Committee II - Expansion of Trade

SUMMARY RECORD OF THE DISCUSSIONS ON
cereals, dairy products, meat and fish

Corrigendum

The following text should be inserted on page 18 under Dairy Products as the United States' statement:

The representative of the United States stressed that it should be borne in mind when examining each commodity that the total situation in agriculture must be taken into consideration. He agreed with the general conclusion that the use of non-tariff devices was widespread and that the application of these measures had unquestionably affected production, consumption, trade, movement of stocks and prices; in fact it was the very purpose of these measures to influence some of these developments. Since all things economic were related it followed that there must have been some indirect effects in the countries that took the measures and elsewhere. He felt, however, that the Committee could not measure the extent of each one of these effects.

He expressed much sympathy with some of the views expressed by the representatives of the Netherlands and Finland. Changes in production, consumption and trade could not unequivocally be attributed to the effects of protection and prices did not in all circumstances determine the extent of changes in output. He also agreed that a moderation of price fluctuation, a moderation of those that had no useful function, was a legitimate aim of economic policy and not an expression of reckless pursuit of domestic welfare at the price of hardships to other countries. In fact if the representative of New Zealand intended to make the point that the fact of moderation of price fluctuations in some countries had added to the difficulties of the so-called traditional exporters, while the first group at the same time pursued a policy of stock accumulation when prices were high and liquidation when prices were low, he did not quite agree with this interpretation of the facts. He felt that if the latter were true, price fluctuations would have been intensified, not moderated.

The United States representative stated that the Finnish representative was the only member to remind the Committee that not all measures of agricultural support were taken in a vacuum, that some were trying to make amends by measures aiming at improving the present unfavourable effects, by bringing excessive prices down, and/or otherwise curbing output and taking other specific precautions or following a structural adjustment that should make for less need for protection. In fact, this was a specific programme point for the procedures in the country consultations. He added that the Committee
should not confine itself for final evaluations to an examination of agricultural alone, but should also contemplate the situation in other economic sectors which may or may not be highly protected. It was obvious that from the point of view of resource utilization a protected agriculture looked worse if industry was free from protection than it did if industry was also highly protected. Protection in both agriculture and industry in international perspective, not only in any one country, was also of importance to the Committee.

He felt that most of the comments made by the delegates who were critical of protection were entirely pertinent. He stressed that there must be a reasonable give and take under the international trade system. If an important segment of the economy was omitted, some countries or segments of their economies would suffer and such countries could not be expected to support such a system.

The following text should replace the statement of the United States representative on Wheat, appearing on page 5:

The United States representative expressed general agreement with the statements made by the representatives of Canada and Australia. He stressed, however, that the Committee, when concentrating on the various measures of support must not overlook the fact that such measures were sometimes accompanied by others designed to prevent or mitigate the effects that were rightly criticized. This was true in some countries but not everywhere.

Among such measures were those of deliberate restriction on production, although not always fully effective; there were measures of stockpiling, and readiness for continued and secure maintenance of large stocks, and safeguards against reckless dumping in international markets.

The extent of an export subsidy was often not a separate factor but the corollary of the level of a support price; it was not applied to a low domestic price but to a high domestic price which resulted in excessive supply. It was also a debatable question whether the prices that could be realized for wheat in international trade would profit from an elimination of all price supports and output restrictions in the United States whether in the short or long run. On strictly analytical considerations such a result would seem extremely doubtful.

In the case of special schemes for the disposal of surpluses, it was necessary to consider that much of the requirements in the less-developed countries that were made in this way would not otherwise have become effective commercial demand. He referred to the special precautions that existed to avoid displacement of ordinary commercial demand, not for one, but for any country's product. Some of the safeguards established for this purpose have been specifically designed to relate to the protection of all exporters.
He emphasized that it was alarming to note that there had been so little effort to modify support policies which clearly encouraged or maintained uneconomic production. The result was that an ever-growing share of output was shifting to high-cost producers. He appreciated the difficulties that countries faced with respect to changes in policy. However, one needed only to contemplate the results of a generalized economic policy in the pursuit of inefficiency to realize that it was not too early for a change.

The following text should replace the statement of the United States representative appearing on pages 6 and 7 under Coarse Grains:

The United States representative supported the comments made by the representative of Australia to the effect that it would be necessary for the Committee to go beyond the process of regarding what is already known; the Committee must try to draw some worthwhile conclusions.

He stressed that moderation of the protection applied in the past was advisable with respect to trade in agricultural products. In the case of maize (corn) or coarse grains in general, there was a different situation compared with the case of wheat. In the major exporting countries there was little difference in the price for coarse grains traded internally and the prices in quantities entering international trade. Directly with respect to restrictions, the picture for coarse grains was perhaps not as unfavourable as that for wheat; not as much of the trade came under non-tariff restrictions.

Coarse grains were products which provided a good example of a situation in which the Committee should not undertake a superficial examination only. With the various new approaches to protection which had been introduced it was not possible for the Committee to confine itself to reviewing the record of the past but must also contemplate what the situation might be in the future. With respect to demand, there appeared to be some promising prospects for coarse grains for this was not a commodity which was burdened with the impediment of inelasticity of demand. There was in fact a considerable "derived elasticity", derived from the demand for livestock products in developed as well as less-developed countries.

It would appear that in order not to stifle these possibilities, what was needed was a more liberal attitude in relation to policies to be followed in the future for coarse grains. The general impression given by projections as to the potential future demand was for an increase in demand for livestock products and consequently for coarse grains. There should also be increased demand for imports, unless this effect was deliberately prevented by policy.
Attached hereto is a summary of the discussions undertaken by the Committee during its October meeting. It would be appreciated if you would forward this paper to your member to Committee II.