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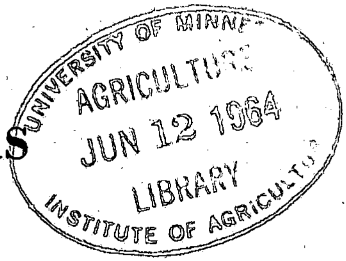

Agriculture and the European Common Market III

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EEC'S POLICIES—THE IMPLICATIONS FOR INTERNATIONAL COMMODITY PLANS AND FOR AUSTRALIA'S AGRICULTURAL EXPORTS

SINCE the main features and orientation of EEC's Common Agricultural Policy (CAP) have been made known, it has become fashionable for economists to write about its effects on particular industries, regions and countries. A flood of papers, bulletins and reports has been released examining the detailed implications for the agricultural export opportunities of non-member countries. The sheer volume of publication in this field testifies eloquently to the far-reaching consequences of CAP.

Many of these analyses follow a fairly standard pattern. They first examine the historical levels of trade existing for commodity *x* between country A and the Common Market's present or potential member countries. They then review the likely trends in output, demand, exports and import requirements of individual commodities and commodity groups within the community. This, of course, requires some attempt to predict the effects of the establishment of common price levels and of the particular set of arrangements proposed for price supports, export subsidies and structural programmes aimed towards a more efficient organization of the Common Market's agriculture. A few analyses have oversimplified considerably and have wrongly concluded that because a particular country has traditionally supplied little of a particular commodity to Western Europe, its trade in that commodity will be little affected. Clearly, despite the many constraints and distortions to which world trade in agricultural products is subject, the overseas trading opportunities of primary exporting countries are still much too interdependent for narrowly bilateral analyses to yield meaningful results. Most of the studies are on a more sophisticated level than this but still suffer from one major uncertainty—the impact of CAP on the whole economic order in international trade in agriculture. The possible effects of CAP upon the framework within which trade in agricultural commodities is

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carried on quite overshadow and subsume the detailed impact upon traditional trading patterns of non-member countries with Western Europe. Yet this supremely important aspect is one of the few 'strangely neglected topics' in the professional discussion of CAP's consequences. J. H. Richter[1] has recently drawn attention to this vacuum, pointing out the almost complete neglect in the professional literature of far-reaching proposals for international commodity agreements, which are an outgrowth of the problem that CAP presents for outside countries.

CAP and international commodity problems

The problems besetting international trade in agriculture cannot, of course, be laid at the door of CAP, which has indeed itself been subject to the formative influence of these problems. The particular protective devices adopted in CAP are usually defended by reference to the distortions existing in the patterns and price levels of world commodity trade. For example, Dr. Mansholt, Vice President of the EEC Commission, states that 'criticism has in particular been levelled at the flexible import levies. But any agricultural policy aiming at stable prices on the domestic agricultural market is forced to use them mainly because of the conditions still obtaining in some world markets.'[2]

Nevertheless, because of its very size as an economic unit and its dominance hitherto as an importer of agricultural products, the Community's actions in the field of domestic agricultural policy must inevitably have major implications for outside countries. Agricultural exporting countries have expressed fears that the closed market system and apparent commitment to a high level of price support for agriculture, contained in CAP, will generate substantial increases in production within the Community and that this will result in the displacement of imports from non-member countries, who will also suffer competition in residual markets from surplus European supplies exported with the aid of subsidies or refunds.[3] Such adverse

[1] J. H. Richter, 'A Note on the "Pisani Plan"', *International Journal of Agrarian Affairs*, vol. iii, no. 5 (June 1963).

[2] S. L. Mansholt, 'Regional Agreements for Agricultural Markets', *Proceedings of the 11th Conference of the International Association of Agricultural Economists*, Cuernavaca, Mexico, August 1961.

