Trade in Agricultural Products

The discussion on Items 1 and 3 of the agenda have already cast a sharp light on some aspects of the problems of agricultural trade. All of these problems are linked with what we usually call agricultural protection. They are of the greatest concern to Australia. We have sought, increasingly since 1957, to find through GATT, through Committee II and otherwise, ways of mitigating the impact and of moderating the policies of agricultural protection.

Basically, two major problems affecting the export trading returns of agricultural exporting countries arise from those policies of agricultural protection so unswervingly pursued by industrialized countries in recent years. These are unstable and unsatisfactory export prices and the reduction of marketing opportunities. There are two other related and important questions—subsidized exports and non-commercial surplus disposal operations. The latter we recognize requires a fusion of trade and humanitarian consideration. These are the problems for which we have to find the answers.

Even in the absence of the kind of excessive protection of agriculture that we wish to see moderated, the trade in basic primary commodities is inherently subject to fluctuations. But if you also have widespread and high protection of agriculture you find added vulnerability to fluctuation. The trade is much more exposed to disruption.

I have already in this meeting emphasized the importance of greater stability and predictability in the international exchange of basic primary products.

On this we have two main points. First, that a high level of economic activity in the more highly-industrialized countries is necessary for a satisfactory international trade in primary products but does not of itself ensure a satisfactory position. Second, that solution by special international arrangements for the trading problems of such products need always to be sought not through any general formula but by measures related to the circumstances of individual commodities—circumstances which vary so much from one product to another. The fact that the fate of the International Sugar Agreement now hangs in the balance shows this.

Mr. Hees has underlined the serious impact of widespread agricultural protection. Western Europe, including the United Kingdom, has been producing more and more of its own requirements of temperate foodstuffs and therefore importing less and less. For example, this area imports some 3,600,000 tons...
less than pre-war of grains, sugar and meat - to quote just some commodities of interest to Australia. This has happened during a period of population growth, increasing prosperity and, for most foodstuffs, rising levels of consumption.

The cost to the Six, if they switch from a high market price system to a deficiency payment system or subsidy system, has been estimated at DM. 12,000 million. This we may take as some indicator of the cost of agricultural protection in the countries of the EEC. If we add the published figure of £270 million sterling for the United Kingdom's subsidies to its farmers we find that agricultural protection for these countries alone seems to be costing taxpayers or consumers something in the order of £3.5 billion.

Those countries guaranteeing high market prices have to seal off their internal market from outside competition so we find one form or another of control of imports apart from tariffs.

In the United Kingdom the price situation has been aggravated for some commodities by the fact, as I will show, that occasional or recurring surpluses generated in other countries have been concentrated upon the United Kingdom market, depressing prices further.

The price collapse of the barley market in the United Kingdom that we saw earlier this year demonstrates how vulnerable commodity prices are today to price instability. In this case there was both high domestic production in the United Kingdom and heavy imports, some of which were dumped.

We have also seen again this year a glutted butter market in the United Kingdom. The so-called world price on the United Kingdom market - the price which Australia, New Zealand, Denmark and other traditional suppliers to the United Kingdom market receive - is round about half the price which producers in Western Europe and the United States receive. The quantity of butter entering the United Kingdom market is only about a sixth or a seventh of world butter production (leaving out the USSR) but this quantity includes more than 80 per cent of New Zealand's production and about one third of Australia's production.

These are the kinds of results of agricultural protectionism we want to see moderated.

This whole problem of agricultural protection is the crux of the troubles which our exports and those of other agricultural exporters face in overseas markets. It means in summary that:

- the major proportion of world supplies of the foodstuffs which Australia exports is produced in the northern hemisphere under policies of high price support;
- the European market for imported temperate foodstuffs has shrunk;
- only a fraction of the total world supply of major food commodities enters world trade.
The so-called world prices at which it is sold are unreal, but they largely determine returns to Australian and other overseas producers.

The narrowing of commercial export outlets and the pressures on such markets as are open to the primary exporting countries, as I have said, aggravate the unstable character of trade in basic commodities. They produce sharp fluctuations in the export incomes of agricultural exporters like Australia. If we find our export incomes suddenly cut back we have no option but to reduce sharply our imports. This means mainly a reduction in the trade the more industrialized countries do with us. Thus it is world trade, not only our trade, which is restricted. We have had this experience at least three times this last decade.

How important the policies of industrialized countries are for agricultural exporting countries or for less-developed countries is highlighted by the steps being taken by the European Economic Community towards putting into effect the provisions of the Treaty of Rome.

The Australian Government has always supported the objectives of economic integration in Western Europe, having in mind in particular the importance of political stability in Europe. But we have equally urged the need for trade policies on the part of the Community which would result in a true expansion of trade between the new Community and all its trading partners, whether agricultural or industrial countries.

In the agricultural field, however, we have not found any encouragement to expect that the market opportunities for outside countries would be increased when the Community's agricultural policies are settled and put into effect.

I do not know how much encouragement is to be taken from M. Rey's welcome assurance yesterday that the inability of the Community to negotiate up to the present on agricultural products is not an indication of the future policy of the Community when it has settled its Common Agricultural Policy.

These issues become all the more important now that the United Kingdom - the world's biggest single food importer - has entered into negotiations with the EEC with a view to becoming a member of the European Common Market.

There would be tremendous consequences for world trade, and especially for all those countries who historically have relied upon the United Kingdom market for a major part of their exports, if that market were to be embraced within a highly protective or restrictive common agricultural policy.

As Mr. Ball put it in a recent address, "The United Kingdom, for its part, is the hub of another world trading system of more than sixty countries and territories with a total population of three quarters of a billion people, a system built upon the tariff preferences of the sterling area".

As is well known, the United Kingdom has declared her intention of seeking arrangements in respect of Commonwealth trade in the event of her joining the EEC. The Australian Government has emphasized the serious consequences to
Australian producers and the Australian balance of payments which would occur if the United Kingdom were to join the Common Market on a basis that failed to safeguard Australian interests. However, the United Kingdom has given assurances that it fully shares the concern of the Australian Government to maintain the long-established flow of trade between their two countries.

The Australian Government has had in mind that for some major commodities international action might well be found desirable in addition to whatever arrangements are negotiated in respect of Commonwealth trade in the context of the United Kingdom's possible entry into the European Common Market. Such wide international action might enable aspects to be dealt with that go beyond questions arising from the United Kingdom's negotiations with the EEC.

In a recent address Mr. McEwen, the Australian Minister for Trade for whom I am speaking today, said:

"The United States and others could join in discussing and evolving a new concept of world price stability at fair levels for the great bulk commodities. Food surpluses could well be discussed at such a meeting ... and plans examined to help hungry people of the world".

The Australian Government believes that countries of goodwill should be capable of ensuring that the producers of food and raw materials, wherever they are, get reasonable access to commercial markets at fair prices; and that surpluses are utilized to relieve hunger and to assist economic development in a manner that harms none but aids millions.

The patient work of Committee II has defined and has spotlighted a whole range of the kinds of problems I have referred to and the statements of M. Baumgartner and Mr. Ball contain procedural proposals to carry the work forward.

Solutions to all the international agricultural problems will not easily be found. But the Australian Government wants to see prompt and vigorous action reaching out towards solutions. It welcomes the initiative proposed by France, and supports the procedures suggested.