

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Group on Cereals

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STATEMENT BY THE REPRESENTATIVE OF INDIA
ON 2 JUNE 1967

The Indian delegation would agree that the proper forum for the formulation of further details would be the International Wheat Council and from that point of view it is essential that, as early as possible, a meeting of the Council should be convened for undertaking this further work. We would also agree that it is perhaps necessary and convenient that further work should be done in this forum in preparation for the proposed meeting of the Wheat Council. If the general desire is that there should be sub-groups we would be prepared to participate in their work.

I would like to mention a few points which we should like to be taken note of in the work of these sub-groups.

Our first concern, which I already expressed in a letter to you Mr. Chairman¹ has been over the fixing of minimum and maximum prices. Some years ago, India was in the happy position of being an exporter of very good quality which was in some demand, but latterly, for various reasons, into which I need not go here, we have been a very considerable importer of wheat. Large supplies of wheat and other grains have also been supplied to us by several friendly countries on generous terms and particularly in response to our appeal, after the failure of two rains. We have been most generously treated by a number of friendly countries, and we are naturally extremely grateful for these gestures. In the situation of very serious balance-of-payments difficulties that we have been facing for many years, some countries have been good enough even to let us off our commercial purchases, at least in part, from time to time. But for some years yet we shall have to import very large quantities of foodgrain because, apart from the population explosion, there has been a rise in the standard of living resulting in additional consumption of foodgrains which are the main staple of nourishment in India. Moreover, with the rise in the standard of living, wheat and rice have been substituted for coarse grains in consumption. Therefore there are actually three factors which reinforce one another and produce an extraordinary heavy demand for cereals. So, we shall be in the unfortunate position, of having to import wheat and other grains for quite some years. In this context, and in the context of our continuing serious balance-of-payments difficulties, particularly because of the cumulative and growing burden of debt servicing, we are very concerned indeed about the prices that are going to be fixed for wheat. Of course, we have told ourselves and our people that after 1970 we should become reasonably self-sufficient in regard to foodgrains and it is our expectation, and certainly our determination, that given reasonable rainfalls in the coming years we shall not thereafter have to seek large concessional supplies of grains from abroad.

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Since 1949, India has been a very keen supporter of the International Wheat Agreement because we have found this a good form of international co-operation, and, because we have found it to be a constructive agreement with commendable objectives, the first of which reads:

"to assure supplies of wheat and wheat flour to importing countries and markets for wheat and wheat flour to exporting countries at equitable and stable prices".

One would naturally wish that wheat and other foodgrains, which are basic foodstuffs in many parts of the world, could be treated not entirely on commercial terms. But we do recognize that grains happen to be a very important product for many countries who have to export large quantities and it is therefore inevitable that they are treated as commercial products and have to be dealt with commercially. But we have to be certain that the commercial considerations which are brought to bear on sales or exports are justifiable and fair.

I have referred already to my letter of 8 May 1967¹, so I shall not dwell longer on that particular matter. It is not our intention to make the work of this Group or the Council difficult; it would not be right that we should do so after the very large volume of generous help we have received from many countries, indeed we would wish to help them in solving their difficulties and getting to some viable agreement on a broad-based basis. I wish, however, to be on record completely and entirely that we are motivated by a certain concern produced by our present situation and our projection of this situation into the near future.

We feel somewhat mystified at the kind prices that have been established and I only wish we could have participated a little more in detail while these prices were being talked about. In 1962 the equivalent prices that were apparently acceptable for Hard Red Winter Wheat No. 2 ordinary on the basis of the prices fixed for No. 1 Manitoba in Store at Fort William, adjusted by the differential of 22.5 cents in the Memorandum of Agreement were \$1.40 and \$1.80 working backwards from the Manitoba No. 1 price \$1.62½ and \$2.02½. Now at that time when the Hard Red Winter No. 2 was priced at say \$1.40 and \$1.80 the ruling price in the market was \$1.71. Thus even though the ruling price was \$1.71 it was considered quite reasonable to have a minimum price of \$1.40 and a maximum of \$1.80. In March 1967, the ruling price at Gulf for Hard Winter Ordinary Wheat No.2 was \$1.85, but at this time for some reason, which we have not been able to divine, the minimum has been suggested at \$1.73 and the maximum at \$2.13. For Manitoba No. 1 wheat the minimum and maximum are \$1.95½ and \$2.35½ respectively, whereas the ruling price is somewhere about \$2.12.