[3] For a summary of these fears see GATT Programme for Expansion of International Trade, *Trade in Agriculture, Report of Committee II on the Consultation with the European Economic Community*, Geneva, GATT, 1962, pp. 110–13.

consequences would become even more serious when and if the Community is enlarged by the accession of the United Kingdom and other EFTA members. The methods of agricultural protection adopted by the Six, particularly the role assigned to variable import levies, sluice-gate price mechanisms and export subsidies, will almost certainly have effects no less pervasive and important than those of the level and commodity-coverage of protection afforded its agriculture by the Common Market.

While not the original cause of international commodity problems CAP, unless it is modified considerably, will seriously aggravate and extend them. However, in one sense it could have favourable consequences. It provides dramatic evidence of the breakdown and growing inadequacy of previous approaches towards more orderly conditions in agricultural commodity markets. Hence it provides an occasion for a comprehensive review of the framework within which international trade in agriculture is conducted. It has already, as we will see, given impetus to a number of international approaches towards resolving or alleviating problems of agricultural trade. It will undoubtedly figure prominently in the further consideration of measures to improve the level and stability of international trade in primary products at the forthcoming U.N. Conference on Trade and Development. By focusing attention on the ultimate direction in which commercial policies in agriculture have been headed in the post-war period, by inducing a greater willingness to come urgently to grips with international commodity problems, to replace palliatives with solutions to underlying maladjustments and to substitute for what Breimyer has termed 'the pale language of diplomacy'[1] some plain speaking on the subject, CAP may conceivably make a positive contribution to the work of the conference.

In any event, the ultimate effects of CAP upon Australian agriculture, as upon all agricultural exporting countries, will depend upon how much is achieved at this conference and, to a very considerable extent, on the specific measures adopted there to promote and safeguard international trade opportunities in agriculture.

Alternative action programmes to improve agricultural trade

A number of different approaches have been undertaken or considered by international agencies in recent years towards lessening or

[1] H. F. Breimyer, 'World Trade in Major Farm Products', Talk delivered at Conference on Trade and Aid, University of Nebraska, Lincoln, 4 October 1963 (mimeographed).

offsetting some of the current difficulties in world agricultural trade. The particular vision of problems and the criteria for decision-making have varied somewhat between each approach. In general, however, the objectives have been to minimize the repercussions of national agricultural programmes upon the levels and (price) stability of international trade, to minimize deterioration in the terms of trade of primary-exporting countries, especially those in less advanced stages of economic development, and to prevent further accumulation of burdensome surpluses of agricultural products. The principal lines of approach towards these objectives which have been considered are:

1. Extension of international commodity agreements.
2. Formulation of guiding principles and establishment of review procedures for national price support and stabilization programmes for agricultural products.
3. Reciprocal arrangements for reduction of tariffs and other trade barriers.
4. Proposals for compensatory finance to assist primary-exporting countries to overcome economic difficulties arising from fluctuating or deteriorating terms of trade or external receipts.

In each of these fields, international action has been and will continue to be strongly influenced by the problems which CAP poses for outside countries. In a number of them the European Economic Community has in fact taken the initiative in order to reconcile outside countries to some of the consequences of CAP. One such area of action is international commodity agreements.

Commodity pacts

I have elsewhere given a detailed explanation of the way in which the proposals for a series of international commodity agreements, known variously as the Baumgartner or Pisani Plan, have developed from the specific devices for agricultural protection selected for CAP and from the problems for non-member countries thereby created.[1] Only a brief summary of the origins and nature of the stimulus provided by this avenue of international commodity policy will therefore be presented here.

The principal feature of CAP, from which this momentum derives, is the provision for using variable import levies as the main protective

[1] J. N. Lewis, 'The French Plan. Blueprint for World Trade Without Tears?', *Review of Marketing and Agricultural Economics*, vol. xxx, no. 3 (September 1962).

device for agriculture in the Community. This invites collusion by outside exporters to control supply to EEC so as to eliminate or minimize payment of the levies. The proposed use of part of the proceeds of import levies to subsidize exports to markets outside the Community strengthens this possibility. The Baumgartner Plan for a series of international commodity agreements, each providing for an increase in international prices and for concessional sales to underdeveloped countries, neatly ties up an incentive to outside agricultural exporters to become reconciled to displacement from traditional market outlets in Europe with other superficially appealing objectives such as the desire to use agricultural surpluses to assist economic development of backward countries.

