The general Conference theme of "decision-making" suggests, in relation to the European Community's agricultural policy, an analysis of the processes by which major policy decisions are reached. Such an analysis should throw light on the complex institutional structure which is involved, and on the numerous forces which come into play before a result is obtained. The annual price-fixing for agricultural products is obtained. The annual price-fixing for agricultural products provides a major illustration of this process. It also seems appropriate in this context to discuss briefly some of the main areas of interaction in the making of agricultural policy as between the Community and the outside world.

1. THE POLICY-MAKING FRAMEWORK

The European Community represents a unique and novel attempt at integration between sovereign States: it is neither an intergovernmental organization, nor a Federation. The rules by which it operates are to be found in the basic Treaties and in a mass of derived legislation; over the years, moreover, the Community has evolved practices which do not appear in any legal text but which represent pragmatic responses to political realities. In the following pages, an attempt is made to explain as briefly as possible these various aspects.

1.1 The legal basis of decision-making

The basic authority for decision making in the European Economic Community is provided, as regards the original six Member States, (Belgium, France, Germany, Italy, Luxembourg, Netherlands), by the treaty of Rome of 1957, and for the three new Members (Denmark, Ireland and the United Kingdom) by the Act of Accession of 1972.

The Treaty of Rome established the basic principles and features of the EEC (Articles 1–3). It instituted a common market, and aimed to harmonize

* General Secretariat of the Council of the European Communities. The author is indebted to numerous colleagues in the Council Secretariat for assistance with this paper. Any opinions expressed in it are his own responsibility.
the economic policies of Member States. Custom duties and quantitative restrictions on trade between Member States have been abolished, and a common tariff has been set up as regards imports from third countries; freedom of movement of persons, services and capital as between Member States is to be established. The Treaty provided for a common agricultural policy and a common commercial policy in relation to third countries (also a common transport policy). It also laid down rules to prevent distortions of competition within the common market.

1.2 The Institutions of the Community

It may be said in general terms that policy is formed on the basis of proposals from the Commission, by decision of the Council following consultation of the European Parliament and in many cases also of the Economic and Social Committee; policy measures are subsequently implemented by the Commission. The Court of Justice ensures that decisions are consistent with Treaty provisions and subsequent Community acts.

The composition and tasks of the Institutions are to a large extent laid down by the Treaty, but in practice important developments have occurred over the years.

(a) The Commission. In the strict sense, the Commission is composed of thirteen members, appointed by agreement between the member governments but, once appointed, independent of individual Member States. The Commissioners have previously held high posts in national governments or administrations - many of them are former Ministers. In the wider sense, the term "Commission" is often used to include the services numbering about 7,000 officials.

Besides its role in proposing policy to the Council, further discussed below, the Commission's executive tasks are numerous and important. This is particularly the case as regards the management of markets under the common agricultural policy (the Directorate-General for Agriculture - D.G. VI - is one of the biggest and most active in the Commission). Another important responsibility for the Commission is the preparation and management of the Community's budget.

(b) The Council. The Council is composed of Ministers from each of the nine Member States. While in principle there is only one Council, in practice it meets in different forms: Foreign Affairs, Finance, Agriculture, etc. (The Agricultural Council meets about once a month.) Under the Ministerial Council are numerous Committees and Working Parties, also composed of national representatives (officials). The Committee of Permanent Representatives (COREPER) has a general responsibility for preparing Council sessions, and has over the years grown to be a very important element in the Community's decision-making process. Sessions of the Agricultural Council are prepared mainly by the Special Committee on Agriculture. Both COREPER and the SCA meet weekly. The meetings of the Council and its dependent bodies are serviced by a relatively small Secretariat, including a Legal Service.

The Presidency of the Council, and of its dependent bodies, rotates between the Member States at six-monthly intervals.
“Summit meetings” of Heads of State or Government of the nine member countries are not, strictly speaking, part of the Council framework: such summits, however, are now referred to as the “European Council”, and although the European Council does not itself take legislative decisions, there are increasingly close links between the proceedings on these occasions and the regular sessions of the Council proper. 

Decision-making in the Community involves a particularly close interplay between the Commission and the Council. Their respective roles are not easy to define in general terms: it would not be quite correct to say, for example, that the Commission has the executive and the Council the legislative authority. It is important to note that the Council normally cannot act without a proposal from the Commission (it could not for instance initiate, on its own, discussions of a sheep-meat policy). The Commission’s right of proposal gives it a major influence over policy. It also has influence through its participation in all meetings of the Council and its dependent bodies.

The voting procedure of the Council is an important subject and has inevitably attracted much attention. Under the Treaty (Article 148), the Council can take decisions by a “qualified majority” vote on many subjects (including agricultural policy); unanimity is however required to amend a Commission proposal (Article 149). Practices in the Council have in fact evolved differently: the Council avoids taking decisions by majority vote in cases where important national interests are involved. It is therefore necessary to seek compromises to which all Member States can agree. (In this process, the Commission may itself modify its proposal to reach an acceptable solution.)

It was opposition by France (under President De Gaulle) to the supranational aspects of majority voting which led to the so-called “Luxemburg compromise” of 1966 on this point. It is however questionable whether the Community could have progressed if Member States had frequently found themselves isolated and overruled on matters of particular importance to them. In practice the Council has to seek a balanced solution, which may not be wholly satisfactory to all delegations but at least is not completely unacceptable to any of them.

At the same time the decision-making machinery would be severely handicapped if all decisions had to be reached unanimously, and this was recognized at the Paris Summit of December 1974. In fact, majority voting has continued to be used for budgetary matters, and has recently been resorted to on several occasions by the Agricultural Council.

(c) The European Parliament. The Parliament consists of delegates so far designated by national Parliaments from among their members. It has however been agreed that members of the European Parliament will in future be directly elected and need not be members of national Parliaments.

