

'Subsidies and the EEC Treaty' from the Luxemburger Wort (28 July 1962)

Caption: On 28 July 1962, the Luxembourg daily newspaper Luxemburger Wort analyses the implications of the common agricultural policy and describes the restrictions imposed on agriculture in Luxembourg and the role of European subsidies.

Source: Luxemburger Wort. Für Wahrheit und Recht. 28.07.1962, n° 208/209; 118e année. Luxembourg: Imprimerie Saint-Paul. "Subventionen und EWG-Vertrag", auteur:M. F. , p. 1.

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Subsidies and the EEC Treaty

In a few days time, the Government will be announcing the grain prices effective in Luxembourg for the 1962/63 grain year under the agricultural market regulations, agreed in Brussels, that signify the beginning of the common agriculture policy.

We are not privy to the Government's discussions with the Farmers' Union on the one hand and 'Interprof' on the other and await with keen interest the Government's decisions in this matter.

One question, raised by a number of parties over the past weeks, concerns the agricultural producer subsidies or 'structural' subsidies. They are more commonly known as price subsidies, our agricultural production costs being compensated via sale prices. But we are not talking here about subsidies designed to give our farmers a competitive advantage in foreign markets. Their prime objective is to ensure that indigenous farmers receive an adequate income that covers their costs fairly. Indirectly, and from an internal point of view, they can also be seen as consumer subsidies in so far as they serve to give producers a fair production price without placing the full burden of that price on consumers' shoulders. And the main reason for avoiding this is that, because wages are tied to the price index, incorporating full agricultural production prices in the cost-of-living index would necessarily generate general economic strains.

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Although Article 92 of the Treaty refers to the prohibition of state aid, the provisions concerned do not automatically relate to the common agricultural policy. It was taken for granted from the outset that agriculture could not be subject to the same rules concerning freedom of exchange and competition as other economic sectors, industry in particular. Although the aim is to arrive at a common agricultural policy, the diversity of agricultural structures and national market regulations leaves no other option but to advance in stages towards coordination. Similarly, taking a broader view, the particular status of the agricultural economy in the six countries will inevitably call for special regulations for the common agricultural policy — which will, however, apply to the entire agricultural sector in all six countries.

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Within this common agricultural policy, our agriculture has been accorded special status on the long-established ground that it is climatically and physically disadvantaged in relation to agriculture in the other Community countries. For this reason, our agriculture was already given special treatment in the Belgo-Luxembourg Economic Union and in the Benelux Economic Union which, in practice, went as far as the right to complete border closure for the import of agricultural produce. It should therefore be possible for our Government to apply an agricultural price policy guaranteeing farmers an income commensurate with their production costs.

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An additional protocol to the Treaty of Rome extends the preferential position that Luxembourg's agriculture has enjoyed in the aforementioned economic unions to the Economic Community of the Six. Although there is no direct reference in that clause to structural subsidies, there is provision for border closure. Insofar as Luxembourg is entitled to continue to benefit from its special status during the transition to the Common Market, it would also seem to be indirectly authorised to continue to apply the criteria allowing it to close its border in this way, such as the guaranteeing of production prices. Even after the transition, this clause will not automatically expire if our Government can prove that, despite acting with all due good will and taking appropriate measures, the natural disadvantages besetting our agriculture could not be overcome. This does not mean that our agriculture is relieved forever of the need to conform to the conditions of the common agricultural market that will eventually come into being once and for all. Far from it! That obligation remains. And both State and farming community would be ill-advised not to put the available time to good use. The major law on agriculture, currently under preparation, will be one contribution to this effort.

While it is essential to press on with preparations and measures that will allow our agriculture to improve its competitiveness, there would be little sense in rashly changing the course of agricultural policy. The same goes for the Federal Republic, where there is no intention either of weakening the position of agriculture in the first year of the common agricultural policy. More subsidies, not via prices admittedly, but in other forms, are being paid to agriculture on the other side of the Moselle than ever before.

We, too, must stand by the principle of guaranteed incomes for farmers consistent with those of other groups. Certain obligations arise from this principle, especially during years of meagre harvests, as was the case for this year's cereal crops. A decrease in grain subsidies would further reduce agricultural incomes in our country and that is something the other five cannot reasonably expect us to agree to.

M. F.