AGRICULTURAL POLITICS IN THE EUROPEAN COMMUNITY

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Occasional Paper No. 7

Department of Political Science
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Australian National University

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That such a commonplace domestic concern as agriculture should be assigned the significance of a traditional foreign policy issue is remarkable. But the deliberate promotion of welfare rather than of power and prestige in the conduct of international affairs was supposed to help eradicate interstate conflict and violence: the leaders of the EEC farming groups (especially the French), the intellectuals of the Functionalist school searching for a theory of peaceful conflict-resolution between nations, and pragmatic Community officials appear to have shared the belief that a single market in agriculture would bring nearer the unification of Europe.

The history of the Common Agricultural Policy is examined here in order to test the effectiveness of economic approaches to integration when attempted within a vital though underdeveloped sector of the European economy.

The common policy was not of course to be inaugurated in an institutional vacuum. Those who helped to shape the EEC, e.g. Jean Monnet and Walter Hallstein, shared the Functionalist assumption about the nature of modern welfare-oriented Western societies. Suitably adapted, institutions and procedures usually associated with the conduct of internal politics would introduce into the international environment the lawful processes characteristic of internal politics, and would gradually obliterate national divisions. (The neo-Functionalists claimed that integration would then proceed more or less automatically because of the so-called "spill-over" effect.)

But were the EEC institutions and procedures able to supply the necessary impetus towards the rationalising of agricultural policy at the Community level? A conclusion suggested by this study is that the Common Agricultural Policy was irrelevant to, and indeed at times incompatible with, the fostering of the Commission's powers, i.e. with the strengthening of supranationality, partly because the mounting costs of agricultural support may absorb so much of the independent resources the

Commission is to acquire after 1975* as to deprive it of the financial means for policy-making in fields outside agriculture; and partly because governments and interest groups are a brake on the Commission's initiative in reforming agriculture itself. We thus reach conclusions diametrically opposed to those implied in the Functionalist doctrine.

The EEC Commission counted upon the assistance of "functional" groups for its integrating efforts: because farmers were economically motivated rather than ideologically committed, their interests would converge naturally across national frontiers and furnish support for the Brussels technocrats. Thus strengthened, the Commission would replace the patchwork of national schemes with a rational Community-wide agricultural policy. But the French, German or Italian peasant organisations, at odds about the desirable ends of the Common Market, have not been welded into a force capable of sustained pro-Community action. And even when temporarily in agreement, the farmer groups sought to defeat Brussels sponsored plans for long-term reform of agriculture which they perceived in terms of threats to family farming. Ironically the Commission was itself the target of the most spectacular international action yet launched by EEC peasants who rioted in Brussels against the attempt to hold down agricultural prices for the 1971-72 season. The interest groups have in fact done little to promote integration and at times have deliberately challenged the authority of supranational institutions.

Attempts to focus the attention of policy makers on agriculture served to show how governments are still more concerned with traditional foreign policy issues than with welfare, although in developed countries welfare has become an important area of governmental activity. In fact, none of the Six has been prepared to set aside the demands of interest groups such as the farmers for the sake of any

* The Common Market financing regulation of 1970 for the definitive stage provides that the EAGGF meets the <u>total</u> cost of the CAP. Until then member-states paid a (decreasing) proportion of those expenses.

communal policy, though they have for the sake of objectives of national foreign policy. Thus during the 1965 agricultural crisis de Gaulle's opposition to extending the Commission's supranational powers made him disregard the peasant leaders' campaign against his boycott of the EEC.

That politics cannot be eliminated by the Community method and national sovereignty eroded has been discussed elsewhere.[1] Here the emphasis will be on the following but related questions: does the history of the CAP suggest that integration is a means of promoting welfare? If the technocrats cannot perform satisfactorily in the realm of welfare, and if agriculture has so far been the cornerstone of Community integration, why should they be entrusted with further tasks of government?

In view of the CAP experience is there any reason to suppose that functional interest groups have any significant part to play in the process of integration? Indeed, is there any close correspondence between the success of economic integration and the incidence of international conflict or cooperation? If the instances of solidarity between the current EEC governments are independent of the performance of Community institutions, why should we regard the EEC as a radical departure from the traditional European state-system?

The Treaty of Rome (Arts. 38-47) laid out only general guidelines for a Common Agricultural Policy. It is not surprising therefore that the elaboration and the implementation of the policy have reflected not only the need to protect agriculture but also the interplay of the Six's and the Commission's interests and convictions, the latter being the body formally charged with the shaping of proposals and with much of the execution of the policy.

In practice of course no plans for European integration could omit agriculture, but there was some risk in selecting an industry which was backward to demonstrate the advantages of Europe's economic integration. It was unlikely however that nation states would yield any but sick sectors to international authorities. One could attempt an analogy with the industries which some countries have nationalised; private enterprise has sometimes passed control of bankrupt sectors to the state, but has usually maintained its hold over the profitable ones.

This paper is concerned with the political implications of the CAP. But some economic analysts maintain that there is no ready solution to Community difficulties in agriculture due to the fundamental problem of adjusting that sector to a progressively changing modern industrial society.[2] Such difficulties existed long before the Common Market was created. Except for Holland's, agriculture in the EEC was backward, incomes were inevitably much lower than industrial wages and the farmers relied for survival on subsidies and protection.[3] After the initial shortages following World War II had been made up, the European peasantry, along with those of most developed countries, faced problems of surplus production, falling prices, and increasing costs of machinery, labour and land, all leading to widespread discontent among agricultural population.

I. THE EEC INSTITUTIONS AND THE MANAGEMENT OF AGRICULTURE

(a) The Council

Because nation states would not allow the Community to administer successfully operating sectors of their economies, it was handicapped in having to demonstrate the advantages of integration. Nevertheless, the EEC's record of failure in administering agriculture is a reflection on central institutions and procedures. Nothing has revealed as clearly the underlying disharmony of national policies, and the ineffectiveness of the Community method, as has the CAP. Contrary to the expectations of enthusiasts for supranationality, Europe of the Six has merely reproduced the salient feature of international organisations, having failed to prevent "...the sum of the divergent national interests from triumphing...over the sum of the positive common factors".[4] To put it more concretely, the member-states evolved a cumbersome body of regulations now known as the CAP in a series of agreements almost all of which were arrived at in situations of minor international crisis. In formulating policy the interested parties took into account nothing but short-term political advantage. Thus the CAP, the Community's most advanced effort, is hardly an example of sound economic planning based on considerations of common long-term interest.

(b) The Commission

International political arrangements are often difficult to live with. But it is easier to identify objective defects in the realms of economics and administration: they are more open to dispassionate criticism and therefore even to ridicule. At first glance, the Commission's long-range perspective seemed to contrast with the narrow outlook of member-states and national interest groups.

(i) The Commission's proposals

In 1960, as required by the Treaty of Rome, and as instructed by the resolution of the 1958 conference of the Six at Stresa, the Commission submitted its proposals to establish the free movement of agricultural products in a single market over a transitional period of six years. The other important elements of the proposed policy were:

1. a uniform system of protection against imports from third countries;
2. progressive coordination of member-states' prices to achieve a single European price;
3. an assumption of responsibility by the Community for certain financial burdens connected with agriculture.