Hitherto the Parliament’s main function has been to debate Commission proposals before they are adopted by the Council, and to deliver an opinion (an Agricultural Commission examines in detail proposals related to agriculture before they are submitted to a plenary session). Members of the
Council and of the Commission participate in major debates. The Council is not bound to follow the Parliament’s view. However, the Parliament’s powers in the establishment of the annual budget have been substantially strengthened.

The Parliament has the right, under Article 144 of the Treaty, to censure the Commission (it has no corresponding right concerning the Council): if a motion of censure is carried by a two-thirds majority the Commission must resign. Censure motions have been tabled only twice: once in November 1972, on the issue of budgetary powers – the motion was however withdrawn without being voted upon; the second time in May 1976, by the British Conservative group, protesting at the scheme for compulsory incorporation of skim milk powder in livestock feed (this was rejected on 16 June by a large majority but provoked an extensive debate on the dairy surplus problem).

(d) The Economic and Social Committee. The Economic and Social Committee consists of representatives of various economic and social categories, including, for example, farmers, workers and “the general public”. It has advisory status: in some cases it must be consulted on a Commission proposal, more often consultation is optional. It is consulted on all important agricultural policy matters (it has an Agricultural Section which holds detailed discussions on agricultural questions). Its opinions tend to be more of an economic and technical and less of a political nature than those of the Parliament. They are taken into account by the Council, though the Council is not bound to follow them. In recent years the ESC has also taken the initiative in producing reports and opinions on its own.

(e) The Court of Justice. The Rome Treaty set up the Court of Justice to “ensure that in the interpretation and application of this Treaty the law is observed” (Article 164). The Court consists of nine Judges, one from each member country.

The Court may be called upon to give a ruling in disputes between the Commission and a Member State, or between two Member States: if the Court finds that a Member State has failed to fulfil an obligation under the Treaty, the State must take the necessary measures to comply with the Court’s judgement. The Court also has the power to give to national jurisdiction binding “preliminary” rulings on the validity and interpretation of acts of the Council and the Commission, and may declare such an act to be void.

As regards agricultural policy, though the number of cases actually brought before the Court has not been great, its rulings have exerted considerable influence, and the possibility of recourse to the Court is an important factor particularly where possible distortions of competition are concerned.

1.3 The form and status of Community acts
The Council and the Commission, within their respective fields of competence, can “make regulations, issue directives, take decisions, make recommendations or deliver opinions” (Article 189 of the Rome Treaty). Most acts of agricultural policy — in respect of market management — take the form of “regulations”. These are applicable throughout the Community: they do not require further national legislation and take precedence over any existing
national laws. A "directive" stipulates the result which is to be achieved but leaves to national authorities the choice of form and method: this device is often applied in relation to structural policy in agriculture since it permits national authorities to adjust the form of legislation in accordance with their own circumstances. "Decisions" are usually of a more limited and specific character: they may relate to a single Member State. "Recommendations" and "opinions" have no binding force, and are not common under the common agricultural policy; however, the Council sometimes adopts a "Resolution" which may be significant in laying down principles for future action. 12

Community acts, as well as Commission proposals, Parliamentary opinions, etc., are published in the Official Journal.

1.4 The Community budget

The existence of a Community budget, provided for in Articles 199–209 of the Treaty, is essential for the implementation of common policies, particularly the common agricultural policy. Following certain transitional arrangements, the Decision of 21 April 1970 on "the replacement of financial contributions from Member States by the Communities own resources" provided that from 1 January 1975 the budget of the Communities would be financed entirely from "own resources", in particular duties under the common external tariff, receipts from levies, compensatory amounts, etc. on imports from third countries (agricultural products): in so far as these receipts do not suffice, they are to be completed, in principle, by a share of proceeds from value-added tax, but until the arrangements in this last respect have been agreed upon, Member States make contributions based on their relative Gross National Product.

Within the overall budget, the agricultural fund — European Agricultural Guidance and Guarantee Fund (EAGGF or FEOGA)13 — accounts for by far the greater part of expenditure,14 largely because the CAP has been developed well ahead of other common policies, so that expenditure formerly borne by national exchequers has been transferred to the Community, but also because of the rise in cost of support.

The FEOGA has two sections:

(a) the Guarantee Section, financing restitutions on exports to third countries and intervention to stabilize markets within the Community (5,160 million units of account in the 1976 budget);
(b) the Guidance Section, financing action to improve structures (currently limited to 325 million units of account per annum).15

It is worth noting that receipts from import levies on agricultural products do not appear in the FEOGA accounts, but — as already mentioned — go into the overall Community budget.

The annual Community budget is now established, for each calendar year, on the basis of proposals submitted by the Commission by June of each year, but detailed figures for agricultural credits are put forward only in September, so that harvest results can be taken into account. Following examination by the Council (Finance Ministers) and the Parliament, the budget is usually
adopted in December. The estimates of FEOGA expenditure are based on current price guarantees: in its 1977 budget proposals, the Commission allows an extra 200 million units of account for increases in the subsequent price review. If in the course of the year actual FEOGA spending does exceed the budget appropriation, a supplementary budget may be required.

Every Commission proposal having budgetary implications must include an assessment of these implications, which is examined by the Budget Committee of the Council.

In view of the rise in FEOGA expenditure over recent years, due to market imbalances and monetary factors, the budgetary aspect has become very sensitive, and the Commission makes every effort to contain spending within the original annual estimates.

1.5 Specific provisions concerning policy-making and management under the common agricultural policy
In Title II of the Rome Treaty, which deals with agriculture, Article 43 lays down the relevant procedures: “The Council shall, on a proposal from the Commission and after consulting the Assembly, acting unanimously during the first two stages [of the transitional period] and by a qualified majority thereafter, make regulations, issue directives, or take decisions . . .”

This Article provides the basis upon which the common market organizations have been set up and developed. For the various commodity sectors (e.g., cereals), the Council has adopted a basic regulation, laying down the system of price determination, the methods of price support, the arrangements relating to trade with third countries, etc.

