PART II

Europe's Common Agricultural Policy: the attempts to dismantle it

by Cynthia Parsons and Susan Brady

On March 18, ten days before the March 29 summit meeting of European Community (EC) heads of government and simultaneous ministerial negotiations on the 1982-83 Common Agriculture Policy (CAP), British Prime Minister Margaret Thacher declared that she would block a farm-policy settlement until EC members agreed to limit Britain's contribution to the Community budget. "If we do not get a satisfactory solution of the budget," Mrs. Thatcher threatened, "then we could not possibly agree to a settlement of the CAP." Agricul-

In an attempt to prevent Mrs. Thatcher from totally disrupting a summit meeting which he insisted should focus on the strategic issues of interest rates and the deepening world depression, West German Chancellor Helmut Schmidt intervened to take the budget off the agenda. Special consultations beginning April 3 on the budget were to center on the EC Commission's latest "compromise" proposal, an extended five-year grace period during which Britain would enjoy a "money-back" guarantee, albeit on a decreasing scale. Then, on the eve of the summit, French President François Mitterrand told his Cabinet that France had by no means agreed to the compromise on the British contribution being worked out in Brussels, understood to be increasingly generous to the United Kingdom in exchange for British agreement to a compromise on farm prices.

Threats to the EC

The Mitterrand pronouncement was taken as an indication that the French government was prepared to blow up the summit, if not the EC. Mitterrand had earlier floated the idea of pushing through farm-price rises by majority vote, without Britain. Under pressure from its farm population, the Mitterrand government has not hesitated to assert that the EC can survive perfectly well without Britain. "The essential thing is a sufficiently solid core of countries who want to go forward," French Minister of EC Affairs stated March 24, "and the basis of that is a Franco-German accord." Britain came into the EC, he continued, "and is now trying to turn it into a free trade zone. If that were allowed to happen the EC would eventually break apart."

The Mitterrand line, together with continued British intransigence, has tended to wear down West German patience. Pre-summit discussions revealed that Bonn has little desire to pacify Britain with an expensive budget settlement. In the end, the summing meeting was inconclusive. Whether the unravelling of Britain's policy administration in the wake of the Malvinas takeover will force her to withdraw resources from her wrecking operation remains to be seen. Otherwise, there is every reason to believe that wrangling over the new CAP program will continue into the summer months.

In the meantime, Europe's farmers are left to confront a deepening economic crisis.

As *EIR* explained in Part I of this report, the Common Agriculture Policy, though weakened significantly over the years, has succeeded in building up modern agriculture in Europe, and it remains essential for assuring progress in the farm sector. The CAP is responsible, among other things, for the fact that milk and sugar are produced in "surplus" quantities and that for the past three years Europe produced bumper grain crops, outgrowing domestic sales. As a result, Europe has recently joined the world's major grain exporting countries—something that should be considered a welcome development in a world where hundreds of millions go hungry each day, and something that might be expected to inspire a joint U.S.-European effort to foster the type of economic development in the Third World that will open those vast markets.

Instead, as we shall see, the successes of CAP have been the occasion for new attacks on its basic principles, not only from Britain but from the United States.

Why Britain must import food

For Britain, the farm-price settlement is not important. Since the 1846 Corn Laws, which marked Britain's decision to import cheap food from the colonies rather than develop the food-producing farm sector at home—a policy promoted and enforced under the "Free Trade" banner—Britain's aristocratic landowners have devoted their efforts to their full-time hobby of sheep and pig breeding. They have cashed in as opportune on the benefts CAP provides in terms of export markets and any number of related benefits, but have no commitment to the policy. Britain remains dependent on imports for at least 40 percent of its food.

That, ironically, is the root of Britain's budget problem with the EC. As an EC member, Britain's farm-product imports are subject to "import levies" based on the CAP's "threshold" prices. The threshold price, the central mechanism for protecting the internal market, determines the lowest price at which grain can be imported into the EC. These levies are paid into the CAP fund, the Feoga, which in turn finances the entire CAP. Britain complains that it pays more into Feoga than its own farmers receive. But recent estimates show that while the CAP costs Britain overall about £ 1.4 billion, a reversion to the pre-CAP farm policy in Britain, geared to support farm income at 1980 levels, would cost the British Treasury £1.7 billion!