There are a number of practical difficulties which throw some doubt on the feasibility of the Plan and at a number of points the exposition is not clear. In the first place the effects of higher prices in encouraging production by importing countries and in inducing additional use of substitute commodities requires more explicit consideration. Such supply and demand responses are important enough to suggest that certain commodities will obviously not lend themselves to world-wide commodity agreements unless supply control applies to importing and exporting countries alike and perhaps even embraces substitute commodities. Secondly, there are foreseeable acute difficulties in applying consistent criteria to determine the boundaries of high- and low-priced markets and, more importantly, in keeping them separate. Leakages of concessional-priced supplies back into higher-priced markets would be hard to control—especially indirect leakages through released exports of corresponding quantities of the commodity, or of a close substitute, produced domestically by recipient countries. Thirdly, non-participating exporters present some problems. It would be difficult to persuade importers to adhere to high-priced supplies when cheaper non-agreement supplies may well be available from countries not sharing in the costs of the two-price programme but willing to appropriate some of the benefits.

More significant for purposes of our analysis of the implications of the Common Agricultural Policy, however, are the ultimate institutional consequences of such commodity agreements. They would supplant as much as remains of competition in international trade for agriculture with a wholly managed system. Production and marketing decisions would largely be taken out of the market place and settled over the international conference table. Let us beware of condemning

this on doctrinaire grounds. If an intergovernmentally managed system for world trade in agriculture will overcome major weaknesses of a competitive system without subrogating weaknesses of its own which are equally or more unacceptable we should not waste time in regrets at the passing of the old order. However, nothing in our experience of international commodity agreements to date suggests that such a change would represent an improvement. There is indeed good reason to fear that a cure essayed through commodity agreements might well prove far worse than the disease currently afflicting world trade in agricultural products.

Clearly current commercial practices have failed to prevent and, rather, have led to, the growing unreality of comparative advantage as a principle explaining the basis of agricultural commodity movements internationally. But there is not anywhere in the exposition of the Baumgartner proposals any hint of an admission that comparative advantage has any relevance in agricultural trade or even that efficient allocation of resources is a valid goal. Indeed the proliferation of international commodity agreements proposed might well be viewed as a denial of these propositions. In this lies one of the Plan's greatest dangers. It implies that agriculture is different, that the principles guiding international action affecting trade in manufactured goods are, for some unexplained reason, inapplicable to agriculture. It would thus tend to perpetuate the bifocal view which has emerged in post-war international trade negotiations as between agricultural and industrial products and would give tacit approval to the very trade practices responsible for our international commodity problems.

From the viewpoint of agricultural exporting countries such as Australia and New Zealand, international commodity agreements along these lines might, prima facie, promise a means of ensuring continued access to markets. The price for such assured outlets—ineffectual as such assurances have proved in the past—could well, however, include acceptance of a strait jacket of international controls. A more formal and rigorous set of constraints upon the growth of their overseas earnings and economic development than is imposed under the current anarchy in international trade may be involved.

Nevertheless, the superficial appeal of the proposals, failure of trade negotiators to analyse their full implications and inappropriate politically imposed decision-making criteria may combine with lack of progress along other lines to bring about the acceptance of an extensive system of commodity agreements. The momentum imparted by CAP

to the movement in this direction may thus be one of the most far-reaching implications for Australia and other agricultural exporters.

