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Sub-Group on Grains

STATEMENT MADE BY THE REPRESENTATIVE OF CANADA,

23 JUNE 1975

Canada attaches great importance to negotiations on problems affecting trade in grains in the Multilateral Trade Negotiations. We have a strong interest in improving the framework of rules for trade in grains and grain products.

Canada is a major grain exporter. Although Canada accounts for only 4 to 5 per cent of world wheat production, we supply over 20 per cent of world wheat exports, most of which is in high protein wheats. This represents 75 per cent of our domestic production and indicates the importance of trade in wheat to Canadian farm income.

Our interests in grain are of course broader than wheat in so far as Canada exports considerable quantities of other grains including barley, rye and oats. We also maintain a continuing interest in the world market for flour and attach importance to facilitating further processing through the negotiation of barriers to products of grains.

Therefore progress in dealing with the policy issues affecting trade in grain in the Multilateral Trade Negotiations is essential for Canada. Since the last grains negotiation in this forum the world has experienced extremes in the grain market of over-supply followed by a period of relative shortages. It is the Canadian view that the problems of restricted access and the widespread use of trade distorting measures have contributed substantially to both the problems associated with over-production and to the uncertainty over supplies. The costs of adjusting during the long period of over-supply fell heavily on exporters. The objective of the Tokyo Declaration to achieve a significant liberalization of trade in agricultural and industrial products, if achieved for grains, would greatly reduce these problems which affect both exporters and importers, both producers and consumers.

In our view the negotiations on grains in the MTN should focus primarily on:

- (1) improving and securing the terms of access to world markets for grains and grain products;
- (2) measures to limit the trade disruptive effects of national policies, particularly export subsidies;
- (3) the reduction of fluctuations in the international grain market which are inconsistent with longer term supply and demand trends.

While we stress the importance of access in overcoming trade problems for grains we appreciate the basis for widespread concern over world food security. We are confident that the world has the necessary resources to meet its foreseeable food needs. As far as Canada is concerned we have the capacity to expand our grain production and our exports.

We recognize that grain stocks have been drawn down to levels that create concern for food security but this situation can be quickly reversed. Since production cannot be predicted with any degree of accuracy, new situations of shortage could quickly emerge. A sustained level of production can only be achieved if grain producers have confidence in the market. Therefore, we stress the need to achieve through these negotiations improved and secure terms of access to the world markets and the reduction of trade disruptive measures that contribute substantially to uncertainty over markets and over supplies.

I would like to elaborate somewhat on the Canadian views regarding the issues for negotiation. Many of the problems and priorities identified by Canada in previous statements before the Group Agriculture apply to the grains sector. However, it may be useful to review these points to focus on their special importance to grain. We have said that, consistent with the Tokyo Declaration, it is essential to Canada that substantial progress be made in the MTN in dealing with the following major issues:

- (1) import restrictions
- (2) export subsidies
- (3) the problem of instability

Import restrictions

The Canadian delegation attaches great importance to significantly improving, and binding or otherwise securing, the terms of access for agricultural products. The lack of assured and predictable access, particularly to major markets, has, to an important degree, inhibited production in traditional exporting countries and contributed to extreme fluctuations in supplies and prices.

A means must be found to deal as effectively with variable import levies and supplementary import charges as with tariffs and quantitative restrictions; the negotiation of better undertakings regarding access to markets will have to take into account progress towards developing effective measures to prevent the subsequent erosion of these undertakings.

We note that to date the question of variable import levies has not been dealt with in any of the Sub-Groups. We attach particular importance in dealing with this import restricting technique and suggest that the group should give priority attention to examining variable import levies and other supplementary import charges.

Export subsidies

Over the years one of the most disruptive agricultural policy instruments has been the export subsidy. The widespread use of export subsidies has contributed to the use of offsetting import restrictions. Export subsidies not only disrupt and depress international prices but also accentuate the depth and duration of imbalances between supply and demand and make the inevitable adjustment more difficult and costly. The elimination of grain export subsidies would significantly reduce instability in international markets, facilitate our efforts to reduce non-tariff measures and contribute to greater assurances of supply.

At the ITM Group meeting the Canadian Delegation indicated that the negotiation should aim at the complete removal of export subsidies. In our view this prohibition should apply to all products, agricultural and non-agricultural.

Instability

In past discussions in GATT many countries have indicated their concern about the problem of market instability in agricultural trade and their desire to use the present negotiations to reduce this problem. My delegation shares this viewpoint.

By market instability we mean unnecessarily extreme market fluctuations. Excessive supplies and low prices adversely affect producer incomes, add to uncertainty, and inhibit investment in farming. On the other hand, we recognize that the reverse situation creates difficulties for users and consumers, particularly developing countries. Producers require greater certainty in terms of both market access and stability of returns if they are to respond to the needs of their customers.

It is generally accepted that governments through their national policies have contributed to market instability. We regard the negotiation of contractual commitments covering expanded and more secure terms of access and the elimination of export subsidies as essential steps in the creation of a more stable marketing environment.

I would like to expand somewhat on our views concerning the problem of market instability. Stability could possibly be achieved at various levels of trade and under different conditions of trade including unsatisfactory trading arrangements. The United States representative has also pointed out that the burden of adjustment to stabilize the market in extended periods of over-supply has fallen primarily on the exporting countries. The United States has urged the need to allow the market mechanism to work to achieve greater market stability. The representative of the Community has accepted that trade restrictions represent one of the causes of market instability. The Community proposes a commodity arrangement for grains with prices and stockpiling. They suggest that such an arrangement could yield broader trade benefits sought by others in the grains negotiations and we would like to examine these approaches in the work of the Sub-Group.

In the context of market instability two extremes occur. In times of surplus, producer incomes are adversely affected and there is a greater degree of uncertainty. On the other hand, in periods of relative scarcity, high prices and lack of secure supplies affect all importing countries but particularly the developing countries.

To a greater or lesser degree all governments intervene to protect their producers or consumers against these extreme situations. These negotiations provide us with an opportunity to seek an improved basis for trade in grains and for undertaking adjustments to reduce market instability.

We regard the recent initiative in the International Wheat Council as a useful step towards dealing with some of these problems. We do not see this work as conflicting with the Multilateral Trade Negotiations and therefore feel that the London work should be encouraged. In due course we should consider how to integrate this work into the MTN.

In terms of the work before us, we consider that initially this Sub-Group could focus on all barriers to trade in this sector, specifically import restrictions and export distortions. We would agree, however, that at some stage the Sub-Group should also look at general solutions to problems in the grains sector, including the rôle of an international commodity arrangement which could include elements to stabilize the market, such as stocks and price provisions. In addition we suggest that this Group consider the trade effects of national policies and identify those areas where concerted international action is required. Finally, we would agree that we should consider the special interests of developing countries, and as appropriate, examine the issues of food aid, concessional financing and differential treatment.

With reference to the coverage of the commodities to be discussed, we consider that all major grains and their products should be included.

In summary, Canada welcomes the opportunity to deal with the more fundamental problems affecting the grains sector. We agree to adopt a flexible and open approach and to work for constructive and long-term solutions. As an initial step we would wish to discuss specific barriers to trade in grains with a view to achieving significant liberalization and an improved trading framework which would contribute to a more equitable basis for achieving the greater degree of stability that so many countries have stressed in relation to the grains sector.