Authority for administering various features of the regulation is delegated to the Commission (e.g., the periodic fixing of import levies on the basis of world market prices). Certain matters must be referred to a Management Committee, consisting of officials from the Member States and chaired by a Commission official. Voting in the Management Committees is by qualified majority (the same weighting system as that already described for the Council). If the Management Committee disagrees with the Commission (this does not happen often), the Commission can introduce measures contrary to the view of the Committee or may defer their application for a month, but must submit the matter to the Council: the Council can take a different decision from that of the Commission by a qualified majority (majority voting does in fact continue to be used on such occasions).

The basic commodity regulations provide a “safeguard clause” under which “if by reason of imports or exports the Community market experiences or is threatened with serious disturbances which may endanger the objectives set out in Article 39 of the Treaty, appropriate measures may be applied in trade with third countries until such disturbance or threat of disturbance has ceased”. If such a situation arises, the Commission can decide the necessary measures on its own initiative or at the request of a Member State. Measures decided by the Commission can be referred to the Council by a Member State, and the Council can amend or repeal the measures in question by qualified majority.
The Commission has also set up *Advisory Committees* for various products, on which producers, food manufacturers, distributors, trade unions and consumers are represented. These Committees may be consulted by the Commission in the process of formulating policy; they do not have any powers.

2. THE ANNUAL DETERMINATION OF AGRICULTURAL PRICES

The annual price-fixing exercise is a crucial aspect of the common agricultural policy, and it brings into play all the institutional features which have so far been described. It begins with an analysis by the Commission of the various economic factors which should be taken into consideration. In recent years the Commission has developed an “objective method”, which on the basis of trends in farm costs and non-farm incomes seeks broadly to determine the price increase which would be necessary to give “reference farms” an increase in net income comparable to the increase in non-farm incomes over the recent period. This leads to the calculation of an overall price “requirement” for all products and all Member States. In recent circumstances, the calculation has been complicated by changes in exchange rates, and ways have had to be devised of taking this into account.

The market situation for individual products is also taken into account, and this influences the price proposals made for each product. In recent years, the excess supply affecting the markets of certain commodities, in particular dairy products, has inevitably had to be taken into account. The price proposals for 1976/77 included various measures aiming to improve market balance for dairy products, beef and cereals in particular (the regulation of the wine market had already been under consideration for some time). The final set of proposals becomes as a result a complex document incorporating not only the proposed prices for each of a wide range of products but also various related measures. Adjustments to take account of monetary changes have also become an important feature.

The proposals are submitted to the Council around November. The Parliament and the Economic and Social Committee are then consulted: both hold committee meetings and plenary sessions before delivering their opinions, usually in the following February. The debate on the subject in the Parliament usually occupies a day or more, and the “Opinion” may make detailed comments as well as expressing a view on the overall price increase. Most of the Parliamentary speeches tend to emphasize producers’ points of views, and the resulting opinion usually advocates a higher price increase than that proposed by the Commission.

An important though non-official influence is that of the COPA (Comité des organisations professionnelles agricoles), grouping the farmers’ unions of the nine countries. The COPA transmits its views to the Council; its President and Bureau are normally granted an interview with the President of the Council. Pressure from the farmers has not always been limited to diplomatic channels: there may be demonstrations at the national level, and sometimes in Brussels, which have on occasion led to regrettable scenes of violence.
The Economic and Social Committee has the opportunity to take into account the views of different sectors of the population. Consumer influence is however weak relatively to that of producers; there exist certain consumer unions at the Community level, but they do not directly make a significant impact. (A more important factor is the extent to which some Member States take into account consumer interests in the positions they adopt in the Council).

Meanwhile, the Commission's proposals are being examined in detail by the various Committees and Working Parties of the Council. During the months of January and February, there is hardly a day without some meeting on the subject, sometimes more than one. These examinations take place on a product-by-product basis, but also overall aspects are considered, such as the "objective criteria", the "agri-monetary" features, and the budgetary implications.

The positions of the various Member States may be widely divergent at the outset of this process, depending on their respective interests. Countries in which agricultural production and exports are particularly important will press for relatively high price increases, though even as between such countries there may be different priorities as regards price relationships between products. Other countries may be concerned to minimize price increases, in the consumer interest and in the context of anti-inflationary policies. For some countries the budgetary implications may be an important consideration. Differences of opinion will also exist about the adjustments to the general prices increases which are necessary to take account of monetary changes. Proposed changes in the methods of support, as well as the price levels themselves, may give rise to particularly complicated discussions.

Each Minister of Agriculture is subject to strong pressures from various sides within his own country: from producers' organizations in particular, but there may also be differences of view within each Government which have to be reconciled.

Several Council sessions will be necessary to clarify the national attitudes to the various aspects of the proposals. The divergences tend to remain wide until deadlines for decisions approach: these consist of the beginning of the marketing year for certain products, usually some time in March for dairy products and beef. The dates in question, having been previously fixed by the Council, can be — and sometimes are — postponed, but it is difficult to go beyond the end of March.

The final "package" of decisions is usually adopted at the end of a "marathon" Council session lasting several days, often culminating in an all-night meeting. Such occasions attract considerable attention from the press and public opinion; the publicity in fact often tends to harden national or sectoral positions and to impede the move to compromise. Nevertheless, national divergences are gradually narrowed as concessions are made: it may still take more than one attempt at an overall solution (often a first attempt is made by the Chair, the final one by the Commission) before agreement is reached. The ability of the responsible member of the Commission to suggest compromise solutions to a variety of problems is an indespensable ingredient of
success. Majority voting is out of the question on a matter of such importance: in the end, all Ministers must agree, and be prepared subsequently to support the "package" in the respective countries. It is inevitable that no Minister can be fully satisfied: all have to make concessions.

