

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Group "Agriculture"

Sub-Group on Grains

STATEMENT MADE BY THE REPRESENTATIVE OF THE UNITED STATES ON 23 JUNE 1975

In the statement made by my delegation on 26 May, we said that we regard trade liberalization in grains as the cornerstone of the multilateral trade negotiations in agriculture. We emphasized this point because grains are the foundation of the agricultural economies of most countries; because grains are basic to the food supply of the world; and because grains play a major role in world trade in general and the world's agricultural trade in particular.

Moreover, we made the point that grain exports are not only all-important to the United States, but that United States supplies of grains are of paramount importance to the grain supply, and that means to the food supply, of the world. We pointed out, in particular, that United States food and feed grain exports other than rice represented in 1973/74 about one tenth of the world's apparent consumption of these grains outside the United States. Thus, United States grain exports, both commercial and concessional, truly sustained the consumption of hundreds of millions of people in food and grain deficit countries.

We consider that the major contribution to the development of a healthy world economy for grains is the expansion and ever-greater liberalization of world trade.

How can liberalization contribute to this end? The demand and the need for grains are expanding. It is therefore necessary to permit the productive potential of the world's grain economy to develop and to create conditions such that both the productive potential as well as the consumption potential be balanced in the best possible way.

In doing this we must avert two dangers: the danger that production increases in an uneconomical way; and the danger that consumption is restricted and inhibited by uneconomical measures. In other words, we need a regulator which will permit the best possible allocation of resources. Which is this regulating mechanism? Under present conditions, there is only one - the market. Since the effects of market forces may at times not be in harmony with certain social objectives - objectives which may be very legitimate - most countries, including the United States,

have support programmes for grains. Thus nobody should interpret our approach as implying an advocacy of laissez-faire. What we, however, advocate is that public policies and actions provide for a large degree of freedom for the interplay of market forces as regards international trade.

This view is based on an undeniable and incontrovertible fact: the law of supply and demand is not an act of legislation. The law of supply and demand therefore cannot be repealed. It is a potent force even in planned economies.

True, its inherent allocative effects can be and are often superseded by income distributive measures. These measures are the essence of the various support programmes. But in the longer run these measures must take account of market forces. Failure to do so creates instability.

Stability has been mentioned by most delegations or members here as one of their important objectives in these negotiations. The United States fully shares this view. Stability means market equilibrium. Without equilibrium, there cannot be any stability. But equilibrium, and therefore stability, is a dynamic concept which allows permanent changes in both supply and demand.

Our task here is, of course, not to set laws or rules for the internal agricultural policies of various countries. We proceed here on the basis of fullest respect for the agricultural policies of all countries in the world, be these common agricultural policies or other policies.

We are here to address ourselves to frontier obstacles to trade. Thus, in the context within which we are speaking, we address ourselves to the reduction and, if possible, elimination of trade barriers and trade distorting measures for grains.

This is the meaning of the word liberalization. This is the task which it is incumbent upon us to pursue in accordance with the commitments which all of us have undertaken in Tokyo.

We do not speak here of laissez-faire but laissez-passer. Let grains pass the frontiers! Let us free trade from those obstacles which render access difficult or even impossible and hence hinder or prevent competition. This task is in full harmony with the legitimate desires of efficient producers throughout the world for the adequate safeguard of their interests.

In its analysis of the need for trade liberalization in grains, the United States has concluded there are several important problem categories requiring the urgent attention of major trading and producing countries:

1. The placing of reasonable bound limits on import charges and the establishment of improved market access;
2. The adoption of an agreed code or set of rules on export subsidies;
3. The establishment of improved safeguard procedures relating to import injury; and
4. The adoption of rules relating to supply and market access.

The United States recognizes that there may be other categories that other countries would add to this list.

To move forward as expeditiously as possible with its work in this key area of grains negotiations, the United States proposes the following work programme for the Sub-Group:

The Sub-Group would take up a limited number, perhaps one or two, of the major categories of measures deemed by countries to have an important bearing for grains in the MTN. The United States suggests that priority be given to variable levies, minimum import prices, export subsidies, and supply and market access.

The Sub-Group would base its work on documents to be submitted by the secretariat summarizing the measures employed by countries in these categories, with the understanding that participating delegations could introduce additional relevant material.

The agreed task of the Sub-Group would be to (1) ascertain the economic effects of these measures on both importing and exporting countries, (2) consider specific proposals from countries regarding these elements, and (3) communicate the results to other groups concerned, including the tariff and non-tariff measures groups, as provided in the terms of reference agreed by the Agriculture Committee.

After completion of this intensive examination of the first major element or elements, the Sub-Group could take up additional ones. Clearly the inter-relationships between these elements would surface during the process of considering countries' proposals and these would be noted and brought together in the final phase of the Sub-Group's work, which would be to work in conjunction with the tariff and non-tariff groups in arriving at a harmonious and balanced development of all the elements subject to negotiation.