Guiding principles for price supports

More than probably, however, no solution of international commodity problems is feasible without facing up to the fact that national agricultural price policies are amongst the most important causes of stagnation and maladjustments in agricultural trade. The attempt to moderate the disruptive influences of these policies is, therefore, a particularly basic one. Like the proposed greater resort to international commodity agreements this approach originated long before CAP but could derive momentum from it. Dr. Mansholt gave expression to this view when he stated at the Cuernavaca conference that 'if we want to prevent the nascent regional mergers from evolving differing concepts of agricultural policy, which in the long run would lead to a dangerous isolation of agricultural markets one from another, then the time has come for us to work out together a code of good behaviour for world agricultural policy'.[1]

Progress along this pathway towards improved conditions for international trade in agriculture has been somewhat disappointing. The task is subject perhaps to even more formidable difficulties of multilateral negotiation than commodity agreements. The statement of guiding principles for price support and stabilization measures, adopted by FAO at its 1961 conference, illustrates the immense difficulty of securing acceptance of principles which go beyond the most mealy-mouthed of euphemisms.[2] The joint examination by governments of national agricultural policies in Commission II of GATT, while far from fruitless boondoggling, has, nevertheless, been similarly lacking in incisiveness and force.

The difficulty arises, of course, from the natural hesitance of international agencies to intrude upon national or regional sovereignty in the field of agricultural policy. Countries which use disruptive practices such as export subsidies, two-price schemes and multiple exchange rates, plead that these external consequences are merely an adjunct of their internal programmes to stabilize producer prices and

[1] S. L. Mansholt, op. cit.

[2] For a review of the FAO principles and of earlier efforts by international agencies to establish a code of behaviour to be observed in formulating national agricultural price policies see J. N. Lewis and D. A. Muir, 'A Note on the FAO Guiding Principles for Price Support Measures', *Review of Marketing and Agricultural Economics*, vol. xxx, no. 2 (June 1962).

therefore the exercise of an inalienable right. Since the ITO negotiations Australia, for example, has presented as price stabilization its price discrimination on dairy products, sugar and dried vine fruits. One's own policy is always the exception to any general rule or principle which may be formulated.

A standard way of dealing with external diseconomies, such as the 'spillover' effects of individual decisions in water use, is to set up a larger decision-making unit. The external diseconomies are thus rendered internal. This procedure is even more difficult institutionally in international trade than in other fields where it has been successfully applied, e.g. in multiple-use river basin development. The approach by way of commodity agreements could in a sense be viewed as a step towards a larger decision-making unit as can, of course, the Common Market itself. However, the proponents of international commodity agreements have not presented them as a means of rendering external diseconomies internal but rather as a device for retaining them, while masking their incidence by focusing the attention of all on a false criterion of gains from trade, viz. price or terms of trade.[1]

Given more forceful review procedures and some penalty imposed by a higher authority for their non-observance, a set of principles or code of behaviour could perhaps make some of the external diseconomies quasi-internal to the individual country committing the breach. Some of the consequences of CAP, for example the tariff increase on poultry meats, have already provoked talk of retaliatory measures by leading exporters. There may be some scope for providing that such retaliation is to be invoked by an international body and for making it more effective by group action of member governments. The sanctions which could be applied, however, would probably have to take the form of collective trade discrimination against countries or regional blocs whose price policies for agriculture were judged unduly disruptive of international trade. Many of the penalties imposed would hurt those imposing them no less than those at whom they were directed. In other words, rendering external diseconomies internal by imposing a code of behaviour and by penalizing breaches with collective retaliation would often involve a substantial cost—a general loss of welfare for the judges and condemned alike.

[1] J. H. Richter, op. cit., who points out that it is implicit in the Pisani Plan that countries turn their attention from the quantity of trade to value.

In spite of the difficulties encountered in the formulation and effective implementation of principles of pricing behaviour, one nevertheless cannot escape the impression that this approach has not been pursued as vigorously as it merits. Perhaps the inconsistency of CAP with other expressed objectives of European integration may yet impart sufficient stimulus to this line of international endeavour to yield more rational conditions of world trade in agricultural products.

