

GENERAL AGREEMENT ON TARIFFS AND TRADE

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GROUP 3(e) - WORK ON TASK 4

Views Submitted by Delegations

Addendum

JAPAN

The following communication, dated 3 July 1974, has been submitted by the delegation of Japan:-

The view of the Government of Japan with regard to Item 4 of the Work Programme

(This view will not prejudice, in any way, the position of the Government of Japan in the Multilateral Negotiations, it being understood that it has been submitted to the secretariat in the context of paragraph 3 of MTN/3E/3.)

I. Problems of the world supply-demand situation and international trade in agricultural products

(1) The world supply-demand situation in agricultural products, after having experienced a surplus for a number of years, showed a shortage in 1971 and 1972. The stock levels of the main agricultural products have been sharply diminished, and their prices have consequently soared. The economy of importing countries, whether developed or developing, has thus been greatly affected by such changes in the world supply-demand situation. Although there were some signs of improvement in the world market as a result of the growth of agricultural production in 1973 mainly due to an increase of production in the USSR, it should be pointed out that there has been a growing amount of anxiety and misgiving as to the future supply-demand situation because of the experience of the past two years as well as the factors which are described in sub-paragraphs (2) and (3) of this paragraph. (Although the production in the main producing countries is increasing, there is no denying the fact that there is a dire need to replenish the stocks which have been significantly reduced. For these reasons, the situation will remain unstable at least for the time being in terms of supply-demand, the volume of trade, and the level of price of the main agricultural products.)

It should also be recognized that a new problem area has been created in the international trade system by a series of export control measures which have been taken in the course of the recent changes of supply-demand situation.

(2) As was pointed out in earlier meetings of this group, in spite of the improvement of production techniques, one cannot counteract the influence of recurring abnormal weather conditions on a global scale, and this fact was well reflected in the recent changes in the supply-demand situation. As some delegations pointed out, such a shortage in agricultural products has happened before and in the past we managed to tide it over through the concerted efforts of the countries concerned. However, in analyzing the factors which have affected the recent changes in the supply-demand situation, and in the process of future work, in the view of the Japanese Government, we should reflect upon the following fundamental factors, and not risk being beguiled by merely superficial phenomena:

- (a) An increase in domestic and import demand for, in particular, feed grains which follows the expansion of livestock consumption mainly in developed countries;
- (b) A rapid increase of population in developing countries and the stagnation of food productions there;
- (c) The instability of agricultural production in centrally-planned economy countries which have come to exercise increasing influence on the trends of international agricultural markets, and an increasing demand for feed grains with the expansion of the livestock consumption in those countries;
- (d) Unpredictability as to the future prospects of the international market which may be attributed to the fact that whereas the world supply-demand situation of agricultural products is undergoing a substantial change, adequate information on production, consumption and other relevant elements are not available. (The main exporting countries had some difficulty in taking appropriate production and export measures to minimize possible serious impacts on consuming countries, because they did not find themselves in a position to foresee the rapid changes in demand.)

(3) In addition to the above factors, the following elements may be regarded as those factors which substantially affected the world agricultural market in 1972 and 1973:

- (a) the parallel economic growth of the main countries;
- (b) world wide inflation;
- (c) instability of currencies;
- (d) speculative activities in commodity dealings.

II. The items to be examined in connexion with the work under the latter part of Item 4 of the Work Programme

It is desirable not only for the consumers in importing countries but also for the producers in exporting countries, to stabilize the world supply-demand situation and international prices of agricultural products. From this point of view, the Japanese Government is of the opinion that the basic approach to the forthcoming agricultural trade negotiations should, in line with the general objectives of the negotiations, considering the special nature of the agricultural sector and based upon mutual benefits through co-operation of exporting and importing countries, seek for a steady expansion under stable market conditions.

Furthermore, in the process of negotiations, due consideration should be given to such objectives as the effective use in the long run of limited resources, the solution of the world food problem, quantitative expansion and stabilization in the supply of agricultural products. These considerations are made imperative by those conditions relevant to the future supply-demand situation of agricultural products which may be summarized as population increase, expansion of the live-stock consumption, influences on agricultural production caused by weather conditions and the limitation of agricultural land resources.

On the basis of the above considerations, it will be suggested that the following elements be examined in undertaking the assignments under the latter part of Item 4 of the Work Programme, that is to say, identification of the problems which result from world agricultural markets and of their significance for an approach to negotiations in the agricultural sector.

- (a) It should be recalled that in the past trade negotiations the main efforts were concentrated on the aspect of an expansion of the access to import markets and the maintenance of the negotiation results. And in the examination of techniques and modalities, which was undertaken within the framework of the Agriculture Committee of the GATT, discussions were focused upon the aspect of import access, and no approach was made from the view points of supply.

However, the recent events in the field of international trade have indicated a necessity for the examination of concrete measures to stabilize the supply and prices. In respect of agricultural trade particularly, it is important to eliminate the factors which may affect a stable supply to the importing countries of the main agricultural products, such as foodstuff, through fair and just international rules concerning export control measures. The international mutual dependence is becoming more apparent even in the field of agricultural products, and importing countries will probably be reluctant to rely on the supply of agricultural products from foreign countries unless they are accorded such effective guarantees for their supplies.

Furthermore, exporting countries must be equipped with adequate stocks in order to continue a stable supply to importing countries.

- (b) The following elements should also be examined:
- (i) the establishment of an international co-operation system for the collection of information about agricultural products and for their analysis;
 - (ii) the provisions of measures to protect traditional and regular trading countries from possible distortions caused by countries trading erratically;
 - (iii) the relationship between the food problems of developing countries and agricultural trade negotiations.