

FÉDÉRATION INTERNATIONALE DES PRODUCTEURS AGRICOLES

INTERNATIONAL FEDERATION OF
AGRICULTURAL PRODUCERS712 JACKSON PLACE N. W.
WASHINGTON 6, D. C., U. S. A.

TELEPHONE : STERLING 4086

CABLE ADDRESS : IFAP



TÉLÉPHONE : TAÏBOUT 40-35

1. RUE D'HAUTEVILLE
PARIS X, FRANCE

DIFFICULTIES IMPEDING THE DEVELOPMENT OF
EUROPEAN ECONOMIC COOPERATION IN AGRICULTURE

(Working paper prepared by the Secretary of the Committee)

Reference: Agenda item 4

INTRODUCTION

1. During the Mexico City Conference IFAP's members in Europe, together with their colleagues from other continents, unanimously 1/ accepted the Report of the Policy Committee, paragraph 32 of which constitutes the terms of reference of the European Committee on European Economic Recovery for the year 1951/52. Sub-paragraph (b) of those terms is as follows:

"To study and compare various recommended European agricultural policies, which aim at an expansion of production combined with orderly national and international marketing, in order to propose solutions to the difficulties impeding the development of European economic cooperation".

2. During its September 1951 Session the EER Committee adopted a resolution requesting "the governments of European countries to convene a conference ... and to carry out the necessary studies in conjunction with existing international bodies". Although this resolution also enumerated the factors conditioning the approach to an organisation of marketing arrangements, it appears difficult to claim that the Committee has thus finished its study and proposed solutions to the difficulties referred to in the Report of the Policy Committee.

3. This document attempts to classify and to a certain extent evaluate the many and varied difficulties facing a complete European cooperation. Several attempts at classification were made before it was decided to use that in this document. Any classification is arbitrary, especially in such a complex field.

4. The appreciations given herein involve only the responsibility of the Secretary of the Committee and may not in any way be considered, at this stage, as representing the views of the Committee or of any of its members.

5. The problem of the difficulties for a European economic cooperation in the agricultural field has already been raised on a number of occasions by well known specialists (particularly in Dr. Linthorst Homan's Reports on European Agricultural Policy). It is assumed that this documentation (see appendix) is familiar to the readers.

1/ The Swiss delegate abstained.

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DIVIDING THE PROBLEM

6. Difficulties posed by a policy of European economic co-operation in agriculture may be divided between the difficulties of conceiving such a policy and the difficulties of executing it. Up to now the numerous debates which have taken place within international governmental or non-governmental organisations as well as within the EER Committee itself have not, for all practical purposes, advanced from the stage of the difficulties of conception. The only efforts which have been made to evaluate the difficulties of execution are those which, in the field of commodity studies, followed the decisions of the OEEC to liberate inter-European trade, the examination by the EER Committee in January 1951 of a report on the international organisation of markets, and the studies presently being carried out by IFAP on the disparities between prices and costs in European agriculture.

DIFFICULTIES IN CONCEPTION

7. These difficulties arise from the incompatibility of the inclinations and the aspirations which are, a priori, expressed in the different proposals formulated to promote the widest possible European economic cooperation. The sincere efforts at a compromise which have been made on all sides have, by masking this incompatibility, perhaps contributed more to an increased confusion than to a practical solution.

8. In fact, the only points on which unanimous agreement seems possible are the necessity to assure to the European population a better food supply and to the European agricultural producers a more stable and more satisfactory income and the urgency to undertake or to follow up international studies aiming at this goal. It would appear that the antagonisms on all other questions of principle or of detail will be difficult to overcome.

9. The difficulties of conception of a policy of European economic cooperation in agriculture may be classed under the following five headings, certain of which include elements which are not specifically agricultural but which have a considerable influence on agriculture and others which relate to purely agricultural problems:

- (i) disagreement on the long-term objective of a policy of European economic cooperation in agriculture;
- (ii) disagreement on the desirable evolution to bring about in the agriculture of European countries, both from the point of view of attaining the objective and afterwards;
- (iii) the existence of purely national economic concepts and the incapacity to think in terms of a European economic unity;
- (iv) divergent tendencies of national economic and agricultural policies;
- (v) divergent methods of applying national policies.

10. All these difficulties may be considered as intellectual or political while the difficulties of execution, which are considered below, arise to a great extent from the existence of material factors: characteristics basic to agriculture or to other national economic activities and characteristics acquired during their historical evolution. It does not seem that these factors contain difficulties so serious but what they can be overcome by a coherent and energetic policy. That is why the difficulties of conception take on such importance and may be taken as the principal stumbling block to a European economic policy.

