GENERAL AGREEMENT ON TARIFFS AND TRADE

Meeting of Ministers

STATEMENT BY THE HON. J.R. MARSHALL, DEPUTY PRIME MINISTER AND MINISTER OF OVERSEAS TRADE FOR NEW ZEALAND, ON 29 NOVEMBER 1961

Trade in Agricultural Products

We now come to the item on the agenda dealing with trade in agricultural products. This is the problem which has so far defied solution but to which an acceptable answer must soon be found if the GATT is to retain the support of many of its members. The impatience of primary producing countries has been apparent in many contributions on the other items of the agenda.

In fact it is not too much to say that the General Agreement is in a crisis, and it is time to recognize this frankly.

The reason for this situation is that many countries have failed to observe the aim of the Agreement that there should be "reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade".

Many countries like New Zealand have accepted obligations and given concessions at some cost to themselves. A number of other countries have taken these advantages, but have failed to accord similar advantages to a larger body of world trading nations, particularly the exporters of primary products.

This situation cannot be redeemed by saying that the rules, for some reason, do not or should not apply to agriculture. That would mean that they should not apply to trade which is vital for the great majority of GATT members. It is to say also that the internal political and social problems of some countries are to be accepted as a justification for their failure to comply with the Agreement, but that the comparable problems of others are less relevant. In any system of justice there must be equality for all before the law, and this principle is no less applicable when the law is the trading statute of nations. It is the test of this principle that it is still observed when some parties are materially stronger than others.

Many countries, including my own, have given tariff concessions and have observed the general obligations of the Agreement. They have received tariff concessions in return - on paper. In fact many of those concessions have been widely nullified or impaired by the operation of non-tariff devices which the Agreement was specifically designed to avoid.

MORE
In two-thirds of the export products of interest to us, we are persistently frustrated by the widespread and inflexible barriers to which the report of Committee II refers.

It is not merely that we feel the situation is unjust in the abstract. The problem is very real to us. One third of our national income is derived from three major exports, meat, dairy produce and wool. Exports of meat and dairy produce are severely restricted in gaining access to most of the major markets of the world. These exports are not surpluses, they are not subsidized, they are the normal products of an economic producer and could be freely disposed of in a competitive open market.

This is not by any means solely a problem of New Zealand. It is an even more anxious and pressing problem today for many more countries, within and outside the Agreement, who are also dependent on exports of primary products, and who are struggling with programmes of development to build better standards of living for their people.

On present indications the future shows little prospect of improvement. This is the challenge to the GATT. Economic nationalism in agriculture; self-sufficiency, expensively achieved by the direction of resources into high-cost and less efficient agriculture; the persistent application of harsh protectionist devices against trade in agriculture, are only too evident. These developments seem likely to grow if countries with regional arrangements look inwards in their agricultural policy.

This is not all. Many countries do not stop at imposing barriers to their import trade. They go on to dump the surpluses thus generated on any remaining importing market that they can find, to the detriment of those who are normal producers dependent on the profitable sale of the products concerned.

I would, however, be less than grateful if I did not in this connexion refer to the series of discussions on butter which have been held in the GATT this year. They have been long drawn out but not without some worthwhile results. It is the submission of New Zealand that a pattern has been set both for short-term and longer-term action which could lead to fairer trading and greater stability in butter marketing.

In this context I would like to pay a tribute to the Executive Secretary, Mr. Wyndham White, who, within the limits of impartiality and moderation, has endeavoured to infuse the spirit of the GATT into these difficult negotiations.

The point has now been reached where as an alternative to anti-dumping duties all except one of the suppliers of butter to the United Kingdom market have voluntarily agreed on the level of their supplies for a period of six
months ending on 31 March 1962. There has been some improvement in price but it is too early yet to say whether these measures in themselves will be sufficient to bring the price to a satisfactory level in the next few months. But as a first step to more stable and profitable marketing of butter this action is appreciated by New Zealand. It is abundantly clear, however, that by itself, it is no more than a temporary palliative. We would now hope to see steps taken to carry out remedial measures such as the recommendations of the OEEC for increasing consumption in the supplying countries. Apart from long-term measures, some action must be taken to restrict the dumping of butter on the British market beyond 31 March next. Otherwise the next stage will be worse than the last.

May I also express the appreciation of my country for the patience and fortitude with which Her Majesty's Government in the United Kingdom has dealt with this difficult problem up to the present time.

May I say to the countries reducing their supplies to the British market that New Zealand is not unaware of the political, economic and social problems involved. We have them also but in reverse.

There is in this situation, as in others of a like nature affecting more countries, a clash of national interests, and it is to resolve such a conflict that the rules of the GATT and of the British anti-dumping legislation have been called in aid in this instance.

The New Zealand Government would hope that the present voluntary arrangement can be extended on a satisfactory basis so as to avoid on the one hand a depressed market or on the other hand the application of anti-dumping measures.

For these reasons we hope that the GATT will remain seized of this problem both in its short-term and its longer-term aspects.

Of course butter is only one example. In the agricultural field generally we feel and I believe many other contracting parties feel that the report of Committee II is not merely a collection of words to be noted but a challenge to be taken up. The report says that "...the balance which countries consider they had a right to receive under the General Agreement has been disturbed". I would say the report is very moderate in that statement. The report goes on to say "these developments are of such a character that .... they have weakened or threatened to weaken the operation of the General Agreement as an instrument for the promotion of mutually advantageous trade".
We have good cause to agree with this. In the long view prosperity is indivisible. If the greater part of the world’s population is in this way so seriously affected in its export trade, the rest of the world cannot escape the consequences.

Because I know how New Zealand has been affected I can best illustrate what I mean by quoting New Zealand conditions. But many other countries are similarly placed.

The depressing of the market and the restricting of trade in agricultural products means that New Zealand’s real export income is less.

Because our income is less we can buy less imports. This directly affects the countries who could buy from us if they would since they are the main suppliers of the industrial products we need.

We can now buy less in volume of imports that we could six years ago in spite of an increase in volume of exports.

Further, because prices are depressed and our income is less we have balance-of-payments problems. Because we have balance-of-payments problems we have to conserve overseas exchange reserves. To conserve overseas exchange we have to resort unwillingly to import licensing. We also have to encourage local industry to provide for ourselves goods which we previously imported. The vicious circle is complete.

If more rich industrial countries were prepared to open their doors to the exporters of primary produce on terms of fair and open competition the vicious circle could be broken and the trade of the world would flow more freely to the advantage of all.

The Executive Secretary made a constructive statement to the Council on 27 September 1961. He asks "would it not be better to examine what prospects there are for negotiating clearly defined and acceptable terms of access to markets; and what prospects there are for expanding the exports from agricultural producing countries, as rising standards of living expand the demand for foodstuffs".

There are a number of points in this statement which I would like to emphasize. The first point is that the negotiation of access is preferable to a general scaling down of concessions which could well be the alternative. The next point is that because the need is urgent access should be negotiated without delay in clearly defined terms and free from devious blocking devices. The Executive Secretary has also emphasized that proposals for access must be acceptable. We ourselves are sufficiently realistic not to expect a sudden elimination of all forms of agricultural protection, but a reasonable and moderate beginning should be made. From reasonable and moderate beginnings there should be provision for further expansion of access. This is particularly important for developing countries where rising standards of living are now being retarded because exports are restricted.
It seems to my Government that we have here in the Executive Secretary's statement a positive but moderate programme of action. It is in the form of an objective which could well be accepted in principle by ministers here and referred to the Contracting Parties who could then draw up the correct procedures for action.

The distinguished delegate from France has suggested that early next year commodity study groups might meet to consider whether solutions to some commodity problems can be found on a world-wide basis. This initiative is interesting, particularly at a time when the Committees established under the expansion of trade programme are reaching a stage, in their examination of these problems, where new avenues may have to be explored. It would seem to the New Zealand delegation that if it should be decided to call together such study groups, their terms of reference should be so drafted as to ensure that their objectives continue the work of the expansion of trade programme, and take into account, for example, the suggestion I have made concerning the Executive Secretary's statement.

I should mention here that New Zealand has placed on the agenda an invitation to ministers to give guidance on the future work of Committee II. Contracting Parties will be familiar with New Zealand's views on this matter. At this point I would ask only that ministers look forward to the Contracting Parties directing the continuation of the existing work of Committee II, that is, the work of reporting and consultation.

The terms of reference of any study groups set up should be drawn widely enough to enable them to examine any proposals relevant to the problem of trade in the commodities concerned which might be submitted to it.

It must also be remembered that similar problems are already under discussion in the context of the negotiations for the entry of the United Kingdom and other countries to the EEC. Therefore any new study groups should not operate in such a way as to impede or delay the search for a satisfactory solution of agricultural problems in that other forum, or be made the excuse for transitory or inadequate provisions in the hope of final solutions in a wider field.

I said when I began that the General Agreement is in a crisis. I do not mean to imply that the end is near.

History provides many examples in the life of nations where the rule of law beings to loose its hold: when the law is no longer equally enforced: when the rich and the strong find that they can become richer and stronger as the law becomes weaker. The lesson of history is that decline and fall follows from that point. The beginning of that time is a period of crisis because it is a time when it is not too late to remedy and recover. That is the kind of crisis which we now face in this organization.

It is not too late to remedy and recover. It is not too late for the rules of the GATT to be applied with equity in all trading among us. It is not too late for this conflict which has arisen between the products of industry and the produce of agriculture to be resolved, and resolved it must be if the crisis is to pass.