Reciprocal trade concessions

A third line of approach to more liberal trading policies, which has been influenced profoundly by CAP, is that of trade agreements for reciprocal reductions of tariffs or other barriers to international trade. The U.S.A. has taken a leading part in this approach and, disturbed by the possibility of losing important agricultural export markets in Europe, concluded extensive tariff negotiations with EEC in March 1962. In these the United States sought concessions in the Common Market's external tariff on agricultural products to permit healthy trading relations between EEC and the U.S.A. and to insure access to EEC markets for her agricultural exports covered by CAP.[1] Moreover, the Trade Expansion Act of 1962 enlarged the U.S. president's bargaining powers by authorizing him to negotiate reductions in the American tariff against trade access arrangements for agricultural commodities.

Despite the fact that, under GATT, concessions so negotiated by leading suppliers are extended to other exporters enjoying 'most favoured Nation' treatment, their incidence on other countries might not always be favourable. If concessions obtained are meaningful and substantive, they might conceivably make it even more difficult for third countries to obtain effective concessions. That is to say if one country had the bargaining power to negotiate substantial concessions narrowing the range of alternative enterprises open to, say, EEC farmers, then other countries could well find it even harder to negotiate meaningful concessions upon the residual products in which their chief interests might lie.

Thus the approach is subject to one important weakness. It stresses bilateral bargaining power as the operative criterion for improved access to markets. A country allowing duty-free and unrestricted imports of all goods would, incidentally, have zero bargaining power.

[1] USDA Foreign Agricultural Service, *The European Common Market and U.S. Agriculture*, Washington, D.C., December 1962, p. 19.

Secondly, it has tended to lead to time-consuming negotiations for trivial concessions. Trade officials tend to spend their winters in Geneva in protracted bargaining over the deadwood in their tariff structures. Tariff cuts where it will not hurt much are carefully exchanged for tariff cuts which will not do anybody much good or are hedged with a honeycomb of exceptions and escape clauses. A grudging give-a-thing, take-a-thing spirit emerges which tends to obscure the real objectives of the negotiations.

It is, in my view, unfortunate that after World War II when conditions favoured realization of the advantages of multilateral trade, we allowed ourselves to become bogged down in this huckstering gradualism. International trade may well have been far healthier today had a more determined march been made towards the early dismantling of trade barriers for which temporarily the time was receptive. Striking while the iron is hot is a well-known principle of administrative action, sadly overlooked on this occasion.

The autarkic nature of CAP focuses attention afresh on this approach and the U.S.A. has again taken the lead in the so-called 'Kennedy Round' by proposing large-scale across-the-board reductions in tariffs instead of the painfully piecemeal agreements of the past. While this new approach has already encountered major setbacks, it is at least evidence of a more purposeful drive towards expanded trading opportunities in agriculture and again CAP has contributed to, if not wholly inspired, this development.

Compensatory finance

A fourth line of approach to the problems of international trade in agricultural products has been the proposals for compensatory financial measures to offset fluctuations or adverse trends in the export income of primary producing countries. These proposals stem from concern at the implications of instability in international trade for economic development by the under-developed countries together with a widespread feeling that current international monetary organizations do not provide an adequate or sufficiently automatic source of funds to offset deteriorating export proceeds. The first of these factors was prominent amongst the considerations giving rise to the 1958 Haberler Committee Report to GATT on trends in international trade; the second has added pertinence in view of the deterioration in the international reserves held by many under-developed countries.

Various proposals have been considered by international agencies.

Perhaps the two best known are the proposals for a Development Insurance Fund (DIF) and the OAS (Organization of American States) proposals.[1] The DIF proposals envisage an international insurance programme in which countries would be compensated by grants and/or contingent loans (i.e. repayable only in certain circumstances) for shortfalls in their export proceeds with reference to a recent average level. Premiums payable for coverage under the programme would be assessed not so much on risk as on the client's ability to pay, and payments to compensate for declining export proceeds would be made automatically in accordance with a predetermined formula.

