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Group "Agriculture"

Sub-Group on Grains

STATEMENT MADE BY THE REPRESENTATIVE OF THE UNITED STATES ON 26 MAY 1975

My Delegation attaches great importance to the work and the tasks of this Group.

Grains are the foundation of the agricultural economies of most countries. They are basic to the food supply of the world. Grains play a major rôle in world trade in general and in the world's agricultural trade in particular.

The United States regards trade liberalization in grains as the cornerstone of the MTN in agriculture. We intend to exert every effort to co-operate in a flexible and constructive manner with other countries in this and other relevant negotiating groups to achieve significant progress in the liberalization of this vital sector.

For the United States, grain exports are all important. In 1973/74, United States grain exports (other than rice) amounted to 75 million metric tons. This was the equivalent of 32 per cent of United States grain production and of 58 per cent of total world exports of grains. In the same year, United States wheat exports represented 51 per cent of the world's total wheat exports. United States feed grain exports accounted for 67 per cent of total world exports in 1973/74.

These figures do not indicate only the importance of the grain trade to the United States economy. They indicate also the importance of the United States as a supplier of grains to the world economy. They indicate that United States agriculture is indeed of vital importance to the grain supply, and that means to the food supply, of the world.

These facts are highlighted by the following figures: in 1973/74, United States exports of grains (other than rice) accounted for over 9 per cent of the world's grain consumption outside the United States. United States wheat exports in that year provided 9 per cent of the world's wheat consumption; and United States feed grain exports represented 10 per cent of the world's apparent consumption of feed grains outside the United States. Thus United States grain exports, both commercial and concessional, sustain hundreds of millions of people in food and grain deficit countries.

When the preparatory work of the Agriculture Group in the multilateral trade negotiations started in 1974, we addressed ourselves to the question as to whether the relative scarcities and tight market conditions which developed in 1972 represented a turning point in the world's agriculture. At that time my delegation pointed out that while world grain output in the preceding thirteen years or so has strongly trended upward, there have been from time to time downward deviations from this trend. These shortfalls had quite different causes.

During the decade prior to 1972, fluctuations in grain production did not lead to major shortages because of the large cushion of reserves, held largely in North America, and because there were no major shifts in consumption patterns that created unusually strong demand even in the face of rising prices. However, it is important to realize that many countries paid a high price for the stability attained. With high price support policies and consequent restrictive import policies and disruptive export policies, they achieved a high cost pattern of production and forced efficient producers to accumulate heavy stocks. As stocks accumulated in the United States, the United States Government was left with no alternative but to withdraw large amounts of land from grain production. Thus, in 1969/70, the world's beginning grain stock amounted to 186 million metric tons equal to 23 per cent of world grain output and 182 per cent of total grain exports in that year. The United States and Canada held more than half of these stocks.

In 1972 and thereafter, these narrowly conceived and illiberal trading policies were major factors in the crisis situation that occurred in world grain markets. When production shortfalls and other factors reduced available grain reserves, some countries continued to insulate the grain markets and thereby intensified the pressure of world demand on the major grain exporting countries. World prices soared as a result.

An equally important but not widely understood problem was that the United States, due to lack of access to foreign markets, had retired from production over 40 million acres of land with an annual production capacity equal to 60 per cent of total world reserves in 1972. Despite the incentive of rising world prices and actions by the United States Government, it was not possible to bring this land back into production immediately. Only this year has it been fully returned to cultivation. The importance of these facts cannot be over emphasized. Had more liberal trade in grain prevailed in the past decade, that land would have remained in cultivation and could have contributed to alleviating the shortages and the tight market situation of recent years.

The problem before us is therefore to contribute to a healthy world economy for grains "...in order to improve the standard of living and the welfare of the people in the world." This aim of the Tokyo Declaration can be achieved "...through the expansion and ever-greater liberalization of world trade." In order to achieve this objective, obstacles to trade must be reduced and the international framework for the conduct of world trade must be improved. In the pursuit of this work we will, of course, give special attention to the needs and interests of the developing countries.

My Delegation believes that these objectives can be obtained by moving towards market orientated agricultural trade policies. Our efforts in this direction have often been decried as either unrealistic or even naive. However, it must not be forgotten that if we propose a market orientated agriculture, we do not imply that we intend to move towards a state of "laissez-faire". A market orientated agriculture is not without rules. However, these rules should permit competitive market forces to prevail to the maximum extent possible. It is in this way that we can achieve the most efficient allocation of the world's grain resources.

Trade liberalization implies continuing access to markets as well as continued access to supplies. Trade liberalization would also increase market price stability by providing greater scope and facilitate adjustments in response to changing market conditions. Trade liberalization therefore represents a significant step for insuring world food security.

Food security will be further strengthened by the work going on in the International Wheat Council. The efforts of our work here and those in the International Wheat Council should be complementary. We note with satisfaction that the work of the I.W.C. on grain reserves has gained the support of major grain producing and trading countries.

The United States recognizes that there is no simple answer to the problems of the world grain trade. We believe that the objective of the multilateral trade negotiation should be to look for long-term solutions to ensure that genuine progress is made in reducing excessively protectionist policies and to rationalize world production and trade so that adequate future food supplies be ensured.

We fully realize that the common objectives of these negotiations will be approached in different ways by various delegations. I wish to emphasize and to repeat that my Delegation intends to exert its utmost efforts to co-operate in a flexible and constructive manner with other countries in the relevant negotiating groups to achieve significant results in this vital sector. At any rate, we believe that regardless of the solutions proposed, there can be general agreement on how to proceed harmoniously in the work of this group.

We therefore propose that the group organize its work here in the following way:

1. Product coverage. We would suggest that the products to be first considered here include the major grains: wheat, corn, sorghum, barley and possibly other feed grains.

2. Procedures. We would propose that our procedures be divided into two parts. In the first place, we would suggest that we consider systematically in relation to the specific characteristics and problems of grains the major trade measures relevant to the grain trade. Thus we would consider the significance of import and export barriers, i.e. tariff and non-tariff measures, including variable levies, QR's, export subsidies and export restrictions, State-trading and other commercial and technical impediments to trade applied at the frontier, and other trade distorting measures. In a second stage, we could seek multi-lateral solutions to the problems which we have identified.

We believe that this work programme - an examination of the specific characteristics and problems of grains and the major trade measures and techniques and modalities for dealing with these measures - could be undertaken on the basis of the work of the GATT Agriculture Committee and the documentation prepared by the secretariat. A comparatively short secretariat paper listing all the various trade restrictions and trade distorting measures, and if possible, the use of these measures by major trading countries could be the basis for our work.

At the same time, we believe that it would be most valuable from the standpoint of liberalizing trade to seek to the maximum extent possible common trading rules for industry and agriculture. We believe that the work of the tariff and non-tariff measure groups is aimed at accomplishing this objective.

The negotiating frame of our work has been clearly delineated by the summing up of the Chairman of the Agriculture Group on 8 May.

Thus in line with these procedures established for the Agriculture Group and its sub-groups, we will dwell on the agricultural aspects of all the elements relevant to trade and will treat them in conjunction with the work of the tariff, non-tariff measures and other groups. Moreover, in the light of the work going on in the I.W.C., we may consider at the appropriate time how best to integrate any results of the work at present going on in the I.W.C.