EEC PRICE MECHANISM

Product	Type of Price	
Cereals Rice Dairy products Oils or fats Sugar	1. Target 2. Threshold 3. Levy	Intervention price calculated 5-10% below target etc. prices applies to all the products except poultry & eggs
Pigmeat Fruit & vegetables Eggs & poultry	1. Basic price (for pigmeat) 2. Sluice gate price 3. Levy based on the difference between the world price of feed grains and the EEC price plus 7% of last year's average S.G. to ensure Community preference 4. Supplementary levy: difference between imports and S.G. price	
Beef & veal	1. Guide price 2. Duty (to maintain G.P. level) of 16% on live cattle and 20% on beef and veal is charged on imports 3. Supplementary levy is to maintain Community preference and is equal to the difference between import prices including customs duty and the guide price	
Fruit & vegetables	1. Basic price 2. Duty and standards of quality 3. Tax on imports (not unlike a levy) or blockong of imports if price too low	
Wine	1. CET and import licences 2. Target 4. Reference 3. Levy	

EEC PRICE MECHANISM

I	Target Basic price Guide	Not a guaranteed price, but a desirable goal for the EEC market, e.g. for cereals target price is established annually for the main deficit area (Duisburg and Ruhr) applies to grain of a specified quality at the wholesale price aimed to be maintained at Duisburg.
II	Intervention (support) price	A sort of guaranteed price at which Governments buy unsaleable surpluses from the producers approx. 5 - 10 per cent below the basic or guide prices.
III	Threshold Reference Sluice Gate price	Prices at the EEC frontiers below which imports from non-EEC countries are barred. For cereals it equals the target price at the port of entry less costs of carrying a ton of wheat from Rotterdam to Duisburg. Threshold price is related to internal target and intervention prices. Reference price is calculated on the basis of weighted averages of prices. Sluice gate is price calculated not in relation to internal EEC prices but to the costs of production of the most efficient producers of eggs, pigmeat and poultry outside the Community.
IV	Variable levy	Applied to imports from non-EEC countries - brings import prices up to the threshold or guide or target price. Varies according to world prices.
V	Export restitution (or export subsidies)	Intervention prices of the CAP are above world price levels; the subsidies make it possible for the EEC producers to compete on world markets. Usually the subsidy is equal to or higher than the levy.

As pointed out by a Commission member,

> The most important objective was undoubtedly that of achieving a <u>single price</u> for a given product over the European market as a whole.
>
> This price policy will be the basic factor in the guidance of agricultural production and the maintenance and expansion of farmers' income.[5]

The pricing mechanism for cereals (wheat and coarse grains) proposed by the Commission involved

1. The indicative (target) price, i.e. the price fixed by the Council before sowing which comes into force when marketing begins and is a ceiling price which it is hoped will be reached, not a guaranteed price.

2. The intervention price, i.e. the farmers' guaranteed price during marketing (slightly below the indicative price) at which governments intervene to buy unsaleable surpluses. Derived intervention prices are fixed for other marketing centres throughout the EEC at such a level that when the cost of transport is paid to the main deficit area the price of grain is above the basic intervention price fixed for Duisburg (the main deficit area).

3. The threshold price, i.e. minimum import prices from non-EEC countries below which imports from non-EEC countries cannot take place. It is slightly lower than the target price. It is calculated so that when the costs of distribution (transport, etc. are met), the price of the imports will be above the target price for that area, so as to encourage Community preference.

4. The variable levy, i.e. a charge at the frontiers of the Community to ensure that the target price is maintained by bringing the import price up to the EEC threshold price.

5. Export refunds, i.e. a sum consisting of the difference between the domestic and the world price to enable a member-country to compete on the world markets.

Target price, intervention price and the import levy were to apply also to dairy products and to sugar. For beef, veal and cattle there would be coordination of national markets. No official target prices would be set, but imports from third countries could be subject to tariff and when required levies would be charged to raise the EEC price to a certain minimum. As seen from the adjoining charts the system was gradually adopted with some changes by the Community.

(ii) How far-sighted were the Commission's proposals?

The CAP was to institute common markets, common support systems and common price levels. But Brussels was more sensitive than were the leading member-states to the pitfalls in measures it recommended. As one Commissioner observed, the

> ...price policy will guarantee farmers an adequate income...(but) it must not be allowed to lead to overproduction in Europe. It must therefore be accompanied by some control of production within the Community, and this may involve a certain amount of specialization.

The early proposals of the Commission emphasised therefore the need to link prices and market policies with the rationalisation of agriculture.[6] But because the Rome Treaty is less specific about the question of reforming structures than about prices and markets the Commission's authority to initiate legislation in the field of agricultural reform is also less explicit, and was questioned by member-states hostile to common handling of this aspect of farm policy.

In contrast to the majority of Council members the Commission paid attention to protecting the consumer; it warned against pitching the target prices too high and against excessive protectionism in dealing with imports from third countries.

Nevertheless, it was to be disappointed in its expectations of "...the ultimate advantages which might accrue from an expanding market in the form of stability and higher standards of living in all countries". It had forecast that agricultural earnings would rise to industrial levels. Above all, the policy of markets and prices was to fulfil a fundamental aim of the Treaty -- to advance community integration.[7] Despite the overall increase in intra-EEC trade, few of these expectations materialised.

When the Treaty of Rome and subsequent proposals of the Commission for the establishment of the Common Agricultural Policy were drafted most Community members were still net importers of food. Given that the Commission (between 1955 and 1971) expected the EEC's _per capita_ consumption of foodstuffs to rise by 50 per cent[8] it was not altogether irresponsible to advocate an increase in productivity, to see in a unified market a means of absorbing surplus production and to expect that only a little protection would be needed against agricultural imports from third countries. On these matters the pressure of French farm interests appear to have influenced the thinking of the Commission. Germany, on the other hand, must be held responsible for the Community's subsequent high prices which impeded the operation of a single market system envisaged by the Rome Treaty.[9]

When in the later 1960s the Commission tackled the difficult task of adapting the CAP to new circumstances the six governments would not risk electorally unpopular measures nor forego national advantage. Brussels was prepared to become a party to such short-sighted compromises of the member-states and to acquiesce in the continuation of a policy which it knew was economic nonsense because it was itself politically motivated. Proposals emanating from the Commission (especially before 1965) were often aimed not merely at improving Community agriculture and promoting cooperation between the member-states, but also at strengthening its own supranational powers.

The agricultural and the supranationalist aims of the Commission did not, as the neo-Functional theorists of integration had postulated, and the Community system implied, always complement and further each other. In pursuing either, there was the risk of disturbing the harmony amongst member-states. The 1965 Community crisis showed dramatically how these two approaches might clash and become self-defeating.

The CAP was to provide an opportunity for the Commission to act in its dual role -- as "watchdog of the Treaty" supervising the correct application of its provisions, and as the initiator who would frame proposals or outline the course along which the member-states were to proceed.[10] But the Treaty did not and probably could not offer guidance on what to do when these aims proved irreconcilable. As a result the Commission's powers were gradually whittled away, not least in the course of the agricultural policy's evolution.

This state of affairs did not become immediately apparent. Given the difficulty of concerting divergent national interests and the magnitude of the agricultural problem Brussels achieved a remarkable success in persuading the member-governments to accept, after initial difficulties and delays, its price and market policies. But the Council ignored the Commission's warnings against protectionism and high price levels in agriculture, and indeed the Commission's own proposals failed to reflect consistently its initial concern for liberal trade and cheap food.

Could one argue that supranationality would nevertheless be achieved? To administer the common agricultural policy even in its defective form seemed a sure way to expand the Commission's competence. Deciding and maintaining a common price level over the whole market, supervising the Community support system, required centralised Community machinery. With all its weaknesses, the Commission <u>was</u> the only European legislative body capable of adopting a "European" point of view on the agricultural problem.

II. THE CAP

(a) The main CAP decisions

Supranationality did not automatically follow from the establishment of agricultural policy. It is clear that even before the 1965 crisis the Council curtailed the Commission's legislative powers, at times delaying, at others throwing out of balance a carefully weighted group of proposals. Thus, despite the active interest of the Dutch government (which because of Holland's strong competitive position was concerned to liberalise trade in farm products rather than to set up a common agricultural policy), the Commission's 1960 initiative had had to await a response from France for whom the peasant unrest of 1960-2 made vital the achievement of a common agricultural policy. Between 14 January 1962 and 24 July 1966 France forced through the Council the main outlines of the CAP. By 1968 the Community had achieved a single market for most of its products (tobacco and wine were added two years later).