(i) Disagreement on the final objective of a policy of cooperation

economic entity in which the present national economies will be ^{no} more than elements expected to lose more and more of their own independence.

11. For some, the policy of European economic cooperation would have as its final objective the realisation of a new autonomous

12. For others on the contrary, even setting aside the material difficulties which the realisation of such an objective would present, this objective in itself is not acceptable. They hold that economic cooperation should scrupulously respect national autonomies.

13. If it is claimed that it is much too soon to settle such a debate, it should nevertheless not be forgotten that the different views on this point have immediate repercussions when it comes to the question of studying a concrete solution. The partisans of a strongly centralised federalism reject all steps which tend to compromise or to prevent its realisation in the nearest possible future. Their opponents, by an analogous process, refuse to look at and reject all measures which seem to imply an evolution towards such a federalism. Freedom to manoeuvre is thus found to be reduced to the point of often being practically nil.

(ii) Disagreement on a desirable evolution

ment on the desired evolution in agriculture is no less evident. Some advocate European economic cooperation as a means of increasing the geographic specialisation of producers in order to bring about a reduction in average costs of production by the elimination of the least suited. Others absolutely refuse to see such a future for European agriculture. They believe that the creation of an economically united Europe should on the contrary have as its aim and effect to harmonise as much as possible the technical and economic conditions of agricultural production for the whole of the European territory and, without destroying the existing specialisation place all competitive producers on an equal footing. These differences in view are clearly shown in the debates on the liberalisation of trade, a step which however represents only a very timid attempt to establish free trade.

14. Coming back closer to the agricultural field as such, it may be noted that disagree-

(iii) The existence of purely national economic concepts and incapacity to think in terms of a European economic unit

constitute the material data of the problem to be solved. But they appear to be much more important because of their psychological influence. In spite of efforts undertaken within numerous national and international organisations, it seems that Europeans are afflicted by a sort of intellectual incapacity to conceive of the place of, and the defence of, their interests within a framework much larger than the national one to which they are accustomed. The most frequent sign of this incapacity is found in the indifference or animosity which agricultural producers, for example, show towards other European agricultural producers. It is frequently observed that the exports of certain countries, even if they respect the strictest rules of fair competition, are considered in others as nothing short of criminal. The indifference to the sometimes tragic difficulties of the agricultural producers in a neighbouring and most often friendly ^{importing} country is only too evident. In fact, many national agricultural policies, followed with the full agreement of the interested producers' organisations have the sole purpose of protecting the internal market without regard to the consequences for other agricultural producers. At least implicitly, it is admitted that imports and exports are for the purpose of keeping the internal market healthy and no reference is ever made to the consequences which such a policy might have on the international market and on the internal market.

15. The two preceding difficulties are found again and are entangled in the third. Later on mention is made of the economic and social disparities among European countries. They are of importance insofar as they

^{1/} This lack of imagination is not unique to public opinion. Even the specialists conceive but confusedly a European union. It should also be noted that coherent statistics do not exist nor personnel trained to make use of them.

of neighbouring countries. So long as the agricultural opinion of a given European country does not consider itself interested in the economic events which affect the producers of neighbouring countries and as equally responsible as the nationals of that country for their solution, it is useless to think that an efficient economic cooperation policy can be put into effect.

16. Fortunately, and thanks in particular to the activities of the EER Committee, this mentality is less prevalent, at least in the circles of leaders of agricultural organisations, but it remains alive at the base.

(iv) Divergent tendencies of national economic and agricultural policies

agricultural policies. These are not necessarily a result of existing conditions but rather the fruit of a deliberate political choice. The governments in power - and they are always liable to change, all OEEC countries having a parliamentary system - may give priority to full employment, stability of prices, minimum income for wage earners and agricultural producers, etc., or they may give priority to national and international freedom of production and trade, the protection of profits, the balancing of the budget, etc. It will be difficult to establish policies for economic cooperation between authorities prompted by principles so different. (It will be noted that there is here a factor absolutely distinct from that raised in the preceding paragraph, national rivalries having entirely free play in relations between governments which are of the same economic way of thinking.) These differences are to be found in the field of agricultural policy, particularly with tariff policies and price policies.