Yet, since joining the EC, Britain has never stopped trying to wangle its way out of paying the cost of membership. Britain's share of the total EC budget amounts to some £600 million, yet in 1980 Britain contributed a mere £55 million under the temporary budget agreement expiring next month. Britain insists on reducing this contribution even further, and, at the same time, with the budget issue as a pretext, demands the effective dismantling of the CAP.

U.S. 'free-marketeers' attack CAP

Over the past year, Britain's demands for a reduction in CAP price-support levels have been bolstered by a campaign against the CAP led by free-marketeers in the Reagan administration. The United States has demanded that Europe slash the export-credit programs that facilitate its farm exports, claiming "unfair competition," since the United States does not directly subsidize agricultural exports. Europe uses the credit programs to enable exporters to deal with the differential between EC farm prices, protected at close to the cost of production, and world market prices, held below break-even by the multinational grain companies; therefore, the U.S. campaign amounts to an attack on the CAP pricing structure, which American officials otherwise charge with promoting "overproduction."

The nominal issue is the competition America faces from Europe for farm-product export markets in the rest of the world, primarily in the underdeveloped sector.

U.S.-EC trade is another matter. There have been several issues under negotiation during the past year, such as the dispute over the tarriff status of U.S. exports to Europe of corn gluten used in livestock feed. But in this realm the United States is simply concerned to maintain its existing large share of the market. The EC is presently the largest single market for American farm products, principally feed grains. In fact, for the past 15 years, Europe has taken 30 to 35 percent of total American farm exports each year. Of the 1980 U.S. trade surplus with Europe, half—or more than $7 billion—was accounted for by farm products.

For this reason, U.S. action vis-à;-vis Europe on farm issues is a delicate matter. Rhetoric often diverges from concrete action. Some observers of the recent American campaign warn that U.S. stridency could be counterproductive if Europe decided to cut back on U.S. imports. Others point out that Europe could not afford to limit U.S. imports since no one else could supply them, especially with feedgrains where, together with corn and soybeans, world trade is virtually totally monopolized by the United States.

"Now the Community is focussing on some of our key markets," Agriculture Secretary Block has complained repeatedly, referring to Latin America, China, and the Middle East, as well as the Soviet Union, which imports meat and milk products from the EC. Block has declared that he will fight all-out to retain old markets and secure new markets in the face of European competition. "We are not going to stand by idly while the [U.S. farmers] compete against foreign treasuries," Secretary Block announced. It was the Secretary, together with then-presidential candidate Reagan, it should be remembered, who promised American farmers that expanded exports would guarantee "100 percent of parity—in the marketplace." The Secretary is in need of explanations, since American farmers are now in the worst financial crisis since the Great Depression.

Thus far, however, the administration has been reluctant to take the export subsidization issue further than an official complaint under Section 301 of the General Agreement on Trade and Traffic (GATT). A complaint about subsidies for export sugar was filed last October, followed by one on wheat flour this spring.

More seriously, U.S. Department of Agriculture officials and agriculture spokesmen such as Senator Dole (R-Kan.) have jumped on the bandwagon. Assistant Agriculture Secretary for International Trade and Commodity Programs Seeley Lodwick has taken the campaign to the hustings. In a lengthy speech to the Iowa District Export Council in October, Lodwick hit at the EC's "protection" of European farmers and their markets with high price-support levels, import levies, and export subsidies. Echoing Great Britain and American consumer activists, Lodwick complained that not only do European consumers have to foot this huge bill, but now Europe is shifting the costs of the CAP to the "world market" through the export subsidies.

Assistant Secretary Lodwick and the rest of the freemarketeers are misleading American farmers into believing that EC subsidies are responsible for the slump in world grain prices that is devastating American producers. In truth, the problem is neither subsidies nor surpluses—a surplus is the hallmark of agricultural success anywhere, and a parity pricing policy to ensure producers cost of production and a fair profit is essential for each nation to guarantee its food supplies.

