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MEMORANDUM FROM THE AUSTRALIAN DELEGATION
ON "WORLD TRADE IN AGRICULTURAL PRODUCTS"

The attached memorandum from the Australian delegation is being circulated to the Group as a contribution to the further discussion on the subject of world trade in agricultural products at the fourth meeting of the Group to be held on 25-26 October 1976.

Australian Memorandum on "World Trade in
Agricultural Products"

This item was introduced into the work programme of the Consultative Group at its third meeting from a desire:

- (i) to raise the level of consciousness of what is happening, and not happening, in world agricultural trade;
- (ii) to engender some rethinking, outside the negotiating forum of the MTN, on the direction and kind of changes which could serve the longer-term interests of low-cost and high-cost agricultural producing countries, as well as producers and consumers everywhere; and
- (iii) to enable GATT to regain its place as a forum where there is a readiness to discuss and attempt to resolve problems affecting all areas of trade, and not just trade in manufactured products.

2. The Australian delegation believes that it would help the realization of these objectives if the subject were to be approached in the Consultative Group in a questioning, rather than assertive, way and initially on something of an abstract plane. This, it is hoped, might minimize the risk of unthinking confrontation from fixed positions. It would also be consistent with the raison d'être of the Group which, in essence, is to perceive the wider perspectives of the multilateral trading system and the implications within that system of significant trade and other relevant developments.

3. Developments in world agricultural trade have been examined in several national and multi-national bodies in recent years. It has generally been concluded that the agricultural sector has to a large extent remained on the fringes of post-war trade liberalization. It is not proposed to document those developments here. It would seem more useful at the present exploratory stage of the Group's consideration of world agricultural trade to ascertain whether there is an area of consensus in relation to the broad objectives for agricultural trade and in relation to the directions of change, if any, which may be necessary to move closer to those objectives.

4. It would, conversely, seem unhelpful to use a paper of this kind at this stage of the discussion to assert the views of a relatively low-cost¹ producer of most temperate agricultural products. The majority of GATT member countries are low-cost producers of tropical agricultural products while some of the high-cost producers account for substantial production which competes with temperate and tropical agricultural products.

5. Although, therefore, the line of approach which follows would reflect, albeit somewhat obliquely, an Australian perception of the problems, it is not intended to constitute a statement of an Australian position on those problems. That will follow at a later stage of the Group's consideration of the item, after other members of the Group have expressed their perception of the problems of world agricultural trade and of the implications of failing to take account of them in the evolution of trade and protection policies.

6. It might also be useful to reflect at the outset on the juxtaposition of the Group's ongoing discussions on agricultural trade and the negotiations on agriculture in the MTN. It is true that the outcome of the MTN negotiations on agriculture will be of prime importance to the majority of GATT member countries who are more dependent on exports of agricultural products than of manufactures. It is also true that in those countries where the agricultural sector is a strong, if not the major, source of support for liberal trade policies, failure in the MTN to deal with the diversion of markets from low-cost to high-cost producers would not be without implications in relation to protectionism in non-agricultural sectors.

7. The discussion in this Group, therefore, could be helpful in underlining the significance, including for the MTN, of adjustments in world agricultural trade. This discussion in CG.18, however, transcends the nature of the MTN's involvement in agricultural questions and goes beyond that sort of time-scale. In brief, it would be useful if the Group's discussions were to lead to an improvement in the atmosphere for negotiations on agricultural trade of the kind taking place in the MTN. Some aspects of the Group's work will, however, have no application in an MTN context, while in a timing sense, it may be possible for some steps to be taken to improve agricultural trading relationships before the conclusion of the MTN, with other measures following some time after the conclusion of the MTN.

¹In referring at this exploratory stage to "low-cost" and "high-cost" producers, it is, of course, recognized that some countries are significant "high-cost producers" of some products and significant "low-cost producers" of other products; and that references to "high-cost" and "low-cost producers" should be regarded as being relative rather than absolute terms.

8. Discussions of this kind all too often tend to focus on the agricultural policies and measures of the larger countries. It should not be overlooked, however, that the medium and smaller sized high-cost agriculture countries also constitute a significant potential market in the aggregate, and a not insignificant source of disruption in third country markets.