In January 1962 the Council approved most of the Commission's 1960 proposals establishing a levy system and a basic common market organisation for grains, pork, poultry and eggs; it took preliminary steps for the establishment of a common market in fruit, vegetables and wine, agreed on a regulation setting up a time-table for the common market in dairy products, beef, veal and sugar, and established the foundations of a Community financing system. For this purpose the European Guidance and Guarantee Fund was to take over progressively the income from levies and from the members' budgetary contributions (though the Six were in disagreement over the scale of these contributions) and share it out among the member-states with surplus production. As yet there was no agreement on prices. The Six did ultimately vest in Community organs control over markets and prices, but had for long opposed the principle of a common structural policy. One result was that the proposed European Fund for agricultural improvement was downgraded to the "Guidance" section of the "Guarantee" Fund, and spending on "Guidance", (between 1966-71 limited to

$285 million per annum) never reached the agreed one third of the total Fund expenditure.

Between 1962 and 1966 a common market organisation was set up for other products: in December 1963 for dairy produce, beef, rice and fats; in July 1966 for sugar, oil seeds, fruit and vegetables. Though this took many years to accomplish the Six were even slower in extending the principle of common organisation of markets to common prices. Under French pressure the Council fixed in December 1964 a common cereals price which came into operation in July 1967. The common prices for dairy products, veal, olive oil, oil seeds and sugar were established at another marathon session in July 1966 following France's boycott of the Community. The common market for most agricultural products came into operation in July 1968, and in February 1970 for tobacco and wine.

From 1971 the European Guidance and Guarantee Fund will be financed from levies and an increasing proportion of customs duties, which together with a proportion of the Value Added Tax will replace after 1975 all national contribution to the Fund.

(b) How successful was the CAP?

Has the Community done better than its component national states with agricultural problems? Did the CAP promote cohesion of the Six? To supporters of supranationality the justification for seeking the surrender of national sovereignty is the Community's supposed capacity to take care of vital functions which nation states allegedly can no longer perform. Yet the CAP has not fulfilled some key Treaty requirements and in some respects has added to the EEC's agricultural problems. According to the Rome Treaty the CAP's object was

> to increase agricultural productivity...to ensure ...a fair standard of living for the agricultural community...to stabilise markets; to guarantee regular supplies; and to ensure the delivery of supplies to the consumers at reasonable prices.

The first of these aims succeeded only too well, the second failed dismally, the third might have been better realised by changing the current system based on high market prices.[12] The new policy merely summed up the shortcomings of the members' national support systems,[13] but to these shortcomings the CAP added new ones.

(c) Why did the CAP fail?

In 1968 the Commissioner responsible for agriculture, Sicco Mansholt, publicly declared the policy to be no longer viable. The Council bore a large share of responsibility. It debated the means of finding political compromises for the conflicting interests of the Six rather than of satisfying the Community's economic needs. Its agreements on agriculture were often conditional upon the satisfaction of immediate national preoccupations. On such occasions, member-states tended to put foreign policy requirements before domestic ones such as those of agriculture.

(i) National attitudes and interests in agriculture

Agreements had to reconcile conflicting claims of the Six, e.g. Franco-Dutch competition for agricultural outlets, Franco-German political rivalry and divergent economic interests. In the outcome the policy accommodated France and Germany on the basis of a *quid pro quo* but at some expense to the free-trading Netherlands. In exchange for opening markets to the West German industrialist it gave the French producer of dairy products a better chance to compete with the more efficient Dutch. It secured for the French wheat exporter outlets in West Germany, but above all it subsidised his sales to the rest of the world, and hopefully was to furnish French governments with financial resources to appease the mounting dissatisfaction of the peasants. (French wine producers, on the other hand, suffered as a result of the common policy.) In general, it protected the Community farm population from competing, low priced agricultural imports.

Holland, because of her efficient agriculture, and the large external trade was the first of the Six to press for total liberalisation of commercial policy towards third countries. France having approached membership of the Common Market without the experience of large scale international trade, demanded a free market only for her exports (cereals, sugar and wine) but was otherwise in favour of protection from the imports of her EEC partners and from the outside world.

Belgium and Luxembourg were less than enthusiastic about the CAP; West Germany, which faced a reduction of food prices, resisted it outright. In the confrontation with France the powerful German farmers' organisations had the support of industrialists who had tied exports to food imports from third countries, as well as of all the political parties except the SPD. Besides, the CAP was likely to be expensive to the Federal Republic, the Community's largest importer of food. It was clear that under the levy system West Germany would have to become the main contributor to the EEC's agricultural budget.

(ii) Foreign policy and agricultural decisions

Because the Common Agricultural Policy was important to France she was able to employ it as a diplomatic lever against the Five, and they against her. In the three Community crises (of 14 January 1963 when de Gaulle vetoed British entry into the Common Market, of 21 October 1964 when Peyrefitte threatened that France would withdraw from the EEC unles the CAP was established, and of 1 July 1965 when confrontation between the Commission and France resulted in a French boycott of the Community), all of which were more or less concerned with agriculture though least so in 1963, solutions to agricultural problems were complicated by disputes about questions of high politics. Similarly politics contributed at times to a more rapid conclusion of agreements concerning agriculture. For example, in January 1962 the Federal Republic permitted the establishment of the CAP for a mixture of political and economic reasons: on the one hand, she yielded to economic pressure from her partners, France and the Netherlands, who refused to speed up the industrial tariff disarmament[14] unless Germany ceased to obstruct the Common Agricultural Policy. On the other, Adenauer's concession on agriculture was a political gesture in return for de Gaulle's support, soon after the closing of the Berlin Wall. At that time, the USA and Britain appeared ready to compromise with the Russians.

Despite pressure from the farming community, Adenauer perceived compelling reasons for eliminating Franco-German disagreements about agriculture. Even though the Federal peasant lobby was very influential, foreign policy took precedence over internal issues likely to stand in the way of discussions on the political union of the Six and Franco-German understanding.

In December 1964, France and West Germany settled the important question of cereal prices. As 1965 was an election year, the Erhard Government had throughout 1964 resisted the Commission's proposal, which had called for the freezing of agricultural support for three years and for a common cereal price to be fixed in one step at 11 per cent below the West German level.[15] The Commission had seen in the revival of the agricultural policy a means of rescuing the Community from the doldrums following de Gaulle's veto of the British application in January 1963. Nevertheless, it was not the Commission's moral suasion but the pressure from West German industrial circles not to obstruct the Kennedy Round, and the realities of foreign policy that caused Erhard in December 1964 to change his mind. France threatened to leave the Common Market if cereal prices were not determined before the end of the year; the US hinted that unless the Federal Republic came to terms with France, America might reduce its commitment to European security.[16]

Though the Erhard-Schröder Government did not willingly cultivate Franco-German collaboration under the Treaty concluded in 1963 by its predecessor it could not afford to press disagreements with France to a point of a clear break which would jeopardise the future of the EEC at the time when discussions for a political union were being resumed. The European ideal still attracted large sections of the West German electorate. On the other hand, the pro-Atlanticist Erhard administration was sensitive to American opinion. The US leaders who wanted to protect American wheat exports to the EEC disapproved of German proposals for high cereal prices and blamed Bonn's intransigence for holding up the Kennedy Round. Erhard was all the more ready to listen to Washington's advice as the revival of the proposal for the establishment of the Multilateral Nuclear Force within Nato had raised West Germany's hopes for more scope in the nuclear defence of Europe.

The issues of granting supranational powers to the Commission and Bonn-Washington collaboration on the MLF question precipitated the July 1965 agricultural crisis. After a six-month boycott of the Community France won Germany's agreement of July 1966 to extend the financial regulation until the end of the transition period, but not before Bonn had become aware of the Paris-Moscow rapprochement while the USA quietly abandoned the MLF project.

(iii) National interest and the European cause

> I have never on any single occasion known our English, German or Italian neighbours to give up the least of their own interests for the sake of Europe!

So Michel Debré, the French Defence Minister, once said.[17] Franco-German agreements showed little regard for the European cause or for a rational development in agriculture. The other Common Market members could not effectively challenge this quasi-condominium of the two countries without which the EEC could not have maintained itself. The smaller partners obtained marginal benefits whenever able to threaten blockage of a special interest of the bigger ones but had little say in settling the form of the policy. The CAP therefore offered an inducement to the weaker members to exploit disagreements between Germany and France, a tactic scarcely apt to promote cohesion among the Six, but one familiar in the history of inter-governmental organisations. The interests of small countries were defended only when they were part of the interest of others. Thus the Dutch were net recipients of support payments because the scheme also satisfied French interests. But they could not maintain the low price structure and liberal trading practices with third countries because the stronger partners, notably France, saw disadvantage in such policies.