On these occasions, the Ministers of Agriculture have always been conscious of the importance, in the overall context of integrations in the Community, of reaching a solution. Failure to agree on such a vital matter as the fixing of common farm prices would have incalculable consequences for the Community as a whole.

Even when agreement is reached on the "price package", this relates to the content and not necessarily to the exact form of the acts which have to be adopted. A substantial number of Council regulations are required, as well as numerous subsequent implementing regulations of the Commission, to put the agreement into effect. The process of translating political decisions by the Council into precise legal texts is often difficult and may in some cases take several weeks or even months.

3. RELATIONS WITH THIRD COUNTRIES IN AGRICULTURAL POLICY ISSUES

The general issue of the Community's status in international law is a complex matter which goes well beyond the scope of the present paper. The Treaty of Rome (and the Treaties setting up the other two Communities) include certain provisions concerning the Community's relationship with international organisations (article 229), the conduct of its trade policy (Article 113), relations with the overseas countries and territories (dependencies) (Articles 131–136), agreements with third countries in general (Article 228) and association agreements in particular (Article 238). These provisions lay down, among other things, the respective roles of the Council and the Commission. In practice, however, the Community's relationship with the outside world has evolved in a variety of ways over the years.

It is possible to distinguish the following general cases:

(a) Informal bilateral or multilateral contacts. Decisions taken under the common agricultural policy and relating primarily to the management of the Community's domestic market may have important repercussions on third countries. Problems are liable to arise particularly when the Community market is oversupplied: such a situation led to the suspension of beef imports from July 1974, and more recently to the scheme for compulsory incorporation of skim milk powder in animal feed — an arrangement which in the view of the U.S. in particular could adversely affect trade in soya.

Such situations may lead to bilateral or multilateral contacts between Community representatives and representatives of the country or countries concerned, often on a relatively informal basis. Representatives of third countries stationed in Brussels frequently make their views known to Commission representatives, sometimes also to the Council, by submission of written memoranda or by interview (for example with the Chairman of the
COREPER). The Council and the Commission take the views of the third countries into account as far as is consistent with the aims of the common agricultural policy.\textsuperscript{21}

(b) \textit{Participation in international organizations and conferences}. In most cases, the Member States of the Community, and not the Community itself, are members of such organizations, but the Community is present through the Commission, as an observer, often however with the right to speak. In conferences of a particularly political nature, the Council may also be represented through the Member State holding the Chair (as in the recent Nairobi session of UNCTAD IV). In advance of international conferences, and during the sessions, the Community seeks to coordinate its position and to establish a common brief for its spokesman.

There are some cases in which the Community participates as such, though Member States retain voting rights (e.g. the International Wheat and Sugar Councils). The Conference on International Economic Cooperation (the "North-South" dialogue) is an exceptional case in which the Community participates and not Member States.

(c) \textit{Formal negotiations with a view to the conclusion of trade or association agreements}. The general principle is that, on the basis of a proposal from the Commission, the Council establishes negotiating directives. The task of conducting negotiations is attributed to the Commission (Articles 113 and 228), though when a political responsibility is at stake, the Council also is closely involved. It is for the Council to conclude any agreement (Articles 114 and 228) (except in cases falling within Commission competence): the final act may be signed on behalf of the Council by two plenipotentiaries, e.g., the President of the Commission and the President of the Council. If the agreement covers matters which are within the competence of Member States, then representatives of the latter will also sign the agreement.

The three examples set out below fall within this latter category.

(i) \textit{GATT}. The individual Member States of the Community are contracting parties to the GATT; as part of a customs union, they are exempt from the general "most-favoured-nation" clause. In some Gatt matters (such as the admission of new Contracting Parties), the EC Member States continue to act individually. However, Article 113 of the Rome Treaty makes it clear that commercial policy is a Community-wide responsibility: on tariff and trade matters, therefore, the Community must act collectively. The Council has to define a mandate for negotiations, and to conclude any acts which may result. Article 113 entrusts the Commission with the responsibility for conducting negotiations, and sets up a special committee, known as the "113 Committee", to ensure constant coordination of the Community's position before and during negotiations (this Committee is composed of top-level officials responsible for trade matters from the Member States.

A Community mandate for the current round of multilateral tariff negotiations, formally opened in Tokyo in September 1973, was adopted by the Foreign Affairs Council in February 1975. As regards agriculture, the
Community insists that its common agricultural policy cannot be called into question during the MTN's: since virtually all governments intervene extensively in agricultural markets and trade, agriculture should be dealt with as a special subject, and in a special group in GATT. The mandate emphasizes the role of commodity agreements to stabilize world trade in major agricultural products: these would involve minimum and maximum prices together with stock-piling arrangements for cereals, sugar and rice, and minimum and maximum price agreements for dairy products. In the negotiations conducted in Geneva so far, the Community representatives have explained these proposals in more detail. Progress has however been slow: U.S. position is different from that of the Community on both procedure and basic issues.

(ii) The “overall Mediterranean approach”. Over the years, the Community of Six had concluded trade or association agreements with a number of Mediterranean countries. In 1972, when these agreements had to be adapted to the Community of Nine, it was decided to adopt an “overall approach”, with the aim of gradually removing barriers to trade, taking account however of the degree of development and the competitive strength of the industries of the countries in question: as regards agriculture, the Community would grant preferential treatment for the exports of the Mediterranean countries, so far as consistent with satisfactory functioning of market organizations within the Community.