(v) Divergent methods of applying national policies

true that the practical methods of application may be very different according to temperament or tradition. The structure of the organisation of the market rests more or less on powers acknowledged as belonging to or attributed to individuals or committees; the rules vary by which the decisions of those responsible are enforced and their execution controlled, both in the field of production and internal trade as well as external trade. To take an example, the Belgian system of supporting domestic prices of bread grains by obliging millers to incorporate in their flour a percentage, variable but fixed periodically by the authorities, of domestic cereals is without doubt as efficient as the French system of complete control of the delivery and trade in wheat and flour. But it is apparent that the two systems are incompatible within an economic union. Similar observations might be made about sugar, dairy products, wines, etc.

19. The five categories of difficulties mentioned above appear to be really fundamental. They are those which there is a tendency to push aside in all attempts at international organisation, claiming, by agreements on details, to have successfully and more easily solved the antagonisms. It would therefore seem reasonable for the Committee to express its opinion on the means which would permit, if not their elimination, at least the reduction of the difficulties in this field and to formulate general policies in order to reconcile these differences of opinion whenever it is necessary to apply an economic cooperation policy in a particular case and even though to a limited extent.

DIFFICULTIES OF EXECUTION

20. Among the obstacles to execution there may be recognised those which arise from the nature of agriculture as an economic activity and those which arise from an entrenchment within the national framework of the forms assumed by that activity and of those with which it is connected.

17. It is necessary to place in the forefront of the difficulties facing a broad economic cooperation the differing tendencies of national economic and

18. If it can be stated that the methods applied by governments to reach the goals of their policies are in part determined by the choice of the policy itself, it is

A - Difficulties Arising from the Character of Agriculture

21. No elaboration will be given of the difficulties which come from the special character of agriculture - they have been many times analysed during the early discussions on European economic integration: irregularity of production; perishability of most agricultural products; lack of elasticity of markets; conservatism of farmers; fixed investments, etc. Looking at them closely it will be seen that they create a dilemma. Either they compel us to give up any hope of immediate action in the agricultural field, which will be that in which extensive economic cooperation will meet with most difficulty. Or they make it imperative to act immediately in the agricultural field where changes will be slower and more difficult than in others. To some, cooperation in the agricultural field can only be the final achievement in economic cooperation; for others it is the foundation.

The Need for a Diversified Production on Each Farm

22. The need for a diversified production on each farm is sometimes presented as a special difficulty. It merely underlines the dangers which there might be in giving free

rein to purely economic mechanisms. In any case it does not seem that the creation of a European economic unit, would by hypothesis be applied an agricultural policy at least as reasonable as the best of present national agricultural policies, presents great dangers. If such a policy were followed farms would find, as within the set-up of national policies, a climate favourable to their balanced development.

23. Besides, it may be noted that the experience of the United States appears to prove that regional specialisation is only rarely carried out to the point of causing an excess of monoculture, even when economic factors have free play. Dr. Homan has cited the following appreciation of Prof. Grass of Harvard University: "... there seems to be developing, with some exceptions, a local balance in agriculture, a self-sufficiency in the chief essentials of life".

The Multiplicity and Diversity of Agricultural Holdings

24. The multiplicity and variety of agricultural holdings are often considered to be elements adding to the difficulties of an economic cooperation policy in agriculture.

It should first be noted that this multiplicity and variety is no less great in vast territories, such as the United States, which nevertheless form economic units. It should also be noted that in certain countries which are relatively spread out within Europe, such as Germany, France, Italy, and Sweden, the variety in kinds of farms is very great but this does not stop those countries from having coherent national economic systems which have functioned in a satisfactory manner for one, two, or three centuries.

B - Demographic, Economic and Technical Difficulties

25. Much more serious would appear to be the difficulties coming from the existence of solid and complex national economic set-ups which a European economic co-operation policy might dislocate while at the same time trying to assimilate. The demographic, economic and technical aspects of this problem will be looked at in order.

Demographic Disparities and Migration Difficulties

26. In the demographic field it is only too well known that the partitioning of Europe into national watertight compartments, as well as the profusion of languages, has led to a

rigid rooting-in of populations, the consequence of which is the creation of zones of strong demographic pressure where most often unemployment and in certain cases poverty prevail. The problem was recently aggravated by the movements of refugees

who almost without exception established themselves close to their countries of origin. While the problem of population does not especially come from the rural economy, it has particularly serious repercussions upon it. Due to the lack of housing and employment in urban centers, the great majority of the "surplus" population attempts to live in the agricultural sector or at the expense of its gross income. As the Committee must discuss under another heading the question of family farms and the special problems which they raise, this difficulty will not be further gone into here.