Over half of Italy's principal products were outside the scope of the support system until 1970 when she forced their inclusion by delaying approval of the financial regulation for the definitive stage of the common market. Similarly, in March 1971, the Italian delegation obstructed agricultural price increases, until the Council agreed to make a concession in Italy's favour towards structural reform.

III. THE CAP -- A COMMUNAL SOLUTION TO MEMBERS' PROBLEMS?

(a) Who benefits from the system established between 1962 and 1966?

The distribution of subsidies among the member-states has nothing to do with promoting efficient agriculture or with social justice. Countries in need of funds to carry out modernisation programmes receive a smaller share than those producing agricultural surpluses. Under the present system Italy, with 21 per cent of her labour force still in agriculture, and the lowest income per head receives, even after her 1970-71 gains, less than France and Holland who have much smaller agricultural labour forces and a much higher (agricultural) real income per head.[18]

As one would expect in a power-political system, CAP benefits have been distributed in accordance with the political leverage or competitive advantage at the disposal of the individual member-states vis à vis their partners. Predictably the agricultural common market has offered outlets to France and the Netherlands, although the Dutch as exporters of milk and meat suffered from the policy of dear grain prices and would have preferred a more liberal trading policy with third countries. Italy also required cheap feed grains for foodstuff production. The Community price level is regarded as a sacrifice by the German farmers. The CAP had not, as expected, made the rather backward French and the decidedly backward Italian agricultures more efficient. High costs, poor marketing facilities and increases in domestic output by the other member-states have interfered with French exports to the EEC. Nevertheless, it is still correct to describe France and Holland as net beneficiaries of the CAP's support system. But what of the Community as a whole?

By comparison with national authorities the EEC's performance is not remarkably inferior. But the Community's record in agriculture must be judged also against its initial claims to special competence in promoting welfare. It is now evident that the Common Agricultural Policy, though expensive to the treasuries and the consumer, has not improved the farmers' income. The support for inefficient farms, slowing down the natural drift to the cities, has delayed a rational solution to the agricultural problem; has failed to boost the small peasant's living standards or to assist him in urban adjustment.

The EEC vote of December 1964 for a high cereal price was predictably one for generally high cost food (as feed grain is an important component in the price of most animal products). Consequently until 1970 the Community suffered from oversupplies of dairy products, wheat, rye, and sugar.[19] Though diminished in 1970 these surpluses, encouraged by high price levels, may well reappear again. The resources thus spent on support could have been more productively utilised elsewhere.[20]

Having recommended the cereals price level the Commission shares responsibility for these defects. The wheat price of DM 425 per metric ton which it ptoposed for 1964-5 was nearly a third higher than the British price. Why were the Brussels technocrats sponsoring high prices in violation of their own early precepts? In 1964 they had claimed the grain proposal would not lead to protectionism or overproduction in the Community.[21] The Commission had mistakenly supposed that surpluses would be avoided provided high prices were established for beef and dairy products to discourage a shift to wheat production. But in 1966 they entertained no such illusions: the Council adopted in July a high milk and sugar price much against the advice of the Commission.[22]

The history of negotiations 1962-64 suggests that in the matter of price levels Brussels was merely acceding to political reality. Clearly there was little chance of persuading Germany to accept any further price reductions, and the Commission had not the power to coerce member-states.

When avoiding a direct challenge to the Council the Commission acted in the spirit of the Treaty. After the experience with the Coal and Steel Community the EEC founders realistically linked the Commission's powers of independent initiative. They appeared to imply, however, that Brussels could carry out its mandate provided all Council members would exert the political will to create a united Europe. Yet because the Council makes collective decisions, each determined by a variety of often unrelated factors, the Commission's expert advice on supranational designs may be disregarded, irrespective of whether or not the individual member-governments wish to integrate. The majority voting rule on the Council would mitigate this effect, but none of the Six at the 1969 Hague summit, assembled to restore the momentum of the Community after de Gaulle's resignation, attempted to revive the procedure. Had the Six been determined to integrate they would find it more difficult to begin by coordinating their policies at the economic level than by directly proceeding to the setting up of political institutions.

Before 1965 every agricultural agreement was hailed as a bureaucratic victory -- witness a comment on the December 1963 decision:

> The Commission...has gained greatly in power, status and self-confidence.... No member-country was the victor in these negotiations, though France appears to have made fewest concessions...and Germany perhaps the most. The only clear winner was the Commission.[23]

Was supranationality to be achieved regardless of a rational agricultural policy? In the end the Commission had to challenge the entrenched national interests with an attempt to reinforce its own authority (viz., the 1965 crisis).[24] But then it had already abandoned the Community method, supposedly distinct from orthodox political approaches to the settlement of international disputes.

IV THE CAP AS AN INTEGRATING FACTOR

By 1969 the Community experience upset the belief that the logic of the CAP would compel the Six to proceed with integration in order to correct disturbances in other economic areas. Instead, balance of payments crises and speculative capital movements caused changes in parities which have twice in the last three years disrupted the CAP.

As the price of agricultural products is expressed in terms of the EEC unit of account, which is equivalent to the US dollar, devaluation of the franc in August 1969 and revaluation of the mark in October made France's exports cheaper and her domestic food prices dearer. The reverse of course happened in Germany. The Community isolated the French and the German agricultural markets for two years until their food prices adjusted to the common level. Thus, instead of the expected "spill-over" from agriculture to other economic sectors, national monetary policies determined the level of integration in agriculture.

France's eagerness to stabilise the CAP and to challenge the dollar did not match her determination to prevent the setting up of a supranational authority which a full monetary union would entail. A modest agreement of February 1971 which focused on restricting parity fluctuations was never implemented. In May 1971 massive dollar inflows forced the Germans and the Dutch to float their currencies. Once again, the CAP was virtually suspended.

If the economic weaknesses discussed above and the "negative spill-over" from the monetary sector are a long-term threat to the CAP, the rapidly increasing cost of the policy is an immediate one, which had led the Ministers of Finance and some governments to attack the method of financing surpluses. By 1971 the Community budget (95 per cent of which is concerned with agriculture) totalled $2,764 million.

The Commission believed agricultural problems could only be tackled by structural measures at the Community level. In December 1968, Sicco Mansholt, the Commission's Vice-President responsible for agriculture, documented the main weaknesses of the CAP with a warning that if unreformed the policy would fail.

The memorandum had three parts:

1. short-term measures which proposed a reduction of prices for 1969-70;
2. medium-term measures to restore the balance between production and consumption for milk, sugar, fruit, vegetables and fats;
3. long-term measures: the programme "Agriculture 1980" proposing sweeping agricultural reforms.

Mansholt's proposals contain the main principles for reforming the Community's agriculture, and improving farm incomes, but his plan leaves important areas in doubt. The Commission proposed to consolidate and enlarge the units of production; to facilitate the overflow of manpower from agriculture (halving within ten years the Community's agricultural population to 6 per cent of the workforce); to retrain and compensate farmers leaving the land; to assist financially those modernising their holdings and to reduce the total cultivated area at a cost of about $2,500 million per year up to 1980.[26] (The memorandum did not itself attempt a detailed estimate of cost.)

By attacking the question of structures Mansholt's long-range aim was to transform current policy; such changes would follow automatically the implementation of structural reform without having directly to provoke the farmers either by revising the criteria for financial support or by a drastic lowering of prices.