On this basis, negotiations were launched in 1973 with Israel, the three Maghreb countries (Algeria, Morocco and Tunisia) and with Spain. In the first half of 1975, agreements — involving tariff concessions by the Community on agricultural products — were reached with Israel and were nearly completed with the Maghreb. However, the concessions on products which are important also for the Mediterranean regions of the Community were causing growing concern to producers in these regions. Already in June 1973 this had led to a number of decisions by the Agricultural Council aiming to safeguard Community production of wine and of certain fresh and processed fruits and vegetables. In May and June 1975 the implementation of the agricultural concessions to Israel, and the completion of the whole negotiations with the Maghreb countries, were held up while the Agricultural Council debated further measures to protect Community producers. The Council agreed in June on a number of measures to this effect. The case of wine was particularly difficult, because of the pressure of excess wine production within the Community itself: it was agreed that wine imported from the Maghreb countries should respect the Community’s “reference price”, otherwise the full duty would be applied. It was also agreed that if wine imports from the Maghreb were to disturb the Community market, there would be a special distillation of wine to relieve the pressure.

Subsequently (in April 1976), the agreements with the Maghreb countries have been signed; negotiations with the Mashrek countries (Egypt, Syria and Jordan) began early in 1976. The Council has authorized the opening of negotiations with Greece with a view to full membership of the Community. Discussions are taking place with Turkey concerning an improvement of the
association agreement with that country (particularly in view of the agricultural concessions now made to other Mediterranean countries). Discussions are also under way with Portugal and Spain.

The prospect of increased competition however continues to cause concern to Community producers.22

(iii) The Lomé Convention — Relations with ACP countries. Economic relations between the original Community of Six and 17 African countries and Madagascar were governed by the Yaoundé Conventions of 1963 and 1969.23 Following the enlargement of the Community, negotiations were undertaken on the basis of Protocol 22 of the Act of Accession, for the extension of the arrangements to a wider group finally totalling 46 ACP (African, Caribbean and Pacific) countries.

These negotiations were officially opened in July 1973: they culminated in the signature, on 28 February 1975, of the Lomé Convention which now links the 250 million people of the Community with 250 million people of the developing countries.

Under the Convention the ACP States grant the Community most-favoured-nation treatment and have undertaken not to discriminate between Member States of the Community. The Community grants unrestricted, duty-free access to the Community market for nearly all ACP products. In the case of products covered directly or indirectly by the common agricultural policy, the Community grants duty-free entry for those products which on entry are subject only to customs duties, and preferential treatment for those products subject to other import measures such as import levies. The Convention provides (Article 2) that the import arrangements may be modified if changes are made in Community’s market organization for the products concerned, but only after consultation with the ACP countries.

The Convention sets up institutions through which such consultation can take place: it provides for a Council of Ministers, composed, on the one hand, of the members of the Council and members of the Commission of the Community, and, on the other hand, of a member of the government of each ACP State. This Council of Ministers has the power to take certain decisions, and may formulate resolutions, recommendations or opinions. It will normally meet once a year. There will be frequent consultation in the Committee of Ambassadors, and in various sub-Committees or working parties (e.g., for sugar). The Convention also sets up a Consultative Assembly, made up on a joint and equal basis of members of the European Parliament and of representatives (not necessarily parliamentarians) appointed by the ACP States. The Convention also provides for an arbitration procedure.24

Article 11 of the Convention specifies that consultation shall take place, at the request of the Community or of the ACP States, in relation to trade measures, preferential agreements, etc. Such consultation has already been significant in the preparation of the Community’s offer on generalized preferences (which originated under UNCTAD II) and on tropical products in the context of the GATT multilateral trade negotiations.

The arrangements concerning sugar, to replace the Commonwealth Sugar
Agreement, played a vital role in the negotiations leading up to the Lomé Convention, because of the important interests at stake on both sides, and because of uncertainties on the world and Community markets. The Community’s own sugar policy was under discussion in the Agricultural Council at the same time, and the Agricultural Council as well as the Foreign Affairs Council was responsible for the Community’s position in this field. After last-minute difficulties, a Protocol on sugar was agreed upon, annexed to the Lomé Convention. It contains a Community undertaking to buy and import for an indefinite period (the Convention itself is limited to five years) up to 1,375,000 tons of sugar from the ACP at guaranteed prices. The guaranteed price is to be fixed each year by negotiation between the Community and the ACP representatives, “within the price range obtaining in the Community”.25

In this connection it may be noted that, when negotiating the Convention of Lomé, the Community agreed that the Commission would each year consult the sugar-exporting States before submitting its proposals to the Council of the European Communities for the determination of sugar prices within the Community for the following marketing year.

The particularly favourable arrangements to be applied to imports of other agricultural products of the ACP States (e.g. beef, oilseeds, tobacco, cereals, fruits and vegetables) were the subject of a unilateral declaration by the Community annexed to the minutes of the signature of the Lomé Convention. The form of a unilateral declaration was used in order to maintain the principle that the common agricultural policy is not negotiable with third countries.

The provisions of this declaration have been applied in the case of beef, the main export of Botswana and an important source of revenue for three other ACP countries. When in the summer of 1974 the Community had suspended imports of beef from third countries, the Council agreed however to admit specified quantities of ACP beef (related to the highest exports in the preceding years) with a 90% abatement of the import levy. This concession has recently been extended to the end of 1976.26

4. FINAL REMARKS

It will be clear from the examples given in this paper that the processes by which the European Community reaches its decisions are complex and varied. This seems inevitable: the Community is a unique case of integration between sovereign States, and it is still in an early stage.

It is possible to argue that the development of the Community has not fulfilled the expectations of those who originally hoped for the creation of a supranational power. The virtual abandonment of majority voting in the Council, the development of the Council rather than the Commission as the major decision-making centre, the increasingly important role of “Summit” meetings, tend to support this view. These tendencies have had their consequences in the inevitable slowness with which compromise agreements are reached in the Council, and in the equally inevitable fact that compromise
solutions may not be the best from the economic point of view. In agricultural policy, where interests are strongly divergent, these handicaps are obvious. One can also point to the difficulty which the Community often has in coordinating its position in international conferences.