Monetary Compartments

27. On the economic plane the existence of closed national systems clearly poses the most difficult problems. Among the first of these should be placed the existence of separate monetary systems resulting particularly in the necessity, impossible to fulfil, of a permanent equilibrium in the balance of payments of each individual nation. The successive crises which have faced the European Payments Union bear witness to the gravity of the problem. It is as unrealistic to try to equilibrate month by month, or year by year, the balance of payments of an economic unit as small as any of the European countries as to try to assure an equilibrium in the balance of payments between Scotland and the United Kingdom, or Normandy and France. Nevertheless, the privilege of issuing currency and controlling credit is the, one might say fundamental, attribute of sovereignty and the methods of directing the economy by the control of money and of credit are chief among those which governments possess. It therefore appears as difficult to imagine that decisive progress could be made towards economic cooperation before multilateral monetary compensation systems between European countries have reached an incomparably more advanced stage in their development as to attain that stage itself. As the creation of a single monetary system will immediately pose the problem of knowing what authority would direct it, one is brought back to the starting point: the desirable or acceptable aims of an economic cooperation policy.

Disparities in Wages, Incomes and Prices

28. Disparities in wages, incomes, and prices are less difficulties in themselves than the expression and the evidence of the unequal division of natural resources, capital, population, knowledge and technical equipment. They may also be the result of unequal success in the application of economic and social policies in the different countries.

29. It does not, however, seem that the different levels of wages are an absolute obstacle to close economic cooperation. Even in countries where wages are regulated there do not exist wide differences between the wages actually paid in the various regions. Local circumstances play a determining role. Far from being unduly favoured from the point of view of competition, the producer who pays the lowest wages is frequently the one who has the highest costs of production - total or by unit of product. Inversely, higher wages usually correspond to better returns from labour.

30. As much may be said for social charges. The example of France (see the last study of the Economic Commission for Europe) proves that the social charges influence the process of determining basic wages to the point where it may almost be admitted that the ensemble (wages + social charges) constantly tend to be equal to what would have been the gross wages if there did not exist compulsory social security charges.

31. Income from capital (including rents from farms) is an example of economic rent and of derived value. It may be that in certain countries, rents are artificially inflated by a protectionist policy which is more profitable to proprietors than to producers and that a deflation of land values in those countries is desirable. But as a large part of European farmers own their land and as their land revenue is as necessary to the subsistence of their family as agricultural revenue, this difficulty may prove to be serious.

32. As to prices, it is necessary to examine separately the natural and artificial disparities. The latter evidently arise from divergent policies referred to above (paragraph 17) and will disappear with them. The former should not pose a

problem more insoluble than the existence of unequally favoured regions within a country.

33. Among the artificial disparities between countries it will be necessary to give special place to the differing incidences of fiscal charges. The systems by which they are imposed can not be easily nor rapidly modified although their influence on the formulation of costs and of prices is considerable.

Relations with non-European Countries

34. A difficulty already frequently raised within the IFAP is the commercial policy which a European unit should adopt vis-à-vis non-European States;

This question has been treated on the level of relations between the United Kingdom-Continental countries/the Commonwealth and relations between the United Kingdom-Continental countries/the rest of the world. It does not seem to be useful to go into that here. It may be noted that in the food and agriculture field the problem of commercial policy is in practice one of level of food prices and that these prices are more or less lowered according to the relative importance to the economy of each country of a lowering of the cost of living as a factor in the cost of production and therefore of export prices and ability to compete. Nevertheless, as no European country any longer applies a policy of exposing its producers to direct and unrestricted competition with world markets, it is only a question of emphasis. The true problem is one of subsidies which in certain countries bring the cost of food to a level below the average cost of production of those commodities subsidized to the consumer while in others this system is unknown.

36. The preceding difficulty is in close relation with that which results from the unequal degree of importance of the non-agricultural population and its revenue in the various European countries. The economic structure of a European system would evidently give a different place to agriculture than national agriculture is assured under a national system.

The Unequal Degree of Organisation of (National) Markets

36. Reference has been made above, regarding the differences in methods of applying national policies, to the difficulties which they raise in the field of conception; this difficulty is found again in realizing an ideal degree of organisation of European markets (both from the technical point of view of distribution and, properly speaking, the economic point of view). National agricultural markets are very different and the structure of a market is always hard to change when it is the product of a long and profound evolution.