Because Mansholt left the basic mechanism of the CAP intact the plan has been criticised by some economists. Additional measures would have to be introduced to raise agricultural incomes, to prevent oversupplies, and to eliminate the need for financial subsidies. Despite provisions for reducing the cultivated area improved agricultural efficiency must lead to increased productivity requiring expenditure on support to maintain price levels. (The lasting effect of the medium term measures to diminish surpluses has been questioned.)*[27]

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* e.g. to reduce butter surpluses; publicity and lowering of prices to promote consumption; killing off 250,000 milk cows per year in 1969 and 1970 and a shift towards beef production;

to reduce sugar surpluses: drop in beef price by 6 per cent and a reduction by 5 per cent of base quotas;

to reduce fruit and vegetable surpluses: limiting quantities at the level of production or distribution;

to reduce fat surpluses: drop in price of oil seeds, a tax on vegetable and sea fats and a new attempt at a world agreement.

Despite financial inducements the farmer may choose to remain on the land unless price levels are low enough to discourage uneconomic enterprises. Mansholt himself, subsequently, realised the need for supplementing his plan with a system of direct grants to provide the poorer farmers with a reasonable living standard.[28]

Political motives rather than economic calculations have prompted the hostility with which the Community responded to Mansholt's ideas.

(a) Reactions of interest groups

Partly because modern theory has singled out interest groups as agents of integration and partly because this had seemed to be confirmed by the Community's early experience, the Commission set up machinery to consult with the peasant unions and to involve them in the decision-making process. Farmers (at least those outside the Federal Republic), initially had been enthusiastic supporters of the Common Market, e.g. the French peasant leaders put pressure on the National Assembly in 1957 to ratify the Treaty of Rome expecting the Five to provide outlets for French products.

However, the Communal and national organisations alike attacked any proposals (such as the Mansholt memorandum, the French Government's "Rapport Vedel", and the more recent West German Ertl Plan) likely to lower prices and transfer people into urban occupations. Mansholt castigated peasant leaders who aroused their following for purely political reasons against the Commission's innovating proposals. The slogans displayed in Brussels during the farmers' demonstration of March 1971 e.g., "Hitler wanted to exterminate the Jews, and Mansholt the farmers"[29] seem to bear out his contention. The Community's recent experience contradicts entirely the Functionalist supposition about the allegedly a-political and cooperative character of interest groups.

(b) Reactions of Governments

Opinion in West Germany has been least favourable towards the Mansholt Plan. People were already leaving the land in large numbers without formal intervention by the Commission. Most of the vast sums Bonn was to pay for structural reform would be spent beyond the German frontier, mainly in France and Italy. As 1969 was an election year it was politically expedient not to antagonise the farm lobby; cheaper to dispose of surpluses by placing a quota on production; and easier to find industrial employment for farmers leaving the land, or even to pursue a national programme of reconstruction, than to embark on the communal venture.

On the French view the Commission could only offer recommendations about coordinating national programmes, and had no mandate for proposing a common structural policy. Indeed, until March 1971 the Council had failed to agree in principle to a joint policy. The use of the FEOGA "Guidance" funds remained in the hands of the several governments who seldom consulted with each other before granting their approval to the financing of particular national projects.[30]

The high cost of the proposed programme was bound to frighten the treasuries (though the Commission retorted with some figures to show that in the long run reform would cost less than price support*) whereas the prospect of lowered agricultural prices and in particular

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* According to the Commission, the new measures would cost an average $2,500 million per year over the ten year period. They estimated 1969 Community spending on market support at $2,300 million and the member-states spending on agricultural improvement at $2,200 million. Mansholt proposals would ultimately reduce this total of $4,500 million to below $2000 so that by 1980 no more than $750 million would be diverted to market support. European Community, Feb. 1969, p.25

proposals to take manpower off the land were electoral dynamite with the farm groups. Member-governments have found it embarrassing therefore to embark either individually or collectively upon an active policy of agricultural reform and were tempted to rely on drift to the cities to solve the farm question.

It was indicative of the setback that the Commission's authority and prestige had suffered since 1965 that it delayed formal proposals for a year to give the interested parties time to consider their views.* The Memorandum was submitted for discussion to the Council, the European Assembly, the Economic and Social Committee and the agricultural organisations, and subsequently amended in deference to supporters of the family holding.

By contrast, France and Italy have been conscious of the need to reform agriculture. But there was a risk that such reforms might spark off violence especially in the French countryside. The Pompidou Government retreated from the recommendations of the Vedel Commission although the then Minister for Agriculture, M. Duhamel, had at first favoured them. There was even less incentive to go along with the Mansholt Plan which implied a revision of the subsidy system needed to finance France's unsaleable supplies. According to Paris it was not an overhaul of the CAP system as such that was needed but (a) a wider application of the Community preference, (b) world-wide agricultural agreements for which the EEC had pressed in the Kennedy Round, and (c) West German approval of a lower EEC price level. Always sensitive to proposals for expanding supranationality, Paris was wary of passing

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* In November 1969 the Commission proposed price cuts to eliminate surpluses of butter, wheat and rye and to lower production quotas for sugar linking these proposals with initial steps to implement the Mansholt Plan. The 'Mini-Plan' so called was submitted formally to the Council at the end of April 1970 (European Community, Dec. 1969, p.19, and June 1970, p.6)

the responsibility for structural reform to the Commission.[31] Italy, though she favoured regional development and structural reform, had to await the opportunity furnished in March 1971 by her partners' desire to raise farm prices, before her government could force upon the reluctant Council the principle of joint responsibility for common projects of structural reform.

This decision Mansholt welcomed as the beginning of a general EEC policy for the reform of agriculture in accord with his Plan. Whether in practice the Six will surrender sovereignty in the area required for making structural improvement remains an open question. The Community has evidently moved in the direction of a regional policy but without immediately increasing the financial resources of the "Guidance" section or extending the Commission's competence to the management of the agreed joint projects.

Over the next four years the Fund is to contribute 65 per cent to pension off farmers between 55 and 65 years old (in the backward regions) and elsewhere up to 25 per cent for projects such as aid to modernise farms. Italy, which has most of the deprived areas, would benefit most provided she were to start a state scheme to supplement the Community's share of the $600 annual pension.[32] Community administration of structural reform is likely to be more effective than individually conducted national undertakings; Italy, for example, has so far spent only 3.2 per cent of the EEC assistance granted for her approved projects. The other states' efforts have been only a little more encouraging.[33]

The concurrent Council decision taken in response to peasant pressure for bringing prices up to meet the cost of living must restrict the funds available for agricultural reform. The meeting of March 1971 which authorised an average rise of 4 per cent for cereals and most animal products, took place while 80,000 farmers were rioting in Brussels against the Community's refusal during the past three years to raise agricultural incomes.

It is unlikely that the 1970 decline in surplus stocks will persist. An increase in prices (though falling short of the amounts the farmers demanded) must in the short run mean further restrictions on imports to the EEC because of higher rate levies, dearer food, more money for financial support and less for structural reform. In the longer perspective of the next ten to fifteen years the Community's agricultural problems may well become less acute. So far, their resolution has little to do with integration or with the Common Agricultural Policy.

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This paper does not seek to discover either a supranational or a national solution to Europe's agricultural problems. Its main concern is with the future of European economic and political integration in the light of the CAP experience.

Without the Common Agricultural Policy and the attempts at monetary cooperation, the Common Market is just a customs union with protective arrangements to guarantee markets for the Community's farm production. Yet a common agricultural policy is in itself a unique achievement. Earlier attempts at integration e.g., the Benelux union, had not tackled that difficult problem. Given that the CAP has failed to maintain peasant incomes and that its very stability is threatened by the excessive support costs, are the Six likely to integrate any further? What sort of changes might follow the Community's possible enlargement? Has the neo-Functionalist theory of integration, which has dominated the Commission's thinking, been borne out by the CAP experience? And if not, into what sort of a society are the EEC member-states likely to evolve?

The Rome Treaty anticipates integration proceeding along two levels: first by expanding the authority of the central institutions and secondly by the merging of national economies. But the Six have at no time transferred their sovereignty to EEC institutions.

From the Mansholt plan of 1963 to that of 1968 the Commission's influence and self-confidence have declined. Adverse reaction forced Mansholt into modifying his 1968 plan so as to defer to the farmers' wishes.[34] The Commission submitted a draft directive in April 1970 to the Council based on this modified Mansholt Plan.