At the same time, the Community is very far from being merely an intergovernmental organization. The commitments contained in the Treaties, particularly as regards the creation of a common market, the priority of Community over national legislation, the authority of the Court of Justice, the existence of a Community budget, and the achievement of a common agricultural policy, are significant features. In difficult negotiations, such as the agricultural price-fixing, the will to reach agreement has always been uppermost, even at the cost of painful concessions. In the agricultural area moreover, the executive powers of the Commission, and the practice of majority voting in the Management Committees, are not to be forgotten. And in the international arena, as the examples in the last part of this paper have shown, the Community exists in its own right and has made important contributions to the expansion of trade and to economic cooperation and development.

NOTES

1 There are strictly speaking, three Communities: the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community. The plural form is therefore legally correct, but it is convenient to refer to the "European Community". In 1967, under the "Merger Treaty" of 1965, the Councils and Commissions of the three Communities were merged (the Assembly and the Court of Justice were already common to the three Communities).

2 Under Article 8 of the Treaty of Rome, the Common market was fully established after a transitional period of 12 years — i.e., after 31 December 1969. As regards the three new Member States, the transitional period will be completed by 1 July 1977 as regards the tariff on intra-Community trade and the common external tariff, and by 1 January 1978 as regards agricultural prices.

3 Two each from each of the four biggest Member States, one from each of the others.

4 The method of appointment is currently under discussion; it is suggested that the President of the Commission should have more scope to choose the other Commissioners.

5 Its role was formally recognized in the "Merger Treaty" of 1965, establishing a single Council and Commission (Art. 4).

6 For instance, an agreement in principle that the Community would continue to import certain quantities of New Zealand butter at least up to 1980 was reached, in the context of U.K. "renegotiation" of its terms of access to the Community, at the Dublin "Summit" of 10 March 1975; it was finally implemented by the Agricultural Council on 22 June 1976.

7 A qualified majority consists of 41 votes out of 58, the weighting being as follows: 10 each for France, Germany, Italy, and the U.K.; 5 each for Belgium and the Netherlands; 3 each for Denmark and Ireland; 2 for Luxembourg.

8 The Rome Treaty refers to the "Assembly", but it has become customary to call it the "Parliament".

9 The date for the introduction of direct elections, and the numerical composition of the directly-elected Parliament, are under discussion at the time of writing.

10 The Rome Treaty does not give the ESC quite the same status as the other Institutions (cf. Article 4, and Articles 193–198).
The "Charmasson case" is particularly significant. On the basis of a plea by an importer of bananas against the application in France of import quotas under a national market organisation system, the Court ruled (on 10 December 1974) that the existence of a national market organisation could not justify the maintenance of quotas beyond the transitional period (cf. note 2). This ruling has reinforced the need for common market organisation for any products not already covered by such organisation and for which trade restrictions remain (in particular sheepmeat and potatoes).

For example, the Resolution of 25th May 1971 on "new guidelines for the common agricultural policy" (Official Journal No. C 52 of 17.5.71), which was the outcome of the "Mansholt Plan" debate and laid down the basis for subsequent structural policy (implemented mainly in three directives of 17 April 1972 – O.J. No. L 96 of 23.4.72).

The French initials "FEOGA" are more pronounceable.

In the 1976 budget, 5,485 million UA out of a total of 7,449 million. (One UA currently equals US $1.24.).

The basic text defining the activities of the FEOGA is Council Regulation No. 729/70, Official Journal No. L 94/13 of 28.4.70.

Besides the Management Committees for each commodity sector subject to common market regulations, there are similar Committees for the FEOGA, for structural policy and certain other matters. Apart from formal consultation according to the procedures described above, the various Committees permit the exchange of information and views.

This procedure was applied in May–June 1976 over the issue of export restitutions for malt. To avoid excessive payments, the Commission had proposed (in particular) to shorten the period of validity of the export certificates. This proposal was rejected by a majority in the Management Committee and referred to the Council, which finally approved by majority vote a somewhat different scheme with less stringent conditions.

It was under this procedure that the suspension of beef imports was decided by the Council in July 1974.

i.e., farms obtaining approximately an income comparable with other sectors.

This Article refers to "appropriate" relations: in practice it permits a Community presence (through the Commission) at meetings of the UN and its specialized agencies, of the OECD, etc.

The suspension of beef imports has been somewhat relaxed since 1974, though the state of the Community beef market has not so far made it possible to admit imports freely once again; new arrangements for beef imports are at present under discussion. In the case of the milk powder incorporation scheme (which is temporary and limited to 400,000 tons), the Council adopted on 23 June 1976 a complementary scheme by which protein products (i.e., mainly soya) can be stored, to reduce the risk of a falling-off of imports. The decision, also on 23 June last, on New Zealand butter imports is also a case in point.

The problems involved were studied in detail in a report by the Economic and Social Committee in November 1975, "Current Prospects of the Agricultural Products of the EEC's Mediterranean Area". They were also discussed at a "Colloque Méditerranéen Franco–Italien" held in Paris in October 1975 by producers' organisations. One of the political groups in the European Parliament has in May 1976 proposed a Mediterranean Agricultural Conference.

Mauritius subsequently became a party to the 1969 Convention.

The Convention entered into force on 1 April 1976. The Consultative Assembly met for the first time on 2–4 June in Luxembourg; no date has been fixed for its next session, although it is due to meet at least once a year. The first meeting of the Council of Ministers is due to take place in Brussels on 14–15 July.

The negotiations on the price for 1976/77 were finally concluded, after considerable difficulty, on 5 June 1976 and endorsed by the Agricultural Council on 23 June.

Other important aspects of the Lomé Convention, such as the scheme for the stabilisation of export earnings ("STABEX"), and the provisions for financial and technical cooperation, fall outside the scope of the present paper. The latter will be dealt with in the paper to be presented to the IAAE Conference by Mr. Van der Vaeren of the Commission.
DISCUSSION OPENING — P. Gajo, Italy

Mr. Tracy illustrates the dynamics of the EEC structure, influenced by its enlargement from six to nine countries and by the variations in background conditions, and we appreciate the synthesis he presents. He places particular importance on the principle of respecting the Sovereignty of member States and putting into action a policy which can modify the internal structures through step-by-step, and agreed, actions.

