

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## STATEMENT BY THE REPRESENTATIVE OF NEW ZEALAND ON 23 JUNE 1975

When I look around the room this afternoon, I see that we have some old friends, both from previous dairy negotiations and discussions, and in terms of the work on agriculture which has been done in this round of negotiations so far - and I wonder whether that does not point to the way in which we should proceed with our work.

For example, I wonder whether, in front of representatives of all the major participants in world dairy production and trade I need to give a discourse on the characteristics and structure of the international market - do I really have any insight or perspective to offer which is new.

Secondly, I wonder, against the background of the lengthy sessions we have all had in this room and others, talking about agriculture, its treatment in the negotiations, and then about grains and meat, whether I really need to traverse why we are here, the objectives of the Tokyo Declaration, and remind you of what this means in terms of the work we shall do in this Sub-Group.

Remembering the difficulties which have attached to every step in the evolution of the agricultural aspects of these negotiations, I hesitate not to spell out in minute detail every factor underlining New Zealand's participation in these negotiations lest someone take this as an indication of insufficient interest or determination -- but I am going to take the risk and say quite simply: that what we face in world dairy production and trade is, in the major markets of the northern hemisphere, a range of domestic support policies which bring forth production at prices which discourage consumption; which, because of high price levels, may generate production surplus to domestic requirements; which are backed on the one hand, by frontier measures ranging between outright embargoes, through quotas and variable levies to high tariffs, which more often than not place imports in the category of token or residual supplies to the market; and on the other hand, by export subsidy practices of one kind or another which allow the unwanted consequences of domestic miscalculations to be off-loaded onto the world market.

As I shall explain in a moment, there has been a fair degree of international co-operation, aimed at minimizing the worst effects of these policies. But, unchecked, they distort trade and create a situation of instability, insecurity and often market disorder, completely contrary to the concepts of competitive trading embodied in the GATT. As an unsubsidized exporter to the world market, dependent on dairy products for 18 per cent of its foreign exchange earnings, you will appreciate that New Zealand sees no reason why it should be denied the opportunity to take advantage of its relative efficiency in this sector, or why world trade in dairy products should remain outside the discipline of the GATT.

Secondly, may I say equally simply, that New Zealand expects this Group to find solutions which will introduce stability into world dairy trade, and sees this emerging basically from the negotiation of solutions which will secure an expansion of world trade through the liberalization of access, and the elimination of export subsidization. And that -- as I and others have said so often before -- is what the Tokyo Declaration is all about.

Now I do not want to appear naive, as I said earlier this is not the first time the international community has focused on dairy products and I think that it has to acknowledge in our work that there is, unlike the situation in meat, an extensive record of international action and co-operation on which we can build.

Most of our previous work has been directed to placing some limitation on export subsidization - the first milestone was the introduction of the FAO Principles on Surplus Disposals and the establishment of the Consultative Sub-Committee on Surplus Disposals (CSD) in Washington. These developments accorded some protection to normal commercial trade, and the concept of additionality was introduced into the area of concessional sales of surplus products.

Next, after the failure of the Kennedy Round to make progress on dairy products, the GATT produced the minimum price agreements for skim milk powder and milk fat; and throughout there has been the OECD Gentleman's Agreement on wholemilk powder. Additionally, we have the valuable background and experience gained in the Management Committees established under the GATT agreements.

Finally, I should mention the important rôle which food aid has played in bringing some stability to the market, and the discipline donor countries have observed in this regard.

May I make a few observations on this body of precedent:

First, not all countries are members of the GATT minimum price agreements, or of the OECD Gentleman's Agreement; nor do all countries accept the discipline of the FAO principles as elaborated through the CSD.

Secondly, although the minimum price arrangements do place a floor on the market, and correspondingly a limit on export subsidization, not all dairy products are encompassed in these arrangements and, given the flexibility to produce a variety of products from milk, the stabilizing influence of these agreements is not complete. More importantly, the minimum price operative in the skim milk powder agreement is no longer appropriate to market or production cost realities, and it is a deficiency of both agreements that there is no reflection of the economic needs of efficient producers, or contemplation of the speed with which minimum prices can become uneconomic in times of rapid inflation.

Thirdly, over and above the minimum price arrangements, we have appreciated the willingness of the United States to subject its non-commercial transactions to the scrutiny of the CSD, and, I should add, the responsible EEC approach to dairy restitutions in recent years. But these actions, in themselves, do not provide the market security we are seeking.

Finally, may I remind you that the GATT minimum price arrangements do not provide an enduring solution to the problems of world dairy trading. They were framed against the background of the crisis situation which existed in the mid and late sixties - but it was not intended that they would remove the need to tackle the remaining problems in this sector.

In brief, despite all this activity, the international community has not yet dealt fully with the problem of export subsidization, and it has not come to grips at all with the problem of market access. Correspondingly, the instability and insecurity which have been endemic in the sector, remain. So I urge that we should resolve that this round of negotiations will not leave these problems unsolved.

What, then, should be the approaches which we shall adopt to finding solutions? Well, there is something of a precedent already established in these agricultural sub-groups, in that we should be prepared to examine all elements of all possible solutions.

In this context, my delegation proposes an examination of all import and export measures which have an impact on world dairy trade with a view to negotiating their liberalization, reduction or elimination as appropriate.

Normally one asks the secretariat to compile a summary of such measures to assist us in our work, and I do so now. They are of course well known, but if there are any doubts, my delegation would be willing to notify those it considers relevant as topics for negotiation in this group.

Secondly, I recall that at the last meeting of the Group "Agriculture", the EEC outlined its intention to propose a world dairy arrangement embodying, as I recall, maximum and minimum prices, and purchase and supply commitments between participants. I trust that we shall hear more of the Community's thinking in this regard this week.

Certainly, my delegation considers that an examination of the possibilities for a world dairy arrangement should be part of this Sub-Group's work. You will appreciate however, that the test of an international arrangement is not just the extent to which it offers stability, but more importantly, the extent to which it secures significant access opportunities and the prospect of expanding world trade.