Can we say that EEC institutions and procedures made integration feasible? It is likely that without consistent pressure from the Commission the Common Market would not have its present air of permanence. There is an operating customs union, a record of failure in economic integration, and a growing tradition of consultation among the member governments. Having admitted that the CAP needed revision, Brussels would not acknowledge its share of responsibility for that need which after all had originated in its authorship of the major CAP proposals. On the other hand, the Treaty does not authorise the Commission to adopt an uncompromising attitude towards the member-governments. The wisdom of this approach was amply demonstrated by the Commission's failure in its confrontation with France during the 1965 agricultural crisis. This lack of powers, however, was bound to place the Commission in a dilemma with respect of its other duties under the Treaty.

The Council was even less competent to assist in reorganising agriculture (although unlike the Commission it could enforce its decisions) because the member-states would rarely adopt a Community-wide approach and lacked long-range vision. Jean Rey, when President of the Commission, complained that the Ministers too often acted as if a Council session were an international conference and not an EEC institution.[35] The Council arrived at agricultural decisions not by the Community method but by trading off a limited stock of interests; as this became exhausted new agreements were progressively harder to negotiate.

Is this too static a view of the stock of interests? Against the Functionalists' contention that conflicts can always be resolved by a conscious attempt to create new, shared interests, is the fact that the CAP has often inhibited change. Although the Commission unlike the Council has made the need for a change a matter of policy in some areas of the CAP e.g., it has pressed for structural reform and for reducing prices of butter and other products in order to control surplus products tion, the EEC institutions have tended to create their own vested interest in the status quo. Though as Mansholt has pointed out there must be a change or the CAP must collapse, a change may indeed mean a collapse of the CAP. Because the member-states and the Commission have collectively framed the policy but each according to its own view of what the policy ought to be like, each is distinctly committed to a particular element. As each member insists on some aspect of the CAP, e.g. West Germany on high prices; France on support system, etc., there is a distinct danger, should any one of these provisions be abolished, that the afflicted party may withdraw its support for the policy as a whole. This situation must continue while the states remain sovereign and now bound by majority decisions. The Community method -- a neo-Functionalist phantasy -- failed to erode national sovereignty. Under such circumstances the institutions simply codify the disagreements and lend permanence to the CAP structure. This means that the factors needed to substitute constructive policies for the current EEC emphasis on protection and price mechanism cannot be supplied by the Community institutions and have to come from elsewhere.

What are the prospects of further integration? Internal economic developments in the EEC area e.g., the monetary disturbances of 1969 have shown that integration is reversible; the CAP itself carries strains that may lead to its collapse (though France and probably Holland would insist that the Common Market must provide an agricultural policy). Nevertheless, despite its current difficulties the CAP may survive, and even in its present form. Although not all the Six share the interest in an agricultural common market as such, they all have an interest in maintaining the customs union and in a certain degree of EEC cohesion vis-à-vis the outside world. This cohesion, however, is not supplied, as the European theorists anticipated, by the expansionist logic inherent in economic integration, but rather by collective response of the members of pressures from other states, and the growing habit of mutual consultation.

The one common advantage of the CAP has consisted therefore in enabling the Six to act together (as in the Kennedy Round) and to present third countries with the possibility of further integration.

The spectre of a potentially united Europe has helped make the Soviet Union more amenable to negotiating the friendship treaty with the Federal Republic and to allowing other Warsaw Pact members to do the same. Membership of the EEC strengthened Bonn's confidence in dealing with the superpowers. Thus economic coordination (or the appearance thereof) was politically useful to the Six; but their cohesion in dealing with other countries should not be exaggerated, for the Six have not as yet made much headway in harmonizing foreign and defence policies. In the immediate future the world trade policy outlook may be the force which the Community could not supply for itself, consolidating the EEC into an economic bloc. Recently, the Secretary General of UNCTAD voiced a general concern when he warned against the wave of protectionism "which risks reducing to nil the progressive efforts at liberating trade which were being seen to form with such optimism scarcely two years ago".[36]

The autarchic character of the CAP and other EEC devices such as its non-tariff barriers contribute to this development though of course the Community is not alone at fault. The US is worried by the prospect of the EEC's protective measures extending to the applicant countries and has complained about the pattern of the 22 preferential agreements the Community has already bilaterally negotiated or is in the process of negotiating, all of which "have been discriminatory" and thus contribute to endowing the EEC with the character of a powerful trading bloc.

That the US might reverse its liberal trading policies of the post-war years has been foreshadowed by Washington's support for mandatory quotas on US imports of textiles.[37]

So far, the CAP has not been affected by the British application which however is a possible source of change. Even the Commission (contrary to the neo-Functionalist assumptions about the "spill-over process") seems to have lost faith in the Community's own capacity to supply the necessary dynamic. During his visit to Britain in 1970 Mansholt looked forward to the UK's entry as "a lever to change things"; not to dismantle the CAP but to give the Council enough courage to end stagnation of prices and structural policies.[38]

Pietro Quaroni, a former Italian Ambassador in Paris, Bonn and London, suggested that Britain

> ...obtain a fairly long transitional period, accept everything as it is, and once inside work with the others -- practically all except France and to a certain extent, the Netherlands -- to modify the whole agricultural policy.[39]

As a member of the Council with full voting rights Britain may hope to diversify the use of the Community budget. Hints that the UK would accept the farm policy only to upset it from inside the Common Market may induce France to exclude Britain rather than to alter the foundations of the CAP. On the other hand, unless the Community cuts the UK's costs of maintaining the policy and extends her transitional period for agriculture the pressure of British public opinion may prevent the Heath Government from mustering enough parliamentary support to effect an entry. Thus although the CAP is the major obstacle to the enlargement, enlargement may well offer the best chance for changing the CAP!*

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* Unlike Britain, Denmark and Ireland would benefit from the CAP, and they want a short transition period for agriculture. Norway wants higher farm prices than even those obtaining in the EEC.

Has the neo-Functionalist theory of integration been borne out by the CAP experience? As a result of power-political conflict which the Community procedures have failed to eradicate[40] and because the institutions did not handle the farm problems any more competently than had the national authorities supranationality has been weakened. A breakdown of the Community-operated agricultural policy would go a long way to disprove established assumptions about European integration. Yet in the early 'Sixties thanks to the supposed successes of the Community experiment in agriculture even those who, like Stanley Hoffman, had doubted that Haas' integration theory applied in the realm of high politics did not dispute that the neo-Functionalist doctrine had proved itself in the realm of "welfare".[41]

Later on Haas himself admitted that the Community's "welfare" experiment had suffered but only because it had been interrupted by de Gaulle's high politics.[42] While it is true that matters of high politics proved decisive in destroying the supranational pretentions of the Brussels bureaucracy (and with them the only remaining excuse for persevering with the CAP: that the Commission would eventually accumulate enough influence to force a rational farm policy upon the EEC), it is doubtful that the CAP supplied the answer to the needs of European agriculture.[43]

"Welfare" measures therefore did not promote integration and integration (if agriculture is to be the example) did not serve to promote "welfare".

The neo-Functionalist theory involves a denial of the important effects that international politics may have on integration. In order to substantiate the claim that EEC members conduct their affairs in a new way the theory proposes that by way of central institutions and procedures, cooperation in political matters would develop from international economic cooperation. Monnet thought that if a government's domestic preoccupations could become subjects for international concern the crises and violence characteristic of interstate relations would eventually disappear and with them the distinction between "welfare" and foreign policy.

Should we therefore regard the new capacity of the Community to influence other states as an instance of the "spill-over" from trade into politics which Monnet and Hallstein had expected? Since the crucial welfare sector -- viz. agriculture, has not prospered under EEC management the Community's influence is clearly not an extension of its internal successes in economic integration or institutional procedures. Foreign policy and welfare are not related as the neo-Functionalists claim them to be.