We are concerned with the activities of the EEC in the field of decision-making relating to agricultural policy and, in particular, price-fixing. This delicate aspect is emphasized by Mr. Tracy when he says, "The annual price-fixing exercise is a crucial aspect of the Common Agricultural Policy". The ups-and-downs of EEC life have put some constraints on the enthusiasm of the decision-makers and on public opinion. This has been particularly important in recent years, owing to the monetary disturbances.

A consequence of the varied economic and structural backgrounds of members has been the introduction of two tools of agricultural policy, namely, (a) the creation of the compensatory accounts and (b) the adoption of different rates of exchange with respect to the unity accounts. These two new elements have, in fact, weakened the spirit and the scope of the Treaty of Rome.

Thus it seems clear that in order not to have decisions made under political constraints it is, at present, necessary to set up a common monetary policy without EEC currency fluctuations, if we want the Community to return to its original line, for its own welfare and that of all countries of the world. Up to now efforts in this direction have shown unoptimistic results, but we hope that all those responsible at various levels will find the way to put the EEC on the right track.

Apart from general problems, other points of no less importance are under discussion in Brussels. For example, in the field of equalisation of income between agricultural and non-agricultural sectors, action on structure is becoming very important. In this respect we should note the recent directives in sectors of vital importance, such as mountain areas, farm reform, vocational training, etc. These directives have been achieved by the EEC members under their respective policies, at different times and by different measures, even if sometimes in conflict with reality. The first enthusiasm, as we have noted, is fading owing to certain facts, such as the "integrative premiums", which lead to some bottlenecks — even frauds. On the other hand, other facts lead to a certain optimism such as the intervention policy for sugar beet, characterised by guaranteed and profitable prices up to a certain point beyond which the price follows the market.

But apart from these general problems we think that, as IAAE is now meeting for the first time in Africa, we should devote some of our time to discussing the ACP association with EC especially from the point of view of decision-making, which is the theme of our conference.

Mr. Tracy has pointed out all the main aspects of the Lomé Convention and on his exposition I suggest that some topics could be put on the agenda
for our conference, among them—the criteria for other associations to the Convention, which have not yet been decided in Brussels. We can envisage that, as other countries get independence, they will want to be associated with the EEC. Other issues might be the relationships between ACP countries and other developing countries not associated, the eventual impact of EEC enlargement on the Lomé Convention—as we know, Greece has asked to become a member of the Community. We understand that difficulties arise among ACP countries, and between them and Brussels, because of their association, but we have to remember that even among EEC members difficulties arise from the agreements which have been signed.

DISCUSSION OPENING—D. Hussey, Australia

My comments will strongly reflect the fact that I am an Australian. Not only are there deficiencies in my understanding of Community agriculture and agricultural policy, but there are also a number of differences between the policies and objectives of Europe and those of agricultural exporters elsewhere—such as Australia. The latter point is illustrated by the last phrase in Mr. Tracy’s paper which reads that the “Community . . . has made important contributions to the expansion of trade and to economic co-operation and development”. I would strongly assert that the extent to which you agree with that statement will be markedly influenced by where you sit.

I would first like to make a general point which I consider to be of relevance and importance to the discussion. Intervention in agricultural production, pricing and trade is not a sin confined to the European Community. It occurs world-wide. Every country, or group of countries, faces the need to strike a balance between national aspirations and objectives and international objectives and obligations. To do this some form of decision-making process is required. These processes will inevitably have to take into account sectional interests and conflicting pressures and will always involve subjectivity and a large portion of the ad hoc. They are decision processes which the economist and econometrician will find very difficult, if not impossible, to model. By their very nature they seem likely to ensure that the formulation of objectives and movements towards these objectives will be very slow. For these reasons my sympathies lie particularly with the European bureaucrats and economists who are responsible for designing and managing effective decision-making procedures. Not only is it necessary to resolve intra-country differences and objectives but it is additionally necessary to achieve consensus among all the countries which compose the Community. However, while you have my unqualified sympathy you do not necessarily have my support.

Turning now to the paper I congratulate the author on this detailed outline of the extremely complex decision-making machinery. My knowledge and understanding of the procedures have certainly been enhanced. So also have my doubts and suspicions about its effectiveness and efficiency.

However, in one or two respects the paper does not quite go far enough. At least some brief reference is needed to the major objectives underlying this
decision-making machinery. I, personally, would also be interested in the more detailed aspects of how the fundamental and long-term agricultural objectives are formulated and how it is decided whether or not they are pursued. On a solely pragmatic basis it might be suggested that from the point of view of a country like Australia the actual decisions are of far more relevance and importance than the machinery that produces them. However, third countries have a legitimate right to attempt to influence European decisions and the exercise of this right is dependant on a good understanding of the procedures available for consultation with third countries.

My final observation requires some expression of disappointment at the lack of critical comment. Being a bureaucrat myself I most certainly appreciate the limitations and restrictions that often surround self-criticism and criticisms of our masters. However, I am presuming that the lack of critical comment is not implicitly reflecting the views that all is well with the system.

As you might expect, however, I am only too keen to be critical of the decision-making procedures and the decisions they produce. As an outsider from a country affected by these decisions my overall conclusion is that there must be a better way — a better way of achieving Europe’s objectives at a lower cost to Europe and internationally.

I acknowledge that such a statement is largely subjective and judgemental and sweeps under the carpet all the complexities and rigidities which impinge on the decision-making procedures. I have already admitted to an incomplete understanding of these problems. However, I remain firm in my view until convinced otherwise. It seems to me that there are many changes and improvements which could be made to both policy objectives as they are practised, and the procedures for formulating and implementing the objectives, which would benefit both Europe and affected third countries.

