At the informal meeting of members of the Group on 22 May 1963, members were invited to submit observations or proposals which could be circulated in advance of the meeting of the Group on 24 June 1963. The Government of the United Kingdom has submitted a paper which is circulated herewith to the members of the Group for their information.
MEETING OF GATT CEREALS GROUP, 24 JUNE 1963

Paper by the United Kingdom Delegation

1. In accordance with the suggestion made by the Executive Secretary of GATT, the United Kingdom delegation is circulating this paper in the hope that it may prove helpful to other delegations to know in advance the main views of the United Kingdom on the matters which might appropriately come up for discussion at the forthcoming meeting of the GATT Cereals Group.

2. The United Kingdom Government is in favour of an international agreement (or agreements) on wheat and coarse grains designed to secure the objectives embodied in the Havana Charter and be fair to exporting and importing countries alike. Such an agreement would involve, inter alia, strengthening the existing International Wheat Agreement. To this end the United Kingdom delegation will play a constructive part at the forthcoming meeting with the aim of securing, as quickly as possible, agreement on the main elements suitable for inclusion in such international arrangements.

3. In the view of the United Kingdom Government any agreement must have regard to the facts of the world's cereals situation and of past experience in this field. In the light of these factors the United Kingdom Government consider that arrangements must cover not only wheat and wheat flour but also the principal coarse grains (e.g. maize, barley, oats and sorghums), between which there is a close relationship both as regards supply and demand, and as regards price. The arrangements should also take account of existing patterns and flow of trade while providing the necessary flexibility to permit desirable adjustments and developments in the light of changing circumstances. They should involve the minimum restriction or distortion of commercial trade and the legitimate activities of those engaged in it.

4. The United Kingdom Government consider that the main elements which would need to be considered in connexion with an international agreement on wheat and coarse grains are:

   (i) Access
   (ii) Price
   (iii) Production and trade
   (iv) Confrontation
   (v) Surplus disposal
   (vi) Institutions
   (vii) Entry into force and duration
(i) Access

5. Bearing in mind the importance of relations between countries being so conducted as to facilitate international trade, an agreement will need to contain provisions designed to ensure that the traditional exporting countries are not denied reasonable access on normal commercial terms into the markets of the importing countries. The United Kingdom Government consider that importing countries should be prepared to enter into firm commitments under the agreement that the traditional flow of trade in cereals should not be impeded by unreasonable barriers at the frontier (e.g. quantitative restrictions or unduly high tariffs). The United Kingdom Government further recognize that even if access is not unreasonably impeded by frontier barriers, it may nevertheless be frustrated by the production policies of importing countries so encouraging domestic production as to reduce significantly the volume of imports. Having regard to this, it is considered that importing countries should be prepared to give assurances that they will exercise restraint on governmental measures designed to support financial returns to cereal growers, where such measures are encouraging a rising trend of domestic cereals production with a significant effect on imports. To this end the United Kingdom Government, for their part, are prepared to introduce a "standard quantity" arrangement by relating their guarantee of producers' prices to a specific tonnage. This would mean that if in any one year production exceeded the standard quantity, the guaranteed price per unit over the whole production would be automatically reduced i.e. while the whole of the standard quantity would qualify for the full guaranteed price, the excess production would not receive more than the market price.

(ii) Price

6. The United Kingdom Government consider that an international agreement on cereals should aim at ensuring world market prices which are fair to consumers while providing a reasonable return to efficient suppliers; and which do not fluctuate unduly but are nevertheless conducive to securing long-term equilibrium between the force of supply and demand. The United Kingdom Government are of the opinion that an agreement in the form of a multilateral contract between member countries to trade within a price range (similar to that under the International Wheat Agreement) is the most effective mechanism for achieving this objective. Under such a system all member countries would undertake an obligation not to sell or buy wheat, wheat flour, and the principal coarse grains either below specified minimum prices, or above specified maximum prices. In the United Kingdom view, it would be necessary to give greater precision to prices than has so far been done under the International Wheat Agreement, by specifying in advance the prices for the different qualities of wheat, and wheat flour, and for the principal varieties of coarse grains.
The United Kingdom Government are also of the opinion that it would be necessary to formulate more effective procedures for enforcing such prices, in particular, by enabling an importing country to take action to protect its own market for the benefit of all, where the agreed minimum price is not being, or is not likely to be, observed either by other member countries failing to fulfil their obligations, or by non-member countries. As an importing country, the United Kingdom Government would be prepared to accept provisions of this kind together with the obligations arising from them.

(iii) Production and trade

7. The United Kingdom Government also consider that an international agreement should provide that participating countries, whether importing or exporting, should adopt production, export and import policies, including where necessary, appropriate measures of restraint, designed to prevent the accumulation of unmanageable surpluses, and the frustration of the provisions of the agreement relating to access and price. To this end exporting countries should be prepared to give assurances that they will exercise restraint on Government measures for the subsidization of domestic production which result in subsidized or dumped commercial exports of wheat, wheat flour or coarse grains endangering the objectives on access and price and that at the same time they will supply the reasonable commercial requirements of the importing countries on fair terms. Importing countries should likewise be prepared to give assurances that they will not unreasonably impose trading conditions which would frustrate the trade of exporting countries, and further that they will buy a reasonable proportion of their commercial requirements of wheat, wheat flour, and coarse grains from exporting member countries. As an importing country, the United Kingdom Government would be prepared to undertake such obligations and give such assurances in return for corresponding obligations and assurances by exporting countries.

(iv) Confrontation

8. In order that the obligations and assurances provided in the agreement may be kept under constant review, the United Kingdom Government consider that the agreement should contain provisions for confrontation between participating member countries on their domestic production, exporting and importing policies on cereals. The United Kingdom Government would be prepared to participate in such meaningful confrontation arrangements, provided that other countries are prepared to do likewise.

(v) Surplus disposal

9. It may also be necessary to consider arrangements for the fair and orderly disposal of any surpluses to cereals supplies entering into world trade, having due regard to the possibility of using such surpluses for the benefit of developing countries. Such arrangements should have regard to the principles and the guiding lines established by the Food and Agricultural Organization, should involve as little as possible interference with the normal course of trade, and should not cut across the present responsibilities of existing international organizations for food aid.
(vi) **Institutions**

10. An international agreement(s) on wheat and coarse grains should provide for the establishment of an international authority. In the case of wheat, there is already an International Wheat Council which has been set up under the International Wheat Agreement.

(vii) **Entry into force and duration**

11. The United Kingdom Government is in favour of an agreement (agreements) embodying provisions outlined above, entering into force as soon as possible and initially continuing in operation for a period of three years.