

HELLENIC DELEGATION

2nd draft

item 3a of the draft agenda

"Adjustment policies in agriculture"

STATEMENT MADE BY THE MINISTER
OF AGRICULTURE

Mr C. S I M I T I S

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Notes for
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Thank you Mr Chairman

Dear Colleagues, Dear mr Secretary General

On behalf of the new Greek Government I would like to express my appreciations for this well organised Ministerial meeting and I hope that we will have a fruitful discussion on the three major items of our agenda.

The present Socio-economic Conditions call for a careful examination and re-orientation of the targets and the ways implementing agricultural policies.

Agricultural policies are asked to fulfill an increasing number of objectives related either to agricultural sector itself or to the broader Social and economic environment. Obviously there is a need to determine a kind of balance between this various objectives. However in doing so we must bear in mind the historicity of the development process, the existing differences between the levels of development and the peculiarities characterising agricultural sector itself.

Consequently such a balance neither can be timely unique nor unchanged in the course of time.

Today more than 30 years since the world war II, Greek economy and Greek agriculture suffer from serious structural weaknesses. The structural problems of the Greek agricultural sector are manifested in:

- it contributes in the G.D.P. almost 17%
- it engages almost 30% of economically active population.

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- the small size and the high fragmentation of farm holdings.
- low percentage of the irrigated land.
- insufficient infrastructure in the marketing and processing chains of agricultural products.

This situation is the result of the dependent development of the Greek economy and of the policy of abandonment of the agriculture that has been followed.

Greek Government aims at the re-formation and modernization of the sector in order to ensure a self sustained development and flexible adjustments to the future changes without excessive social and economic cost. Our strategy is based not only on the use of macro-economic measures (fiscal and monetary measures) but also on micro-economic policy measures in a long-run base.

However the market mechanism cannot meet the desirable objectives. As you know the distribution of the produce is not independent from the existing distribution of wealth and income. If one accepts that the distribution of wealth and income at least in our times is unequal especially internationally then an uncontrolled functioning of the market certainly will lead to a greater international inequality.

Therefore, we strongly believe that governmental intervention has a much essential role to play than simply to guarantee the well (free) functioning of the market.

The structural changes of the agricultural sector especially for countries like Greece facing already serious structural problems consequence of their low degree of development is much more acute.

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The problem is directly related with the realization of large investments and the use of modern technology. But the dominance of the small size family holdings does not allow the undertaking of such investments without the systematic government intervention targeted on the one hand towards the reduction of risk and favourable terms of financing and on the other hand to promote the establishment of cooperative schemes.

Furthermore the technology offered in the market produce of the most advanced countries, cannot be effectively adapted to the conditions of the lower substitutions among the factors of production which the Neoclassical theory assumes is something we can meet only in books but not in the reality.

The acceptance and the use of Modern Technology causes structural unemployment due to the lack of available funds for investment stemming not only from the low level of income but also from the lack of international resources.

On the income side we have to guarantee the continuous growth of agricultural income and of increasing productivity, the improvement of the existing inequality of incomes and to follow a consistent income support policy.

The first objective is related to investment and I have already referred to some aspects of this important problem. As far as the second and third objectives we promote institutional changes aimed at strengthening cooperative activities, integrated production through the establishment of cooperative agro-food industries and the elimination of middlemen from the market chain.

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We favour a selective policy of income support based on a geographical as well as on size criteria of differentiation.

Further more for the lower developed countries the income support policy cannot rely upon direct measures since the agricultural sector has a significant position in the economy and they suffer from insufficient tax receipts and heavy burden of taxation.

Finally, I would like to underline that it seems to be a disagreement between the need for an international cooperation and coordination that the present times call for and the strategy that rests on the market forces. To restrict on the concept of cooperation only on actions related to the well functioning of the market mechanism is in my view a misinterpretation of the concept of cooperation.

Thank you.

29/11/82

Mr President,
Dear Colleagues,

1. In the context of the present crisis in the international economic environment the Greek Government considers that the decision to reexamine the conditions, the intensity, the direction and the market structure of Agricultural Products Trade, is an important step, if we are really willing to avoid the adventure of a "zero-sum game", where every country would try to gain its "profits" from the "equal losses" of someone else.
2. We strongly believe, however, that considering the whole matter of Agricultural Products Trade solely from the point of view of "trade liberalisation" and of "reducing protectionism" constitutes a partial, one-way, and, consequently, misleading approach of the problem. International Trade of Agricultural Products is such a complex problem that trying to solve it by the old-good recipe of "liberalisation", reminds me the practitioner who tried to cure high fever by deepening sick people into cold water.
3. First of all, there is a basic problem which concerns the credibility of the whole theoretical model of "trade liberalisation" and the theoretical and - why not - the ideological apparatus which is hidden behind it. I am referring not only to the value judgements which are hidden in terms like "social and international welfare". I am also and mainly referring to the conditions under which the model is supposed to operate. These conditions - perfect competition, full employment and free mobility of factors of production - are so unrealistic in our times, that they, by themselves, put the model out of any practical use.
4. In addition to this, economic theory and everyday practice teach us that market prices of agricultural products, especially international market prices, are not independent from the existing international distribution of wealth, income, knowledge, technology and political and economic power. The fact is that this distribution is extremely unequal in our times. How, then, one can talk about equal gains from trade?

5. This is why I am now going to argue that trying to attack the target of protectionism in trade is simply a wrong attack against the wrong target, because we are attacking the consequences of the malady, not the causes of it.

Protectionism and lack of adjustment of domestic policies are the unavoidable - though undesirable per se - consequences of international inequality.

My Governments's position, then, is that we must try to find ways by which to attack the international and interregional inequality of income, wealth and knowledge distributions.

The degree, the speed and the extent of this effort will automatically determine the degree, the speed and the extent of the abolition of trade barriers and protectionism.

6. Let me now come to the problem of international markets instability. There is no doubt that international markets of agricultural products are unstable not only because of fluctuations of agricultural production due to frequent weather and climate changes, but also because of the "residual character" which prevails in almost all international markets of agricultural products.

This instability has specific negative effects for developing countries which suffer from

- instability of their exports revenues
- unavoidable outflows of huge amounts of exchange for obtaining (mostly from developed countries) not only inputs and technology for their agricultural production but also ready to eat agricultural products which compete their own agricultural production.

We agree, then, that for most commodities there is a real need for more flexible arrangements based on strengthened consultation concerning the coordination of national policies with special attention to existing and possibly future stocks of agricultural products. But we would like to add that this coordinated action for stocks must be accompanied by appropriate methods for the improvement of the functioning of the

world agricultural market, with bilateral and multilateral arrangements serving as a good starting point.

7. Finally, we strongly maintain the position that there is an urgent need to consider and establish some kind of code of behaviour not only for bilateral or multilateral agreements but also for the mostly multinational enterprises - agents of agricultural trade. In addition to this, we believe that the Organisation should immediately undertake action for studying the following three important problems:

- the consequences of monopolistically or oligopolistically organized international markets of inputs of agricultural production (notably machinery and fertilizers).
- the consequences of concentration into specific countries and enterprises of Research and Technology in Agriculture.
- the possibilities of enlarging the content and the practice of multiannual agreements.

Thank you