The OAS scheme proposes an international fund from which fully repayable loans would be made available automatically to primary-exporting or low-income countries to compensate for downward fluctuations in receipts for merchandise exports. In essence the OAS proposals are for getting away from the element of lender's discretion, which characterizes IMF's compensatory financing operations beyond virtually automatic drawing rights against the gold tranche, and for providing formula-based loans. The criterion for credit eligibility is the shortfall in export proceeds in comparison with recent levels (not necessarily a good indicator of the balance of payments situation). The International Fund for Stabilization of Export Receipts would be financed largely by the advanced countries, possibly with capital contributions scaled in accordance with the level of exports to developing countries.

The DIF proposals especially represent a tying of economic aid to a formula, based rather narrowly on movements in export proceeds. Some more rudimentary proposals envisage simply varying the amounts of aid given to underdeveloped countries in accordance with their terms of trade 'so that windfalls gained by the industrial countries (through improving terms of trade) would be returned to the primary producers'.[2]

These schemes prompt several major comments and queries, some of which have been made by the U.N. Technical Working Group. In the first place the schemes could adversely affect incentives for

[1] The essential features of both schemes are described and some evaluation of them presented in *Compensatory Financial Measures to Offset Fluctuations in the Export Income of Primary-Producing Countries*, Report of the Technical Working Group, U.N. Document, E/CN 13/56, 16 January 1963.

[2] See 'Atlantic Ideas. Some New Proposals for a More Rational Treatment of Trade and Agricultural Questions Deserve a Close Look', *The Economist*, 13 July 1963, pp. 115–16.

developing countries themselves to take steps to stabilize export receipts and to adopt responsible fiscal and monetary policies. Secondly the distribution of aid on the basis of an automatic statistical formula could divert aid from more deserving countries to those less in need of it. Especially would there be a risk of this if the formula were based on export proceeds rather than a more comprehensive consideration of balance of payments trends and their underlying causes. Thirdly, and apparently less widely noticed to date, are the possible effects of such programmes upon resource allocation. Compensating countries for deteriorating export proceeds would render inoperative the inducements to resource-use adjustments offered by market forces. Under-developed countries could, as a result, be led to devote or to retain a greater proportion of their resources in the production of commodities characterized by secularly declining or chronically unstable demand than they would otherwise choose to do. Disregard of trends in market requirements and in alternative sources of supply would be rewarded by increased aid while developing countries whose allocation of resources was more responsive to changing conditions could share the costs with industrial countries. Should a country choose to depress its terms of trade by wilful over-supply of its major exports (and many under-developed countries depend very heavily upon one or two staple export commodities) it could do so with impunity thanks to the automatic compensation of DIF or of a programme for the refund of terms of trade gains by advanced countries.

Furthermore, the actuarial bases of the insurance and loan programmes proposed to date are suspect and throw doubt on their feasibility on a voluntary basis. An insurance programme which attracts high risk business and deters lower risk clients from participating is scarcely worthy of the name. Adverse selection of risks is an obvious feature of the DIF scheme. If, of course, it is to be regarded as an aid programme and not as insurance (collective risk spreading) then the question simplifies down to whether a significant part of economic aid distributed to the developing countries is best tied to an arbitrary criterion such as fluctuations in export proceeds.

Finally there is the question of the impact of such programmes upon international action in the field of commodity policy. Members of the U.N. Technical Working Group expressed concern 'that interest in the possibilities of a compensatory financing scheme should not distract the attention of governments from the need to take

effective action on the long-term issues relating to international trade and economic development'. There is, indeed, a very real danger that the provision of such palliatives might hold back progress towards improved conditions of world trade in agriculture.

The rationale for compensatory finance often put forward by proponents of the schemes suggests that the difficulties of primary-exporting and developing countries derive largely from the agricultural protectionism of the more advanced industrial countries. Since instability of trade in primary products often had its origins in industrial countries, it is argued, it is not unreasonable to expect such countries to bear the additional burden involved in compensatory financing programmes. Concern at the possible consequence of CAP, seen by many as 'nearly the final word in autarky',[1] has sharpened this argument and lends added momentum to this line of approach to problems of trade and economic development.

