I will begin by making some general and informal remarks. We know that the nature of this Group is such that we can talk about these things rather than make formal statements. To begin with the first item which needs reflection is that we do have problems in temperate zone agriculture and have had for some time and these are becoming more acute and need to be dealt with by a Group such as this.

The first of these problems is the existence of comprehensive systems of agricultural protectionism. Secondly, for some time we have been enjoying the benefits and complications of a technological revolution in agriculture. These are far advanced in the United States and are also sweeping agricultural production in a number of other countries. Thirdly, we have the Common Market developments which bring into question existing trade patterns and result in additional complications which need to be considered. The recognition of these problems can be found as far back as in the Haberler Report and in the Resolution of the Ministerial meeting of last November.

The initiative of M. Baumgartner in his speech last November was a very useful one and the views expressed then and developments since require consideration and thought as they may be very useful in determining the scope and pattern of future arrangements.

What I would like to do this morning is to identify a few basic facts bearing on trade in temperate agricultural products. On the basis of these facts we can perhaps formulate certain principles which can be applied to the particular commodities we are concerned with here. Given these principles,
which we hope other delegations might react to, we can then proceed to certain conclusions. The basic facts to be considered are:

Firstly, the very rapid increase in output created by technological developments. Thus, during the 1950's there has been in the United States a 27 per cent increase in total agricultural output with the same total input figures and in the face of a declining level of farm prices. Further improvements in the course of the 1960's might push this trend further. Examination shows that this situation is being duplicated elsewhere. Quite apart from the Common Agricultural Policy this fact alone requires rethinking of old ideas. When considering new national policies and trends in the next decade this problem of rapid growth has to be borne in mind.

Secondly, the problem of surplus production in some areas and the rise of the phenomenon of concessional markets. The United States has been in the forefront in developing concessional markets and action here has prevented a ruinous price war. The United States policy of withholding stocks and developing a "Food for Peace" programme has stabilized prices and prevented the situation from getting out of hand. Competition on remaining commercial markets has sharpened placing special burdens on a small number of producing countries.

The third basic factor is the existence of the Common Market and the functioning of the Common Agricultural Policy. If we anticipate the accession of the United Kingdom, we have to think in terms of an expanding Common Market. This expanded area is of great importance to exporting countries because it constitutes the major commercial market in the world.
As far as the United States is concerned about one-third of our total agricultural exports go to this area. If one takes commercial exports alone this part comes to about one half. Half of the United States commercial exports in all agricultural products go to this area, showing the significance to us of the development of the Common Market and of the Common Agricultural Policy.

There is another fact which has to be underlined in any development of general principles to deal with the situation. I would say that the basic factor which needs to be borne in mind is the existence of national stabilization and subsidization programmes. This is certainly one of the facts of modern life. It is a policy to which most countries are committed. It is a fact that most countries are committed to protecting the income of farmers in a practically universal way and to developing national programmes internally to bring this about. Countries differ with regard to the way in which they have brought about these programmes and how they are implemented. They differ in the degree to which they are operated. Income maintenance programmes are often coupled with more or less efficient production controls or supply control programmes. But there is a general commitment to income maintenance of some kind and to the partial insulation of the farmer from the strict rigours of market forces. There is in our minds no question that this is general. Certainly our farm programme is committed to this. But one needs in considering this fact to relate it to the implications for individual national programmes, to the international setting and to international trade. One needs to think in terms of the kind of safeguards that need to be developed in order to make sure, to the largest extent possible, that individual national programmes do not have negative effects on international trade or at least minimize the negative effects on that trade.
I would say that the fifth general factor is that in the face of increasing abundance and the technological revolution in the field of agriculture there is fairly widespread hunger in some parts of the world. Food deficiencies still exist. It is certainly a factor to which our Secretary for Agriculture has referred and it is a factor which was quite explicitly noted by a number of other Ministers and leaders in this field, namely that there is an opportunity in thinking through new schemes to try to utilize wherever possible this increasing abundance to get rid of diet deficiencies and hunger where it still exists. I would say that this is certainly an important factor in the development of the free world; it is certainly an important factor in maximizing the strength of the free world.

A sixth critical factor that needs to be borne in mind is the existence of certain traditional trading patterns. These traditional trading patterns of long duration in many instances have become of particular significance to the economies of many countries, the importing and exporting countries, but particularly on the exporting side. My country and all of the other exporting countries who are in this group have important trading relationships which have been built up over the years. They have market outlets that are of great importance to them and indeed that are central to their economic life. This is a very important, a crucial factor to be borne in mind as one looks at the implications of the development of larger regional economic blocs, as one looks at the development of the Common Market and of the Common Agricultural Policy. One needs only to think of the problem on the exporting side of countries such as Australia and New Zealand, Canada, Argentina and the United States of America. On the other hand one needs to consider also the problems and the dependence of some of the chief importing countries in this regard. This, in fact, is the seventh and final factor that I would like to suggest to you that we need to bear in mind throughout this discussion, namely, that there is not only great significance to export earnings for exporting countries but that agricultural imports, and specifically imports of the products we are concerned with here, are of very great importance to a number of importing countries. The cost of trade in these commodities constitutes a very large share in some instances of the total
of foreign expenditures. Certainly, when we look at the United Kingdom this is an important factor; it is also of great importance to Japan and in some of the Latin American countries, notably Brazil, and others. The cost of imports of wheat and feed grains are of great significance in the overall balance of payments of these countries.

