

RESTRICTED

MTN/GR/W/7
25 June 1975

Special Distribution

GENERAL AGREEMENT ON TARIFFS AND TRADE

Multilateral Trade Negotiations

Original: English

Group "Agriculture"
Sub-Group on Grains

STATEMENT MADE BY THE REPRESENTATIVE OF AUSTRALIA 23 JUNE 1975

The Grains Sub-Group has been established to deal with all of the elements relevant to international trade in the grains sector. These elements are to be dealt with in conjunction with the work of the Tariff and Non-Tariff Measures Groups.

The objectives of negotiations on grains as in the negotiations generally are defined in the Tokyo Declaration - the ever greater liberalization of world trade, the progressive dismantling of obstacles to trade and the improvement of the international framework for the conduct of world trade.

We recognize the interrelationship among the different grains, but in the light of Australia's particular interests in this sub-group and for present purposes we shall be talking mainly about wheat, having other grains at the back of our minds so to speak. We do not think that at this stage a rigid definition of coverage would be desirable. If we want to talk about other grains in relation to wheat let us be free to do so.

Since the late 1920's efforts have been made to develop some measure of co-operation between nations on wheat matters. This effort has been stimulated by the severe ups and downs which have occurred in production and prices and the desire to ensure adequate supplies of this basic food.

The situation in the last three years has been marked by serious shortages, diminishing stocks and high prices.

The question has been asked whether these developments reflect a significant structural change in the world demand and supply situation or reflect only short-lived cyclical factors.

The situation that has occurred in the past three years is by no means new. Tight supply conditions accompanied by high prices have been experienced before. However at most times in the last twenty years it has been the underlying fear of possibly unmanageable surpluses rather than of worldwide shortages which has characterized the world wheat situation.

Over a year ago the Australian delegation said here that the factors responsible for the then market situation for agricultural commodities were of a cyclical nature. We said then that we expected that the mechanisms were already in operation that would counteract or reverse these influences - the market situation would encourage substantial additions to resources, government controls had been or were being lifted and the high returns to resources were providing funds and the incentive for additional investment. A fall back in the prevailing high level of prices could be expected. It seems that this view is being borne out by recent price declines.

As we see it the present price situation reflects an expectation that given favourable weather conditions the tight position that the world has been facing can be expected to ease considerably.

While in general the prospect of excessive stocks rather than that of scarcity has been the dominant threat to market stability it does not follow that our approach to a solution to the problems in the grains trade should be based on that assumption. One conclusion drawn by the Australian delegation from the consideration of trends in past years is that the approach to the negotiations should cover both the possibilities of longer-term shortages and the possibilities of longer-term surpluses.

It has been suggested that the recent supply shortages and high prices indicate that negotiations directed to the reduction of measures of protection, the elimination of practices which distort trade and the elimination of discriminatory treatment in international trade is no longer appropriate.

We think it is wrong to conclude in the light of this recent experience that increased self-sufficiency regardless of comparative cost is the appropriate goal for importing countries. Efficient agricultural exporting countries have the capacity to supply greatly increased quantities of grains. We have said on a number of occasions that it is an unhappy fact of life that the recent situation in grains and in some other bulk commodities is in a large part a result of under-investment in the efficient exporting countries. The long term and costly investment both direct and indirect required for major agricultural commodities cannot be expected to be undertaken without suitable assurances that markets will be available.

Looking at the total wheat situation, historical and current, the Australian delegation as we have said before sees a number of issues:

What scope exists for national or international measures by both exporting and importing nations to counter short-term fluctuations in supply and demand for grains.

What scope exists for national or international measures to reduce the likelihood of chronic shortage or surplus in the longer term.

What scope exists to establish mechanisms to reduce fluctuations in domestic and international prices so that prices will be remunerative to efficient producers and fair to consumers.

In association with action to provide a framework for a more stable and a growing world market for grains how can frontier measures and trade distorting practices be reduced or removed over time to secure a greater scope for application of the principle of comparative advantage.

What further or special arrangements are worth consideration to create the necessary conditions for effective investment in agriculture under conditions of efficient production.

Some of these issues are being discussed in London in relation to food reserve arrangements and the possible bases for a new arrangement to replace the IWA of 1971. Australia will be participating actively in these discussions. However not all the issues covered by the MTN will be tackled in the London talks, and we would agree that the task of this sub-group at this stage should be to focus on those elements not likely to be fully dealt with in the present discussions in London, or not dealt with at all. We should avoid as far as possible duplicating what is being done there but there may well be need for some consideration in this sub-group of aspects under discussion in London. At a later stage we can, as already agreed, consider what results from the London discussions need to be integrated into our work here and how this can be done.