Direct effects

The direct effects of CAP on the trading opportunities of Australia and other agricultural exporting countries will, of course, depend on the level at which common target prices are eventually set within the Community. This is still not clear, but everything points to the probability of a compromise level approximately half-way between the lowest and highest prices currently fixed by EEC member countries. At the GATT Committee II consultation in 1962 the representative of the Community stated that in his view a policy of reasonable prices would correspond to some intermediate level between the lowest and highest existing levels.[2] A further indication is provided by the recent Mansholt Plan proposing that common prices for grains be instituted in the Common Market commencing 1 July 1964, instead of by 1970. Dr. Mansholt proposed prices roughly half-way between the current French and West German levels.

Prices received by French grain producers would rise by about 9 per cent. for wheat and 16 per cent. for barley under this proposal. Abolition of the quantum system for price support (15 tons maximum) by 1970 is required of France under the EEC grain regulations and this will be equivalent to a further increase of up to 7 per cent. in

[1] John O. Coppock, *North Atlantic Policy. The Agricultural Gap*, New York, Twentieth Century Fund, 1963, p. 21.

[2] GATT Programme for Expansion of International Trade, *Trade in Agricultural Products*, Report of Committee II on the Consultation with the European Economic Community, Geneva, GATT, 1962, p. 112.

the guaranteed price for wheat received by the larger French producers.[1] Price rises of this magnitude will certainly result in greatly increased output of grain in France and in reduced import into and increased exports from the Common Market. The EEC Commission projected that at current prices and acreage of total grains, French production of grains would rise from 20 million tons in 1957–9 to 26·6 million tons in 1970, net exports rising in consequence from 1·5 to between 5·0 and 5·6 million tons. Murray cites another inquiry which concluded that a 20 per cent. rise in French grain prices would increase output by a further 6 million tons, reducing EEC net imports from 9·2 million tons in 1957–9 to about 2·9 to 4·5 million tons in 1970.

The EEC projections conflict with Dr. Mansholt's assurances to the European American Agricultural Symposium in Amsterdam on 15 November 1963, that the proposed accelerated price unification would not lead to a significant increase in grain output and would not endanger normal imports by the Community or create surpluses.[2] Dr. Mansholt's arguments do not augur well for the level of economic literacy with which the agricultural policy problems of EEC may be approached.

Increases in French grain prices and production of this order of magnitude, even if they occur in 1970 as originally proposed and not in the next year or two, will undoubtedly pose serious problems for other grain-exporting countries, especially if the movement of this surplus production into export trade is helped by subsidies provided for in CAP.

Conclusion

We have seen that all the major courses of action open in international commodity policy have been subjected to strong influences from the common agricultural policy of the EEC. Fortunately these influences are general and do not necessarily promote any one of the four lines of approach discussed above to the exclusion of the others. While more attention has perhaps been directed to date to the possibility of commodity agreements and of compensatory finance schemes as means of reconciling the consequences of CAP with the objectives of international trade policy this is by no means an inevitable consequence. It is to be hoped that at the 1964 World Conference on Trade

[1] K. L. Murray, *France's Key Role in the Grain Sector of the European Common Market*, USDA, Foreign Agricultural Service (FAR-122), April 1963, p. 31.

[2] *New York Times*, 16 November 1963, p. 8.

and Development the full range of alternatives will receive consideration.

It is not grossly over-simplifying the situation to categorize international commodity agreements and compensatory finance as essentially measures which seek to make it possible to live with the consequences of national protective policies for agriculture. They are in the nature of second-best solutions proceeding by way of patching up the gaping framework of world trade while not removing the basic maladjustments and sources of difficulty. The other two approaches—towards a code of behaviour to minimize disruptive external effects of national price support policies and towards dismantling tariff barriers—would provide more fundamental and permanent solutions. It is to be hoped, therefore, that CAP will help initiate a more determined exploration of the possibilities in these directions.