These are some of the most important underlying facts that need to be considered. There obviously are others, and we may tackle others here, but any development of general principles or any development of an overall programme needs to be considered in terms of some of these basic situations which we can assume as given and which must be dealt with in one way or another.

Let me then suggest a few principles that we would feel are fairly universally applicable to temperate agricultural situations and particularly to the wheat and feed grain problem that we are dealing with here. It would be our view that the first principle is that wherever possible GATT rules ought to apply to temperate agricultural trade. This means that for the widest range of agricultural commodities we would feel that they should be regulated by the traditional means, fixed, negotiable tariffs and wherever possible nothing else. We would feel that GATT rules and obligations ought to be taken seriously and not waived lightly. We would feel that new schemes and specific proposals ought to be evaluated first of all in these terms to see how they differ from rules that have been set up.

A second principle that we would like to suggest is that solutions for temperate agricultural commodities ought to be sought on a commodity-by-commodity
basis. We feel this way because we are persuaded that the situations differ for individual commodities, hence the solutions ought to differ. We recognize, of course, that in approaching it on a case-by-case basis we have to bear in mind very much the inter-relationship and in some cases substitutability of one commodity for another. In order to approach it on a case-by-case basis we have to think in each case of the implications of a particular solution for other sectors of temperate agriculture. For example, we may feel that a commodity agreement may be an approach for a particular commodity, but it is by no means the approach for all commodities. I would say, in this connexion, that when I use the word commodity-agreement I use it in a perhaps somewhat wider sense than its traditional meaning. I use it not in a price-regulating, price-fixing and market-sharing sense, but as an agreement to deal with an international trade problem relating to a particular commodity. Via some international commitment and understanding agreements should attempt to be trade expansive in character rather than restrictive or regulatory, even if nothing more. For example, if one thinks of a commodity agreement in wheat or in feedgrains, it ought to have that kind of character to the largest extent possible, rather than to be a commodity agreement in the strictest sense of attempting to determine minimum price levels.

The third principle we would suggest is that an approach to cure a temperate agricultural problem ought to be in terms of being as non-discriminatory and liberal as possible in character, rather than preferential. We are not very happy about preferential arrangements in whatever terms. This applies to temperate agriculture as much as to tropical agriculture.

A fourth principle would be that any solution that is attempted should take into account the right of an individual country to determine internal returns to producers. I have said earlier that this is one of the facts of life that we have to deal with; we think therefore it ought to be accepted as a principle which underlies any effort at reaching a particular solution relating to a
particular commodity. We feel that this is an unavoidable principle to adopt. But we feel, also, that we ought to recognize that a country following such a policy obligates itself to certain commitments. These would be, first of all, that the effect of a national policy not be such as to compromise or impair the traditional markets of traditional efficient exporters. There should be some effort to concern ourselves with the problem of production control or at least supply control at the market place, and that even where national programmes are developed, there is retained some guarantee of an outward-going nature and for liberal access to markets. Moreover, the international schemes developed, while considering the fact of particular national programmes, ought to be such as to encourage efficient producers and do something to inhibit the less efficient ones. I would say that this last point can be set out as a fifth principle in the sense of saying that international prices that are agreed upon or that are attempted ought to be reasonable in order to achieve this result of encouraging efficient producers and inhibiting less efficient producers from expanding their production unduly.

That leaves five very general principles and this is by no means designed to be an exclusive list but rather indicative of the way in which we would like to approach a particular problem such as the one that we are concerned with here. I think as we reflect on these principles or on others which may be added, it is not difficult to come to some conclusions as to our approach with regard to the particular plans that are put forward, the particular schemes that are emerging in the Common Agricultural Policy of the Common Market or expanded Common Market or the proposal that M. Baumgartner has put forward or that may be put forward here in the course of these discussions.

Underlying all of this is our feeling that the measures that are developed must be trade-expansive rather than restrictive in character, not in the sense of trade for trade's sake, but rather because we feel that this implies a more efficient use of resources. Again, I do not mean this in a static sense of defining the lowest point on a cost curve, but in the dynamic sense of
adapting efficient resource use to the dynamic and rapidly changing situation in the face of a scientific and technological revolution. I think we can take these principles and others that may be added, or take M. Baumgartner’s very interesting proposal for example, and evaluate the implications of these in terms of these principles and attempt to apply these principles to a particular proposal, such as M. Baumgartner’s. Certainly the relationship between the concessional and commercial market aspects fit very closely into the kind of thing I have said. The question of the price level that may be indicated can be evaluated in terms of the general principles that I have suggested. The problem of whether or not a scheme of this type is developed with or without production controls can be evaluated on the strength of these principles. The question of access to markets for traditional producers becomes rather clear in terms of these principles. Even the concept of a variable levy in terms of which the Common Agricultural Policy is developing can be evaluated in these terms, and the price concept which forms an integral and important part of M. Baumgartner’s proposal can be fitted into these principles that we have suggested.

Mr. Chairman, this is all that I would like to say at the beginning of this meeting. We look upon this as a beginning of some reflection on our part on this problem and we would suggest that perhaps as we plan out the work of this week that we might try to go a bit further into the development of these principles and then, seeing how far we have got, we might determine whether or not we can perhaps establish one or two working groups that might, with regard to wheat on the one hand and feedgrains on the other, attempt to develop some more specific proposals in which these or whatever principles can be agreed upon here are applied to the largest extent possible. Thank you.