Trade liberalization on a secure basis would be a major means of improving the security of essential trade flows and of bringing about greater stability in prices to the advantage of both exporters and importers.

We recognize that greater security of market outlets for exporting countries is linked with greater security of supplies for importing countries.

We recognize that the problems of securing greater stability in the trade in wheat or grains are related to the problem of trade liberalization. The relationship in our view is a two-way relationship. Instability in volume and price is more likely to be diminished effectively by international co-operation and agreement if trade barriers and trade distorting practices can be reduced; and progress in diminishing instability will itself facilitate reductions in trade barriers and the containment of trade distorting practices.

The emphasis of the present series of talks in London is upon greater stability and security of supply via a world food grains reserve arrangement or an international wheat or grains agreement. Since the countries present in this Sub-Group that are participating in the London talks have accepted that they should continue to participate actively in those talks, it seems appropriate for this Sub-Group at this stage to concentrate on those elements of the total picture not likely to be covered, or not likely to be dealt with in those talks in London.

In brief, but subject to the qualification I have mentioned about inter-relationship with the subjects being discussed in London, this means trade barriers and trade-distorting practices or tariff and non-tariff measures.

When we refer to trade liberalization what we are talking about is increased competitive access for economic producers and about the avoidance of prejudice to normal commercial trade in third markets.

As in other sectors of the MTN the negotiations on wheat or other grains will not necessarily be self-balancing or self-contained. Concessions on these commodities may need in appropriate cases to be requited by concessions in other areas.

This is one reason why we consider it is appropriate that the first approach to actual trade negotiations in these commodities should be by means of the trade liberalization plan now beginning to be explored in the Tariffs Groups on the basis that that plan will include not only tariffs but also individual non-tariff measures related to wheat and the other grains as an essential element in the negotiating procedures.

There is valuable work for this Sub-Group to do in identifying the elements affecting the trade in wheat and other grains and in considering the totality of the negotiations as they affect these commodities. In doing this it would take continuing account of the progress of the discussions in London.

In the cases of those countries which have indicated that the negotiations affecting their trade in agricultural products are to be worked out in the Agriculture Group or its Sub-Groups, we assume there will be accorded a fully comparable negotiating opportunity in respect of wheat and other grains as under the procedures of general applicability.

In this discussion we are putting some emphasis on the negotiation of trade barriers and trade distorting practices. This is because we are looking here today mainly at what this Sub-Group should do in this initial stage. It remains for me to stress, however, that in the total picture of the grains trade, and particularly wheat, Australia attaches importance to the successful conclusion of international agreements that will provide a viable world food reserves arrangement and that will effectively moderate excessive instability in the world trade in cereals. At this stage we see those tasks as primarily for the London discussions with the focus in the MTN framework being upon trade barriers and trade distorting practices for the time being. Later the situation may well require a linking back to the MTN of the London work.

With respect to food aid to developing countries Australia has participated fully in past programmes and will continue to support international co-operation in this area.

Recent events, with the accompanying pressures for greater world food security and more stable equitable trading conditions have led to the situation where countries have to face up to a decision on what they want by way of international co-operation in all matters affecting trade in food grains. There is a need for internationally co-ordinated action to cover risks of further food shortages, but without over-reacting, it is necessary to weigh carefully and purposefully the pros and cons of a wide range of possible measures, many of which could form the basis of continued international co-operation within a successor arrangement to the IWA. We have heard, with interest, the EEC's exposition of their approach in this area and will study it closely. There are however other measures which might not lend themselves to this kind of treatment, but as I have been suggesting these could appropriately be dealt with by the grains Sub-Group. The tariff and non-tariff measures affecting trade in grains could, with benefit all round, be reviewed. Some access problems in particular countries, including access for certain types of wheat, need to be studied. Without wanting to prejudge any of these or other issues, it can be said that nothing has happened which suggests that international co-operation on wheat (or other commodity issues) is no longer needed. For our part, we are anxious to press on in the IWC with the work already underway there. We also want to contribute to a substantial effort by this Sub-Group.

We support the proposal by the United States delegation for a paper by the secretariat listing trade barriers and trade distorting practices in grains trade, and consider this is the appropriate course at this stage, with due regard to the need for keeping the London work under review.