From what I remember the original objectives of European agricultural policy were generally viewed as being sound and rational. The basic thesis of facilitating long-term structural adjustment supplemented by necessary income support has many similarities with the broad features of Australian agricultural policy. However, as time has proceeded it seems increasingly that something is being lost in the translation. I ask myself why?

It seems to me that the answer lies, at least in part, in the demands placed on the decision-making processes and the way these processes are forced to react as a result. Let me attempt to expand on this point.

The size and complexity of the European Community have meant that administrative and decision-making machinery have become correspondingly large and complex. This has obviously limited the ability of the machine to react rapidly and effectively to change, particularly in a manner consistent with longer term objectives. Unfortunately, the last decade has seen plenty of change in the world agricultural situation. In this situation, it would appear that the bulk of resources devoted to agricultural administration and decision-making in the Community have been involved in finding immediate solutions to current developments and problems. This has, it seems, been at the expense of ensuring that the train has remained on the long-term rails.

I acknowledge that this has not been totally the case. The recent past has
seen a number of in-depth evaluations of long-term objectives and effective procedures for achieving them. However, I will need to look to other participants at this discussion for views on how effective these evaluations have been in term of concrete policies and instruments.

To conclude — Australia, like all agricultural exporters, is critically influenced by agricultural decisions and decision-making procedures in the Community. Third countries have a legitimate right to try and influence these decisions and the Community acknowledges this right in both theory and practice. However, in the final analysis, after the rest of the world has exerted what influence it can, the decisions which emerge from Europe must be taken as exogenous inputs into the planning and implementation of agricultural policies in third countries. This is so even if third countries consider that these decisions are, in the international context, unacceptably sub-optimum. It is, therefore, essential that the European Community not only formulates and clearly states long-term objectives and policy instruments, but that there is a reasonable degree of concurrence between these objectives and practice. I see that as essential to national policy development in third countries.

Have I departed from the real world in expressing this hope? I really do not know the answer to that question. I recognise the difficulties and complexities involved but I refuse to be a pessimist. If I took a particularly cynical stance I might conclude that there is little ground for optimism given that the Community is unable to agree on the relatively simple question of a single set of initials to denote the Guarantee Fund.

However, what I do believe firmly is that if these improvements I suggest do not occur, then, when we build our models in Australia for the purposes of formulating and evaluating rational agricultural policies, we will not only need to include stochastic elements for prices and climate, but also similar procedures for taking account of European agricultural developments.


Many of the discussants acknowledged the paper as giving a very comprehensive and detailed insight into the decision-making process relating to agriculture in the EEC and the institutions involved. However, as some speakers remarked, they would have expected more critical comments and an evaluation of the current state, and the future prospects, of the CAP.

The discussion centred around the following problem areas:

(1) Long run perspectives of the CAP:
Various discussants criticized the fact that very little is known about the long-run aims of the EEC concerning agriculture. As Hussey put it, outsiders get the impression that the large apparatus of the EEC institutions is only used for day-to-day decisions while the long-run problems are not sufficiently discussed.

Knowledge was stated to be lacking, especially in the following fields:
(a) the plans of the EEC with respect to price policy, self-sufficiency, and international trade,
(b) the prospects and aims with respect to the harmonization of different policy instruments (price-, structural-, and social policies),
(c) the problems which arise from the growing tendency in the EEC member states to transfer their structural and income problems to the EEC,
(d) the objectives for co-ordination of monetary policies,
(e) the ideas about the contribution of the EEC to the world food problem (price stabilization, storage), and
(f) the criteria for further associations with the EEC and their impact on other countries.

Answers to these questions are important not only for European agriculture but also for countries for which the EEC is an important export market.

In his answer Mr. Tracy stated that the objectives of the EEC for agriculture are set out in the Treaty of Rome and they are very similar to the aims of many other countries, e.g. to supply food to consumers at reasonable prices, to provide for sufficient incomes of producers, etc. However, during the last few years additional problems have arisen, e.g. the monetary crises, erratic world market prices, commitments of the EEC on international trade, problems with respect to structural differences, etc.

The CAP is under constant review and some recent reports on long-run policies had significant influence towards creating new measures concerning the markets for grains and milk. However, some of the problems, especially the ones with respect to structural policies, are so complex that they could not be solved so far.

With respect to the world food problem and to international trade, Mr. Tracy mentioned again that the EEC made specific proposals at the recent negotiations at Geneva. But there is still no agreement, especially with the U.S.A. Concerning the ACP countries Mr. Tracy pointed out that the Council of Ministers of the ACP-EEC countries in a meeting in July 1976 in Brussels agreed upon the association of six additional member states.

(2) Another point of discussion was the minor influence of consumers in the decision-making process of the CAP, though some discussants remarked that the consumer interests are, of course, taken into account by the national representatives in the Council. The view was expressed that in the future more emphasis might be put on consumer interests.

(3) The third main topic of discussion concerned the research activities performed as a basis for decision-making in the EEC, especially with respect to price fixing. The challenge which the problems of the CAP provide to model-builders cannot be adequately met because of the insufficient data base available.

Mr. Tracy had already pointed out that the research service of the EEC is much less well equipped than the ERS of the USDA.

In this relation speakers wanted to know:

(i) why the outlook work of the EEC is not conducted more intensively,
and why no economic advisory board has been established so far, (ii) to what extent the implications of price decisions concerning trade, inflation, consumer prices, etc., are assessed in advance, and (iii) which facts of development in productivity, exchange rates, etc., are taken into account when employing the "objective method" for price fixing, and why the details of this method are not published.

It was pointed out that the "objective method" is a very recent development, and it had been continuously improved through experience. Through the introduction of additional policy measures, besides price policy in recent years, a more adequate price setting activity should be possible. It was stated that the outlook work and the forecasting activities have increased considerably during the last few years. In a current research project for the Commission, forecasts of supply and demand for 50 commodities in 1982/83 are undertaken.