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Now the point of my enquiry is, that, whereas in 1962 when the ruling price for Hard Winter No. 2 was \$1.71 and it was considered quite fair to have a minimum equivalent of say \$1.40 and a maximum of \$1.80, what has happened so recently that the minimum and maximum should have been raised to these new levels of \$1.73 and \$2.13? For a country like India, which has very acute balance-of-payments difficulties, an increase of 12½ to 17 per cent or perhaps even nearly 20 per cent is very baffling and a very serious matter. We find it even more difficult to understand because, as time goes by, when agriculture becomes almost a technologically based industry, one would have thought that the cost of production would have come down and that the farmers would get a better return, even at constant prices.

Now I do not know whether it is going to be possible to talk about these matters here or in the sub-groups, but I wish to raise these points because, at some stage or other, perhaps in the International Wheat Council, this kind of question will certainly be asked and it will have to be answered. Anyone preparing for these meetings would have to get this material and try to remove the difficulties for people who have not been in on these discussions.

I would then like to register our preoccupations which we hope will be borne in mind during the work of the sub-groups and later when the work is taken up by the International Wheat Council. Our preoccupations are the following. So long as we are commercial buyers, if price support becomes necessary in the sense of raising the sales price to \$1.73 or whatever that may be, even though the tendency would be for the prices to fall, then our balance-of-payments situation should be kept in view. Of course, if the ruling prices in the markets are high then one can do nothing about it, in so far as commercial purchases are concerned. But if the tendency is for the prices to fall, and the minimum price has to be applied, then our balance-of-payments situation should be borne in mind.

We wish to express the hope that, at least developing countries in balance-of-payments difficulties or with continuing balance-of-payments difficulties, should be excused from the obligation of undertaking commercial purchases or from the guarantee of any commercial purchases. Of course this does not mean that they will not make commercial purchases, they may have to, depending on what they need and what they get in other ways. But they should not have an obligation to give a guarantee to buy commercially, after these arrangements come into force, because they may not be able to afford to buy large quantities at these prices. Although they may be compelled to buy, they should have the freedom to make the choice whether they are going to buy these quantities, any quantities, at these high prices, or whether they are going to do something else and what that something else will be may be a very hard decision to take in the sense of, perhaps, depressing standards of living by making their people go back to the consumption of coarse grains, or to eating less grain. Maybe some sociological appeal has to be made to the upper classes

in the population to go on to other supplementary foods and make available cereals to those who do manual work and so need carbohydrates for their sustenance; or in extreme cases we may even have to take the decision that we can only buy so much and apart from any aid shipments which may be coming in, people will just have to tighten their belts, whatever the consequences of that may be. We greatly welcome the Food Aid Programme because it is an extension of what we have enjoyed for many years, except that this is being multilateralized.

However, it seems to us that the quantity of $4\frac{1}{2}$ million tons, which has been earmarked for food aid is somewhat small, when we consider the very great extra demand for food that is now arising all over the world. There is a provision in the Memorandum of Agreement that the donor country should be able to name the recipient country. Now we understand that there would be a desire to name recipients and we cannot object to this because, as I said earlier, we have enjoyed very generous gifts and concessional sales for many years, but we would like to emphasize that, in dispensing this food aid, need should be the dominant consideration.

I understand assurances have been given that this $4\frac{1}{2}$ million tons of food aid would be in addition to other bilateral and multilateral assistance and that it is not a substitute for it. We welcome this assurance because, as we see the food position in the world, it would be necessary to have more than $4\frac{1}{2}$ million tons of concessional supply, especially if higher minimum and maximum prices are fixed. We should like this assurance to be recorded so that it is not lost sight of.

Finally, through extra incentives in the form of high, minimum and maximum prices, there is likely to be an increase in the production of cereals, particularly in the more affluent developed countries, but this should not result in any inclination on the part of developed countries to withdraw their assistance from developing countries who wish to try and make themselves self-reliant. We would emphasize that the efforts of the developing countries to become self-reliant in food should be encouraged even more than they are now, by receiving know-how, fertilizers, insecticides, pesticides and modern agricultural implements and by the inclusion of sizeable resources in development assistance programmes. Developing countries should not be lulled into the feeling that they will continue to get free or concessional food assistance for years to come. Our great fear is that if this situation develops it would mean a lowering of the quality of the people in the developing countries, and this removal of the desire to be self-reliant which would be extremely bad from many different points of view, in fact from the point of view of the quality of the human race itself. In the Sub-groups and in the work of the Council later, I hope that these points will be taken care of, and, for this reason, I would request that what I have stated, be taken as our sincere conviction. While being extremely thankful to our very generous friends who have helped us for many years, these are our sincere convictions.