9. Difficulties in perceiving trends in commodity markets can themselves lead to inappropriate or lagged responses by producers. It seems questionable, moreover, whether policy-makers have available to them information adequate to be able to discern existing trends, within and beyond their own borders, reasonably accurately and promptly.

10. International commodity consultative groups can serve an important purpose in the collection, interpretation and dissemination of commodity market data. Such services are particularly useful to medium and smaller sized countries with modest resources for market intelligence work. In addition to market data collection and surveillance, such groups can be useful in anticipating future trends by affording a forum for consultations directed to alleviating the consequences of perceived trends. In such ways they can assist in the avoidance of what could otherwise develop into crisis situations. Such international commodity groups also have the potential to improve the climate of trade relations between producing and consuming countries actively and positively participating in them.

11. Useful as improved international surveillance of commodity markets and trends would be, the international community needs also to focus on the longer-term implications of a continuance of those trends. It needs to do so, inter alia, from the viewpoints of world food sufficiency, of standards of living, employment and (as in the objectives of GATT) of "developing the full use of the resources of the world and expanding the production and exchange of goods".

12. There has never been any dearth of technical advice on ways of liberalizing agricultural trade. It has, however, too often failed to take account of the relevant political and social environments. If one attaches importance to raising real standards of living, to security of employment in the longer term, and to optimizing the returns from the world's food producing resources, it is apparent there is need for a better agricultural resource allocation, whether by means of increased "market-orientation" or otherwise; or, at worst, the avoidance of measures which compound existing misallocations of resources. In the shorter term, however, there is something to be said for lowering one's sights to specific proposals, modest in scope, and capable of early realization from political as well as other viewpoints. In keeping with such an essentially pragmatic approach interim positions might have to be taken which might not themselves be immediately or fully in accordance with the GATT but which might be acceptable if they were

components of wider undertakings, and recognized to be such, directed to longer-term trade liberalization consistent with the objectives of GATT.

13. Low-cost agricultural producing countries, for example, will continue to seek improved access to the domestic markets of the high-cost agriculture countries. Given the reaffirmation of commitment of some of these countries to high levels of protection for their agricultural sectors, it is a matter for consideration whether interim agreement of the kind and in the circumstances described above could take the form of guaranteed minimum quantitative levels of access. Consideration could also be given to incorporating in any such agreements provisions relating to sharing in market growth in high-cost countries and other measures to improve stability in world markets.

14. If high-cost countries were to allow low-cost exporters better access to their internal markets, it could be necessary to ensure either that there was no consequential increase in the "overspill" of highly subsidized exports of high-cost production to third country markets or that any such "overspill" was marketed in ways which did not disrupt those markets.

15. Displacement of low-cost producers from third country markets by subsidized exports from high-cost agriculture countries is becoming an increasingly serious problem. This raises the question of whether it would be appropriate to have a code of export behaviour or some form of multilateral discipline which could supplement the rather unsatisfactory relevant provisions of the GATT (a matter now under consideration in the MTN). As a preliminary step in evolving such a code it could be helpful if there were to be greater transparency in, and availability of information relating to, the processes by which the levels of subsidies of exports of high-cost agricultural production are set.

16. Having regard to its magnitude, high-cost agricultural production has an important bearing on world food sufficiency. If high-cost production continues, however, to expand and be disposed of in ways which lead to the de-activation of lower-cost agricultural resources, the effect could be to deter or to disrupt infrastructural and other long-term investment in low-cost agriculture which would otherwise have been directed to meeting future world food needs.

17. The lack in the past of durability of concessions on agricultural trade might also usefully be taken up in the Group's discussion on this item. Where concessions on industrial products are negotiated in exchange for concessions in agricultural trade there will need to be an equivalence of durability and commitment. This could possibly be expressed in the form of "conditional" bindings in the form of commitments notified to GATT, but not included in GATT schedules, with one of the conditions being that default or termination of the agricultural concession would terminate the reciprocal commitments on industrial products.

18. This paper concludes as it began: with the hope that from whatever viewpoint one approaches the problems of world agricultural trade, the discussion of them in the Consultative Group will reflect a preparedness to seek to enlarge the area of consensus and to explore, without commitment, some "in principle" means of improving the prospects for world agricultural trade.