External pressures such as growing protecionism in world trade may forge closer bonds between the Six just as the challenge of the dollar has prompted their moves towards monetary union. Domestic concerns of member-states (such as Germany's gains from industrial customs union or France's desire to stabilise the franc and to forestall further dislocation of the CAP's financing) are also relevant to the course of EEC affairs, but the emphasis placed here on external factors is needed to restore the balance upset by the Functionalist hypotheses.

While the phenomenon of economic integration between the Six is new in Western Europe, as is the fact that theoretically at least some of their relations are governed by a constitution, the Rome Treaty, in practice the European states conduct their foreign policy in a traditional fashion. Power-political considerations contributed to the conclusion of the 1962-64 agreements which determined the CAP's form and were responsible for the 1965 Community crisis. The questionable assertions that in domestic affairs politics is a declining force and that technocrats are taking over from politicians are inconceivable in relations between states. It is fanciful to introduce an internal structure -- a civil service and an internal political issue such as farm policy -- in order to eliminate international crises, or in the hope of erecting supranational institutions and procedures. On the contrary, because the Commission could raise issues within the terms of the Treaty which the Council had then to consider, an issue such as agriculture was upgraded to the foreign policy level and supplied fresh material for conflicts between the member-states. No trick of social engineering can transfer the orderly mechanism of internal politics into the international ambit and thereby reform and civilize the conduct of international relations. Yet that was what the EEC's founders, at least in theory, set out to accomplish.

EEC political practice may perhaps be traced to German balance of power ideas expounded by Ranke in the context of the European Concert,[44] rather than to the contemporary federalist or the neo-Functionalist doctrines. The EEC economic ideology reminiscent of the Zollverein does not imply that a united Europe must evolve out of the current Community. Despite various innovations e.g., in the field of customs and agriculture, despite the institutional paraphernalia, the EEC may yet turn out to be not much more than a means of enhancing its members' national power and prestige when dealing with each other and with the outside world. One cannot disagree that the "future of economic policy in the EEC demands political and institutional progress as much as it requires extension into a wider area of economic activity (than agriculture)"[45] but on the basis of the CAP experience no such solution is in sight.

Ironically, the direction in which farm policy has developed is itself an important brake on supranationality. By 1975, thanks to the passage of the financial regulation for the Common Market stage, which makes the Community responsible for total CAP expenditure, Community finance may be pre-empted by the CAP. Thus, in fact (if not in principle) EEC resources for the next ten years or so will be rigidly committed in advance to subsidising the CAP. Seen in this light, Mansholt's determination to keep farming prices down during the last three years, in spite of peasant riots, had a wider aim than merely protecting the consumer from a high cost of living. For if farm prices should keep up with the inflationary rate the Community initiative not only with respect to agricultural policy but its initiative in all other fields will remain frozen for some time by the ever growing CAP budget.

FOOTNOTES

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6 Ibid., and Barclays Bank, Booklet No. 1, EEC Farming Politics (London n.d.), pp. 12-13.

7 Deniau, op.cit., pp. 68, 72.

8 Ibid., pp. 119-21.

9 Marsh and Ritson, op.cit., p. 54.

10 Deniau, op.cit., p.153; The Treaty Establishing the European Community, Article 155.

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20 Marsh and Ritson, op.cit., pp. 34, 54.

21 Butterwick, op.cit., p. 72.

22 Marsh and Ritson, op.cit., p. 133.

23 Butterwick, op.cit., p. 71.

24 Heathcote, op.cit., pp. 152-6, 169-70.

25 European Community, February 1971, p. 5.

26 Mémorandum sur la réforme de l'agriculture dans la Communauté, Commission of the European Communities, December 1968.

27 March and Ritson, op.cit., p. 66.

28 The Times (London), 27 March 1971. For the views of the economists see Marsh and Ritson op.cit., and "A Future for European Agriculture", The Atlantic Papers, 1970 (The Atlantic Institute, 1970).

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30 Jean Claude Clavel, Le Dossier Agricole du Marché Commun (Paris 1969), p. 154.

31 "L'Europe Agricole va-t-elle changer de CAP?", Revue du Marché Commun, March 1969, p. 116.

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33 Ibid., 11 February 1971, p. 4.

34 Industriekurier, 18 April 1970, in The German Tribune, 14 May 1970, p.10.

35 European Community, February 1969, p. 6.

36 Agence Europe, 27 August 1970, p. 3.

37 Peter Drysdale, "Japanese Agriculture and the Trade Policy Outlook", Australia's Neighbours, September 1970, p. 5.

38 Trevor Parfitt, "The EEC: Mansholt in transition", The World Today, August 1970, pp. 345-6.

39 Pietro Quaroni, "European Integration: an Italian View", Survival, Vol. 12, December 1970, p. 405.

40 Heathcote, op.cit., p. 162, pp. 168-71.

41 Stanley Hoffman, "The European Process at Atlantic Cross Purposes", Journal of Common Market Studies, Vol. III, No. 1, pp. 87-8.

42 Ernst B. Haas, The Uniting of Europe and the Uniting of Latin America, Institute of International Studies, Reprint No. 241, (Berkeley, University of California), pp. 325-31.

43 E.g., see Kaldor, op.cit., pp. 466-71. Marsh and Ritson, op.cit., Chs. III and IV.

44 C. Holbraad, The Concert of Europe, (London 1970) pp. 83-9.

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APPENDIX

The Articles 38-47 Concerning Agriculture of the Treaty Establishing The European Economic Community*

ARTICLE 38

1. The Common Market shall extend to agriculture and trade in agricultural products. The term "Agricultural products" shall mean the products of the soil, of stock-breeding and of fisheries and products which have been subjected to first-stage processing and are directly related to the aforementioned products.

2. The rules laid down for the establishment of the Common Market shall apply to agricultural products, except where there are provisions to the contrary in Articles 39 to 46 inclusive.

3. The products subject to the provisions of Articles 39 to 46 inclusive are listed in Annex II of this Treaty. Within a period of two years after this Treaty's comming into force the Council shall, by a qualified majority vote on a proposal of the Commission, decide what products should be added to this list.

4. The operation and development of the Common Market for agricultural products must be accompanied by the establishment of a common agricultural policy among the Member States.

ARTICLE 39

1. The objectives of the common agricultural policy shall be:

   (a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of all factors of production, in particular labour;

* Treaty Establishing the European Economic Community, Rome, 25 March 1957 (London, H.M.'s Stationery Office, 1962), pp. 16-21.

(b) thus to ensure a fair standard of living for the agricultural community, particularly by increasing the individual earnings of persons engaged in agriculture;

(c) to stabilise markets;

(d) to guarantee supplies;

(e) to ensure the delivery of supplies to consumers at reasonable prices.

2. In working out the common agricultural policy and any special methods which this may involve, account shall be taken of:

(a) the distinctive nature of agricultural activity, which results from agriculture's social structure and from structural and natural disparities between the various agricultural regions;

(b) the need to effect the appropriate adjustments gradually;

(c) the fact that, in the Member States, agriculture constitutes a sector closely linked with the economy as a whole.

ARTICLE 40

1. Member States shall gradually develop a common agricultural policy during the transitional period and shall bring it into force not later than at the end of that period.

2. In order to achieve the objectives set out in Article 39 a common organisation for agricultural markets shall be established.

This organisation shall take one of the following forms depending on the product concerned:

(a) common rules as regards competition;

(b) compulsory co-ordination of the various national marketing organisations; or

(c) a European marketing organisation.

3. The common organisation established in accordance with paragraph 2 of this Article may include all measures required to achieve the objectives set out in Article 39, in particular price controls, subsidies for the production and distribution of the various products, arrangements for stock-piling and carry-forward, and common arrangements for the stabilisation of imports and exports.

The common organisation shall confine itself to pursuing the objectives set out in Article 39 and shall exercise no discrimination between producers or consumers within the Community.

Any common price policy shall be based on common criteria and uniform methods of calculation.

4. In order to enable the common organisation referred to in paragraph 2 of this Article to achieve its objectives, one or more agricultural orientation and guarantee funds may be set up.

ARTICLE 41

In order to achieve the objectives set out in Article 39, provision may specifically be made within the framework of the common agricultural policy for:

(a) an effective co-ordination of efforts in the spheres of vocational training, research and the dissemination of technical knowledge; this may include jointly financed projects or institutions.

