example, 22% in the UK. In particular, both countries rely to a relatively very high degree on exports of agricultural products for their income of foreign exchange. Ireland enjoys preferences on the UK market similar to those granted to the Commonwealth countries and Denmark now enjoys a certain preferential treatment on the UK market under the EFTA agreement. Both countries decided, as soon as the UK had done so, to open negotiations with the EEC in order to determine the conditions under which they could join the EEC on the basis of Article 237 of the Treaty of Rome, viz. full membership(1).

In view of the strong commercial ties between Ireland and the UK - about three-quarters of total Irish exports and more than 90% of Irish food exports go to the UK - it is only logical that Ireland should envisage following the UK into the EEC - indeed such a step would even seem to be imperative(2). In this context it is interesting to note that the discussion in Ireland has revealed a certain preparedness to join the EEC even if negotiations between the UK and the EEC should happen to fail.

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- (1) A similar move is to be expected by Norway. As however, the agricultural problems connected with such a move are of a rather special character (being mainly related to fisheries), they will be discussed at a forthcoming occasion.
- (2) Ireland's special arrangements with the UK were not affected by the EFTA agreement itself.



Denmark, on the other hand, was perhaps the country most seriously hit by the European trade split. Between 1959 and 1960 EEC food imports from Denmark declined by as much as 8%, while the concessions given by the UK were not considered as being sufficient to offset this development. The Danish dilemma must be seen against the fact that the EEC and the UK each account for about 28% of Denmark's total exports.<sup>(1)</sup> As to food products, the UK is Denmark's most important market, taking about 40% of total Danish food exports, followed by the EEC with a share of about 32%. The Danish Government therefore warmly welcomed the British move which is likely to bring together Denmark's decisive trading partners under the same regime and thus set an end to the trade discrimination from which Danish exports are currently suffering. Simultaneously, however, it has been made clear that a Danish accession to the Rome Treaty without the UK is not contemplated and that, in view of the close traditional ties in all spheres of life between the Scandinavian countries, satisfactory arrangements should be found in order not to disrupt or hamper seriously the development of the Northern community.

For both Ireland and Denmark it appears to be of the utmost importance to be associated as soon as possible with the negotiations concerning the common agricultural policy. Indeed, this must be considered a fair claim. To be efficient, the common agricultural policy must be built on as realistic a basis as possible, which means that the new circumstances created by the possible adherence of other European countries must be taken into full account. In the meantime - and this applies in particular to Denmark - measures should be found to prevent a further deterioration of existing trade patterns during the negotiations. Perhaps a participation - in one form or the other - of the applicant States, some of which have achieved comparative efficiency in their agriculture, might even prove beneficial for the discussions concerning the elaboration of the common agricultural policy of the EEC.

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(1) The remaining EFTA countries, in particular the Scandinavian countries, account for some further 16%; in fact more than 70% of Danish exports go to Western Europe.