Inequality of Technical Evolution

37. On the technical plane, the stages of evolution reached in European agriculture vary greatly. From the point of view of creating the freest trade and even eventually completely free trade between the present national units, this raises a particular difficulty. Under competitive conditions the countries and regions technically under-developed would have but little chance to succeed in catching up with more advanced countries. That is why the development of modern techniques throughout the whole of Europe should be a major aim of any economic cooperation policy and the one on which, at least in theory, there should be unanimous agreement. Nevertheless there exists a generally unexpressed fear that such an evolution would result in the development of production beyond the capacity of the consuming market to absorb. It is not impossible that the expansion of the production of certain foods should be watched (butter, for example). But, this premise adopted, there is a conflict between the partisans of the international division of labor, who expect the disappearance of presently less-efficient producers, and those who speak for technical promotion or who refuse to abandon to a country which has acquired advance techniques the privilege of particularly profitable production in terms of employment and of revenue. In fact, and in spite of a number of years of work within the OEEC, no agreement has been reached on what should be the optimum volume of agricultural production in each country. Such agreement has only been attained concerning foods the supply of which is threatened by a serious shortage or which must be imported from the dollar zone at great expense.

38. The present work being consecrated to the obstacles, the positive aspects in the technical fields of European economic cooperation, such as exchanges of experiences, centralisation of results, action such as extension services will not be raised. Relatively satisfactory progress is being made by the OEEC in these various fields. It is sufficient to note that the time required for such technical action to be felt is fairly long and, unlike industry which can be modernised, so to speak, from one day to another by ordering a new series of machines, there is practically nothing similar in agriculture where the most decisive progress is made by the application of biological and bio-chemical science.

Are there any Strategic Difficulties ?

39. The creation of European economic unit, already being faced with a precedent in the creation of a single Army Command and the creation of a single Army now being studied, the strategic necessities to be considered are no longer those of any national unit but those of Europe as a whole. This includes many consequences in the field of localising production as well as in that of localising stocks but does not seem to raise special difficulties. It seems that the need to divide vital productions over the whole of the European area and to centralize stocks outside enemy reach will be so much more imposed since certain regions are plainly more threatened by the risk of invasion than others. To sum up, if it appears necessary internally to balance farming and to avoid too pronounced a regional specialisation, that does not exclude in any way the creation of a much larger framework for such policies but rather the contrary.

CONCLUSION

40. The present terms of reference of the Committee have been recalled in paragraph 1. They state: "to propose solutions to the difficulties impeding the development of European economic cooperation". But the Committee will certainly feel that before being able to propose solutions, it must go much farther with its analysis of at least several of the difficulties. A first step might consist of adopting a program of work. The work already undertaken on prices, the supply of requisites, assistance to small viable farms, and the international organisation of markets should be inserted in it. Such a program might include search for an agreement valid for a long enough time on:

- the final objective of the efforts being made;
- the degree of regional (national) specialisation to be sought;
- the need for an active solidarity between the farmers of Europe;
- the desirable tendencies for national economic policies in their relations with European agriculture;
- the methods for economic organisation most acceptable to farmers;
- the first steps to accomplish (creation of a European clearing house, of a European agricultural investment fund, unification of systems of organising markets).

The Secretariat would be invited to follow up the studies of certain aspects of the difficulties of execution which seem the most important to the Committee, for example: migration, rents, and systems of organising markets.

41. If it is agreed that the Committee is not to lessen its efforts to have the OEEC, the Council of Europe and governments on their part do what they can to increase their cooperation on the practical plane, IFAP member organisations may also contribute to this work.

42. In most countries agricultural opinion is not prepared to take the current risks of decisions aimed at creating a greater general prosperity in the future. If the Committee intends, as the Mexico Conference gave as mandate, to reach

"a more practical phase of European economic cooperation", its members have the duty to publicize and have accepted within their respective organisations the line of action which is its own and especially to create the psychological climate favourable to a constructive study of the present situation which it has undertaken and the adoption when they are proposed of reasonable solutions within the European framework, the application of which national policies should have as aim.

43. After three years and a half of careful work and in spite of the prestige which it has gained, the EER Committee runs the risk of losing contact with agricultural opinion. The studies which are required and the delays in which they will result may aggravate the risk. Lacking an immediate precise objective, giving concrete form to the good will of economic cooperation such as did the beginning of American Aid in 1948 and the policy of convertibility of currencies and the liberalisation of trade in 1950, public opinion may, while formulae are being prepared, lose from sight the necessity and the urgency of this cooperation. That is why it seems important to foresee, paralleling the search for formulae, the preparation of the spirit to welcome them when the time comes.

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Note: Consideration of the possibilities and the difficulties of a cooperation limited to several countries members of the OEEC (for example the members of the Schuman plan) has deliberately been avoided, the hypothesis never yet having been held by the IFAP.

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