The depression limits markets

The problem of limited export markets, the only element of reality in the U.S.-EC dispute, is the direct result of the depressed state of the world economy, exacerbated by high interest rates and the IMF's "conditionalities" policy, which has imposed murderous import cuts on many underdeveloped nations, and prevented the hungriest among them from initiating any income-generating activity to begin with. Should both sides of the Atlantic put their efforts into increasing consumption and promoting high technology-vectored growth throughout the developing sector, the present surpluses would be taken care of, creating plenty of markets.

Even a 2 or 3 percent increase in Europe's own consumption, which is still very low-quality nutritionally compared with that of the United States, would gobble up Europe's so-called surplus. Look at the "glut" products:

Milk protein consumption, at about 23 grams per person daily in the U.S., is 5 grams higher than Germany or France, and 9 grams higher than Italy.

Egg consumption in the United States is 47 grams per person, and only 36 grams in the United Kingdom and 34 in France.

Meat, while not a surplus product, ought to be, because there is ample room for increased consumption. In the United States, daily meat consumption is 304 grams per person, yet a mere 166 in Italy, 197 in the United Kingdom, and 241 grams in France. The United Kingdom has experienced a net dècline in meat consumption, and nearly every other food category during the past ten years.

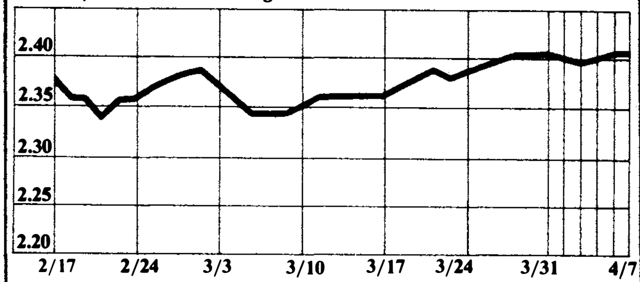
The fact that cereal consumption is higher in Europe than in the United States reflects the lower quality of the European diet. Yet, in Africa, there are over 70 million people who may get 100 grams of cereal a day if they are lucky. A similar number exist in Bangladesh. And, if they were given access to world markets, these countries—not generally considered U.S. "territory"—would snap up any European and U.S. surpluses.

When asked why the United States does not press a campaign to increase food consumption, an informed USDA official said, "Yes, well you have a point here, but it is easier to get them to reduce subsidies." Such immoral stupidity will not only eliminate thousands of people, but, if imposed fully, would destroy both U.S. and European agriculture in the process.

Currency Rates

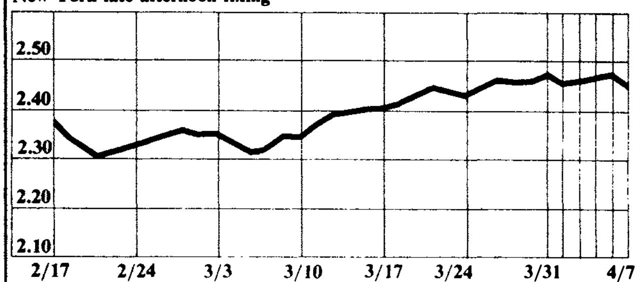
The dollar in deutschemarks

New York late afternoon fixing



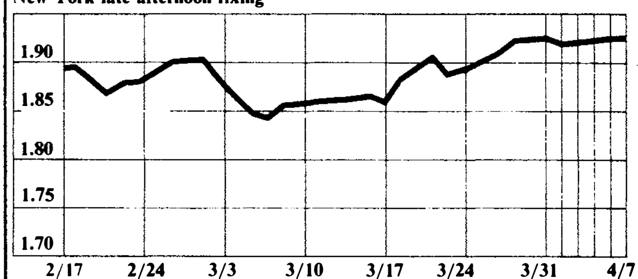
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing