SPEECH BY DR. LUBKE, MINISTER OF FOOD, AGRICULTURE AND FORESTRY, OF THE FEDERAL REPUBLIC OF GERMANY, DELIVERED AT THE PLENARY MEETING OF THE CONTRACTING PARTIES HELD ON 16 OCTOBER 1958

I welcome that this meeting of Ministers at the beginning of the Thirteenth GATT Conference offers me an opportunity to emphasize the willingness of my Government to co-operate in the further development of world trade and to present and justify to you the attitude of my Government towards certain problems of trade policy with which this Conference will have to deal.

The density of population in the Federal Republic rose considerably after the absorption of more than 12 million refugees. The necessity to give these people work and bread accelerated the development of our country into an industrial state. This also led unavoidably to an expansion of our foreign trade. The further development of our national economy largely depends on the volume of our foreign trade. Therefore, we must in our own interest do everything necessary to promote world trade. In this connexion we have to take account of the fact that about 7 million Germans are living in the agricultural sector whose basis of existence must not be jeopardized.

At the Thirteenth GATT Conference the following problems which are of particular importance for world trade were raised:

- the slow progress in the development of the foreign trade of the primary commodity supplying countries as compared to that of the industrial countries;

- the detrimental effects of heavy short-term fluctuations of primary commodity prices on world trade, and

- the measures of trade policy being taken in industrial countries in connexion with their national agrarian policies.
At that time the Contracting Parties agreed that these problems should be further investigated on the basis of an expert report. This expert report has meanwhile been submitted. It completes in an outstanding way the valuable analysis given in the last annual report of GATT. As regards both trade policy and agrarian policy it contains a number of points and suggestions which must be carefully examined before they are put into practical effect. I think we are highly indebted to the distinguished scientists who drafted this expert report.

Mr. Chairman, I wish to comment only on a few points of this report which appear to me to be of special importance.

I feel that a certain degree of stability of the commodity markets is a basic problem for the future development of world trade. Therefore, my Government welcome that GATT is ready once more to deal with this problem on the basis of the expert report.

There is no uniform opinion on the usefulness of international commodity agreements. I think such agreements, if properly drafted, might indeed serve as an appropriate means to limit to a certain extent extreme short-term price fluctuations. Therefore, the Federal Republic is a member of the International Wheat Agreement and the International Sugar Agreement.

It must be recognized that the primary commodity supplying countries can only prosper economically and politically if they are able to export their commodities regularly, in adequate quantities and at reasonable prices. In my opinion this would constitute the soundest and cheapest assistance in the development of such countries. Likewise, the export chances of the industrial countries will be improved by any increase in the purchasing power of the primary commodity supplying countries.

The expert report also deals with the creation of stable market conditions for agricultural products within the national sphere. To this end a system of stockpiling or one of variable levy-deficiency-payments is proposed in the report. We have adopted in the Federal Republic the system of national stockpiling for such commodities as fall under the Marketing Laws. Moreover, we have practised for years a system of price equalization for our imports of grain and sugar and we are of the opinion that this system has worked well. It likewise served the interests of our extra-European trade partners whose exports to the Federal Republic have in general increased. Therefore, the Federal Government will maintain the Marketing Laws and must likewise abide by the legal concept regarding such Laws which is known to you.

The expert report proposes that countries practising a system of price supports should adopt a system of variable levy-deficiency-payments. However, it is my opinion that this system conceals a number of dangers and disadvantages which were mentioned only partially in the report. Therefore the proposal needs a further careful study.
The Federal Republic succeeded in contributing to an expansion of world trade by increasing her exports and her imports. She is, however, of the opinion that protective measures are necessary in cases where excessive imports - especially if they were brought about by actions in the export countries incompatible with marketing principles - may threaten vital branches of economy.

As regards import restrictions on agricultural produce the expert report expresses an idea to which I attach special importance. It is stated that a sudden and rapid reduction of the protection of national agriculture should be avoided and that import restrictions on farm products should be removed only gradually in connexion with a structural improvement. Here, independent scientists of world reputation confirmed the propriety of the German attitude.

I suppose you know, Mr. Chairman, that for some years agriculture in the Federal Republic has received billions from the Government budget to effect structural improvements, higher productivity and better qualities. For political and economic reasons it is impossible to endanger the process of re-organization so initiated within our agriculture by a rapid removal of still existing protection against imports. Moreover, I am convinced that the demand for a removal of existing import restrictions is only justified if it is at the same time ensured that the export prices will not be distorted by governmental actions. In this respect I feel that the rules of GATT should be reformed.

The expert report also points out that almost all countries of this earth protect their national agricultural production against imports from abroad in one form or another. In accordance with the national systems of trade policy and agrarian policy, this is done in various forms with or without a waiver being obtained from GATT. On the other hand, this fact suggests that GATT rules are no longer compatible with the economic requirements of many countries. At any rate I feel that as far as the agrarian field is concerned, GATT has become unsatisfactory and should be supplemented.

The present report by renowned independent experts shows that the problem of agricultural import restrictions is by no means limited to the Federal Republic but is a general, still unsolved problem of world-wide importance. In the light of these facts the Federal Republic would make it a point of the greatest importance that the German import restrictions, which will likewise be under consideration at this Conference, should not be treated as an individual case but that the consideration of this question be postponed until the GATT rules concerning the agricultural sector will have been adjusted to economic requirements.
Finally, the expert report speaks of the apprehensions felt as regards the effects of the Rome Treaty on the foreign trade of the Six countries with third countries. Indeed, the position of the European Economic Community on the world market is of paramount importance. Its share in the total world trade is almost one fourth. The countries of the Community are, moreover, the most important buyers of primary commodities on the world market. Thirty-one per cent of the world trade in primary commodities is accounted for by the countries of the European Economic Community.

The GATT expert report mentions especially the provisions concerning agriculture in the Rome Treaty and the effects of an association of the overseas territories.

As regards agriculture, to begin with, I wish to refer to the Conference of the Ministers of Agriculture held at Stresa in July last at which we also discussed the question of the relation of the European Economic Community with the other States. I stated:

"In our discussions on the establishment of common agrarian policies we should not forget that the Common Market must not be an isolated institution established regardless of the relations existing so far between the Member States and the rest of the world. During the past years every Party has built up connexions and relations in the fields of international law, politics and economy which it makes available to the new Community. Therefore, the Community of the Six States belonging to the European Economic Community cannot solve the problems of the Common Market as an abstract model case but has to take into account the economic and legal interests of the rest of the world. Without close economic co-operation under OEEC, GATT and the Monetary Fund the rapid economic progress achieved in the States of the European Economic Community after the war would not have been possible. Therefore, we should not create an isolated preferential area."

The fact that likewise the other members of the Community share this view is shown by the resolution taken at the Conference of Stresa. It states that, in the implementation of the Treaty, account must be taken of the necessity "to maintain the trade relations and the contractual, political and economic ties existing with third countries".

That is not a platonic phrase but an economic necessity. If we wish to export our industrial products to countries outside Europe we will, of course, have to import from those countries their agricultural products.

The association of overseas territories with the European Economic Community disquiets especially the overseas producing and major supplying countries. We have already declared our readiness in the framework of GATT
to enter into consultations with these countries on the effect of the Rome Treaty on the foreign trade in coffee, tea, tobacco, sugar, cocoa and bananas in concrete cases of prejudices suffered by third countries.

Mr. Chairman, would you permit me, in this connexion, to go into the details of a problem which is of vital importance to the Federal Republic and the European countries:

It concerns the way in which the import restrictions existing in the agricultural sector are applied. The Federal Republic already promised GATT that as of 1 January 1960, she will establish global quotas for agricultural imports still subject to quota as far as such imports do not come from European countries. But the Federal Republic is at present not in a position to convert into global quotas also the bilateral import quotas granted for agricultural products to European countries. The reasons are as follows:

About two-thirds of German industrial exports go into European countries, the balance into the rest of the world. In exchange, the European countries mainly supply to us agricultural products. An inclusion in global quotas of agricultural imports from European countries would result in the German agricultural imports being largely shifted from European countries to other countries. As a result the European countries would then have to restrict considerably their imports from the Federal Republic. Moreover, the Federal Republic on her part would hardly be able to sell her industrial products elsewhere to the same extent as hitherto. Similarly, the European countries could then no longer sell their agricultural products. This would, furthermore, result in a heavy reduction of primary commodity imports by the Federal Republic from overseas.

It is impossible to eat one's cake and have it.

The fact that the Federal Republic endeavours to meet likewise the justified trade interest of the extra-European countries is shown by the development of the imports from the dollar area which had amounted to about 19 per cent of total imports in 1954 and rose to 28 per cent in 1957. An even heavier increase was recorded by food imports. In 1954 about 21 per cent of food imports into the Federal Republic had come from countries of the dollar area whereas the figure for 1957 was about 31 per cent. In 1957 the value of food imports into the Federal Republic amounted to 2.5 billion DM from the European Economic Community area, to 1.8 billion DM in total from the other OEEC countries, and to 5.7 billion DM from the rest of the world. I have taken the liberty, Mr. Chairman, to submit to you some statistical data on this matter. I should be grateful if the secretariat would bring them to the notice of the Contracting Parties.

1 In order to show you the development of imports from the rest of the world, it is pointed out that, in 1956, such imports still amounted to 5.3 billion DM.
Thus, the trade of the Federal Republic with overseas countries has proved increasingly advantageous rather than detrimental to such countries, as is clearly shown by these figures. Indeed, in several countries having complained within GATT of the German import policy, official quarters have declared that their foreign trade with the Federal Republic had developed in a particularly favourable way.

The expert report likewise deals with the exports of industrial products from less developed countries. We feel the development of industries to be very important also in the countries producing primary commodities, and we are prepared to import their industrial products. At present, this is only possible within certain limits, owing to the social and structural problems and the artificially distorted prices involved here. The German delegation will revert to this question in the course of the Conference.

With technical progress and the development of transport the world grows more and more inter-connected. The time when each State had its isolated national economy is over. Therefore, we advocate a co-ordination of the economic policy of the individual States, a world-wide co-operation in all fields and realize our obligation to assist the less developed countries in their reconstruction work also by means of trade policy.

GATT has deserved well of this co-operation in the field of trade policy. By its unflagging work GATT contributed to the development of world economy and to an expansion of world trade. Therefore, the Federal Republic is eager to see that GATT should be adjusted to the knowledge meanwhile gained and to the economic necessities.

I thank you, Mr. Chairman.