

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/3E/W/14/Add.3
5 July 1974

Special Distribution

Multilateral Trade Negotiations

Original: English/
French

GROUP 3(e) .. WORK ON TASK 4

Views Submitted by Delegations

Addendum

EUROPEAN COMMUNITIES

The following communication, dated 24 June 1974, has been submitted by the delegation of the European Communities.

LESSONS TO BE DRAWN FROM THE SITUATION ON WORLD MARKETS FOR THE APPROACH TO BE ADOPTED IN THE AGRICULTURAL NEGOTIATIONS

FOREWORD

During the last meeting in April, Group 3(e) agreed to continue, at its next session, its analysis of recent changes which have affected the world's agricultural markets and to begin discussions on the identification of problems arising in these markets and the significance of these problems for an approach to the agricultural negotiations.

To facilitate discussions, delegations were invited to send in writing to the GATT secretariat, their views on the questions raised.

This document sets out the view of the European Economic Community on all questions which will be discussed during the next meeting of Group 3(e).

A. SURVEY OF THE PRESENT SITUATION

1. The present situation on the world's agricultural markets differs from that which has existed throughout most of the last twenty years.

Whereas previously agricultural production was expanding more rapidly than effective demand and stocks held by the major exporting countries assumed alarming proportions, an opposite situation has now prevailed for rather more than eighteen months. For many agricultural products and foodstuffs, there exists imbalance between world supply and demand which caused a significant fall in stocks and a spectacular and widespread increase in prices.

2. In the view of the Community, these recent changes affecting production, consumption, and world supply and demand, result from a combination of new tendencies which have developed over the last few years and accidental circumstances.

3. There is no doubt that world markets were in 1973 affected by the exceptional demand for cereals and soyabeans allied with a massive intervention on the market by new buyers and a drastic fall in the supply of fishmeal and rice, all this in conditions of increasing inflation.

4. This combination of events occurred at a time when the annual growth rate in the production of most agricultural products had been slowing down since the end of the previous decade, this general trend being sometimes obscured by the ups and downs of production from year to year.

The sustained and progressive running down of stocks, which proved inadequate in the circumstances when faced with the events of 1972/73 is the manifestation of this trend.

5. It is difficult to know with certainty the factors responsible for this trend in production. Some can, however, be indicated but without specifying their respective impacts:

(a) climatic factors which affect agricultural output each year appear in recent years to have influenced the trend of production abnormally. Scientists question whether these climatic changes are of a long-term nature or only a passing phenomenon;

(b) the sustained high growth rate of production achieved at the end of the sixties was only possible thanks to a more intensive use of available resources, investment and inputs. Though it is true that factors of production are still not fully utilized, they are not inexhaustible and their utilization becomes economically more and more costly;

(c) instability of prices which characterized international trade in some important agricultural products caused producers to adopt a cautious attitude regarding their production policies;

(d) furthermore, it seems that governments tend to gear their agricultural policies and especially their stockpiling policies to annual fluctuations in production and prices.

6. At the same time, consumption has continued to expand in general as a result of population growth and higher earnings, with the latter factor also inducing consumers to turn more towards expensive, high-protein foodstuffs.

7. This convergence of economic and structural factors has brought about for some important products a considerable increase in prices on markets which have, in any case, always been prone to instability due mainly to the fact that international trade bears only upon a small proportion of world production.

B. MAJOR PROBLEMS FACING GOVERNMENTS

8. Since the present situation is characterized by a shortage of supply in many world agricultural markets, the question is how long this situation can last. The uncertainty surrounding this question is heightened by the unforeseeable repercussions of present problems in the energy and monetary fields.

In these circumstances any approach to the problem of the world's agricultural markets, whether it be global or product-by-product should allow for any future development: the continuation of present shortages, the reappearance of surpluses and the alternation of these situations.

9. Price instability, which has always been a feature of the world's agricultural markets, has become more marked as a result of the climate of uncertainty which such instability also helps to perpetuate.

This also is a problem which must be tackled, and it must be tackled in conjunction with the other.

10. The extent and nature of these problems have also tended to undermine international co-operation which has been unable to adjust to them. This lack of concerted action has resulted in accentuating these problems.

C. GENERAL APPROACH TO THESE PROBLEMS

11. In considering the preceding points, it is the view of the Community that the approach to the agricultural negotiations should aim to create, in accordance with existing policies, their principles and mechanisms, conditions for a better adjusted supply situation which will enable world markets to develop along lines more satisfactory to importers and exporters alike.

12. In order to ensure, as between the various commodities which comprise the agricultural sector, an allocation of resources which corresponds with foreseeable consumer demands, systematic arrangements should be made for a regular exchange of information on the basis of which periodic analyses of the situation could be carried out in common so that each government could then make use of these analyses in formulating its policy.

13. For the basic products which are essential to human nutrition and decisive for the equilibrium of the agricultural sector such as cereals, rice, sugar and the most homogeneous milk products, international agreements should be negotiated. These agreements should contain machinery which should be adapted to the market characteristics of each product concerned for correcting the market imbalances which result inevitably from the fluctuations inherent in agricultural production.

This machinery should provide for the establishment of a concerted storage policy which, while facilitating the implementation of food aid programmes would be so designed as to absorb surpluses or to ensure adequate market supplies in the event of shortages.

It should include a price mechanism, the stabilizing rôle of which would have to be reinforced by the storage policy and which would include elements which would serve as guidelines for the action to be taken to increase or reduce stocks.

14. In the case of other products which are not suited to international agreements, joint disciplines should be negotiated which would ensure that the operations of exporting countries on the world markets run smoothly.

15. To the extent that stability on world markets has been achieved as a result of implementing the international agreements or joint disciplines which have been agreed, the application of import mechanisms will be adapted to this new situation.

16. The Community considers that such a global approach would, by further safeguarding trading conditions, ensure that world trade would develop in the best interest of both exporters and importers.