(b) joint measures to develop the consumption of certain products.

ARTICLE 42

The provisions of the chapter dealing with the rules of competition shall only apply to the production of, and trade in, agricultural products to the extent determined by the Council within the framework of Articles 43(2) and (3) and in accordance with the procedure laid down therein, account being taken of the objectives defined in Article 39.

The Council may, in particular, authorise the grant of aid:

(a) for the protection of undertakings handicapped by structural or natural conditions;

(b) within the framework of economic development programmes.

ARTICLE 43

1. In order to define the broad lines of a common agricultural policy, the Commission shall, immediately this Treaty comes into force, convene a conference of Member States, which shall compare their agricultural policies, in particular by producing a statement of their resources and needs.

2. Within two years of this Treaty's coming into force, the Commission shall submit proposals for working out the common agricultural policy and putting it into effect. These proposals shall take account of the work of the conference provided for in paragraph 1 of this Article and be made after consulting the Economic and Social Committee. The common agricultural policy shall include the substitution for national organisations of one of the forms of common organisation provided for in Article 40(2) and the putting into effect of the measures specified in this Title.

These proposals shall take account of the interrelation of the agricultural questions which have been mentioned in this Title.

The Council, acting on a proposal of the Commission, and after consulting the Assembly, shall adopt regulations or directives, or take decisions, without prejudice to any recommendations the Council may make. The Council shall so act, during the first two stages unanimously and thereafter by qualified majority vote.

3. The Council may, by qualified majority vote, and in accordance with paragraph 2 of this Article, substitute the common organisation provided for in Article

40(2), for national marketing organisations if:

(a) the common organisation offers to Member States which are opposed to this measure and which have a national organisation of their own for the product in question, equivalent guarantees, ensuring the employment and standard of living of the producers concerned and which take the timetable of possible adjustments and necessary specialisations into account; and

(b) such an organisation ensures conditions for trade within the Community similar to those existing in a national market.

4. If a common organisation for certain raw materials is set up before a common organisation exists for the corresponding processed products, such raw materials for processed products as are intended for export to third countries may be imported from outside the Community.

ARTICLE 44

1. In so far as the gradual abolition of customs duties and quantitative restrictions between Member States could result in prices likely to jeopardise the achievement of the objectives set out in Article 39, each Member State shall be entitled, during the transitional period, to apply to particular products, in a non-discriminatory manner and in substitution for quotas, and to such an extent as shall not impede the expansion of the volume of trade provided for in Article 45(2), a system of minimum prices below which imports may be:

--- temporarily suspended or reduced; or

--- imported on condition that their price shall be higher than the minimum price fixed for the product concerned.

In the second event the minimum prices shall not include customs duties.

2. Minimum prices shall not be such as to cause a reduction of the trade existing between Member States when this Treaty comes into force nor such as to obstruct a gradual expansion of this trade. Minimum prices shall not be so applied as to form an obstacle to the development of a natural preference between Member States.

3. As soon as this Treaty comes into force the Council shall, on a proposal of the Commission, determine objective criteria for the establishment of minimum price systems and for the fixing of such prices.

These criteria shall in particular take account of the average national costs of production in the Member State applying the minimum price, of the state of the various undertakings concerned in relation to such average costs and of the need to promote both a progressive improvement of agricultural operations and the adjustments and specialisations needed within the Common Market.

The Commission shall further propose a procedure for revising these criteria, so as to take account of, and accelerate, technical progress and progressively to approximate prices within the Common Market.

These criteria and the procedure for revising them shall be unanimously determined by the Council within three years of this Treaty's coming into force.

4. Until the Council's decision takes effect, Member States may fix minimum prices on condition that they first communicate them to the Commission and to the other Member States so as to enable them to submit their comments.

As soon as the Council has taken its decision, Member States shall fix minimum prices based on the criteria established in accordance with the foregoing provisions.

The Council may, by qualified majority vote on a proposal of the Commission, rectify any decisions taken by Member States which do not conform with the criteria thus defined.

5. In the case of products in respect of which the aforementioned objective criteria have not been settled when the third stage begins, the Council may, by qualified majority vote on a proposal of the Commission, modify the minimum prices applied to these products.

6. When the transitional period ends, a table of minimum prices still in force shall be drawn up. The Council, acting on a proposal of the Commission and by a majority of nine votes, in accordance with the weighting provided for in Article 148(2)(1), shall determine the system to be applied within the framework of the common agricultural policy.

ARTICLE 45

1. Until national organisations have been replaced by one of the forms of common organisation referred to in Article 40(2) trade in products in respect of which particular Member States have:

--- arrangements designed to guarantee to national producers a market for their products, and

--- a requirement to import,

shall be developed by the conclusion of long-term agreements or contracts between exporting and importing Member States.

Such agreements or contracts shall be directed towards the progressive abolition of any discrimination in the application of the said arrangements to the various producers within the Community.

The conclusion of such agreements or contracts shall take place during the first stage; the principle of reciprocity shall be taken into account.

2. As regards quantities, such agreements or contracts shall be based on the average volume of trade between Member States in the products concerned during the three years before this Treaty comes into force; such agreements or contracts shall envisage an increase in the volume of trade within the limits of existing requirements, taking account of traditional patterns of trade.

As regards prices, such agreements or contracts shall enable producers to dispose of the agreed quantities at prices which shall be progressively approximated to those paid to national producers in the purchasing country's domestic market.

This approximation of prices shall be effected as regularly as possible and shall be completed not later than the end of the transitional period.

Prices shall be negotiated between the parties concerned within the framework of directives drawn up by the Commission for the purpose of implementing the preceding two sub-paragraphs.

If the first stage is extended, such agreements or contracts shall continue to be carried out under the conditions applicable at the end of the fourth year after this Treaty comes into force, but the obligations to increase quantities and to approximate prices shall be suspended until the second stage begins.

Member States shall avail themselves of any opportunity open to them under their legislation, particularly in the field of import policy, to ensure the conclusion and carrying out of these agreements or contracts.

3. To the extent that Member States require raw materials for the production of good intended for export outside the Community in competition with the products of third countries, such agreements or contracts shall not preclude the importation from third countries, of raw materials intended for this purpose. Provided that this provision shall not apply if the Council unanimously decides to supply the sums needed to make good the difference between the higher price incurred in respect of goods imported for this purpose on the basis of such agreements or contracts and the delivery prices of the same goods on the world market.

ARTICLE 46

Where in a Member State there is a national marketing organisation for a particular product, or where such product is subject to rules having equivalent effect, and where the competitive position of a similar product in another Member State is affected thereby, Member States shall levy a countervailing duty on the import of the said product from the Member State in which such organisation exists or where there are such rules, unless the latter State levies a countervailing duty on the export of the said product.

The Commission shall set the amount of such duties at the level necessary to redress the balance; it may also authorise recourse to other measures the conditions and details of which it shall determine.

ARTICLE 47

The agricultural section of the Economic and Social Committee shall place itself at the disposal of the Commission in order to prepare the ground, in accordance with Articles 197 and 198, for the Committee's deliberations in respect of the tasks assigned to it under this Title of the Treaty.

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Research Interests

The Department is working in selected fields of Australian politics, comparative politics, and world politics.

Structural studies of the Australian party system and political attitudes are supported by regional and national survey research; the compilation and analysis of comprehensive election statistics; case studies of party and pressure group organization and strategy; and research on Australian political history and thought since 1890.

In comparative politics, the Department's main interests are in the politics and government of the USSR, particularly in their personnel aspects, as well as political and administrative development in New Guinea.

In world politics, the Department's work is complementary to that of the Department of International Relations in the Research School of Pacific Studies. It is concerned with the political theory of the subject: specifically with the structural development and future of the nation-state system; with the peacekeeping and other political roles of international organizations (e.g. UN and EEC) within the system; with strategic theory as that is related to political theory; with the nature of the nation-state and its relationships to international organizations; and with the connection between states' foreign and domestic politics.