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 for the meeting of the Group on 24 June 1963. The Government of Japan 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 Japanese Delegation

I. Introduction

Since the time when the Summary of Discussions (CG/1) was drawn up, the world trade in cereals, notably in wheat, has undergone substantial changes, including inter alia the conclusion of the International Wheat Agreement 1962, the suspension of the negotiation on British entry into the European Economic Community, the coming into effect of the Common Agricultural Policy of the EEC, and the United States farmers' rejection of the Wheat Production Control Program for 1964. These changes should be taken into consideration by the Group on Cereals in dealing with its task. Against such background, Japan's views on the document CG/1 summarized below for the information of the Group on Cereals should be regarded as tentative.

II. General principles

Japan accepts, in principle, the concept of orderly expansion of cereal trade by stabilizing the world prices of the products involved and reducing the trade barriers through a world-wide commodity agreement.

As one of the major importing countries of temperate agricultural products and at the same time as a producing country of such products where one third of total population is engaged in farming, Japan is of the view that in dealing with problems related to cereals in farming, the following principles should be observed.

1. Since social and economic situations of a country have direct bearing on its national agricultural policy, full understandings of situations underlying such internal policy are important.

2. The basic GATT principle of non-discrimination should be observed.

III. Japan's views on the main subjects of the discussion

1. With respect to paragraph II (Establishment of facts), Japan holds generally the same view as to the six points on which there was a wide range of agreement in the Group.
2. With respect to paragraph III (Considerations and principles underlying possible solutions to international trade problems in cereals).

Japan's position with regard to the five principles submitted by the United States as a basis for discussion is as follows:

(i) That where possible GATT rules ought to apply to this trade in the sense of regulation by a fixed, negotiable tariff and wherever possible nothing else.

Japan agrees to these points in principle.

(ii) That solutions to trade problems concerning these commodities should be sought on a commodity-by-commodity basis, recognizing the interrelationship between one commodity and another, with the aim of reaching an international agreement, trade expansive in character and not limited to determining minimum price levels.

(iii) That the approach should be as non-discriminatory and liberal as possible, and that preferential arrangements in either temperate or tropical agricultural trade are not desirable.

Japan agrees to the points included in paragraphs (ii) and (iii) above.

(iv) That solutions should take into account the right of individual countries to determine internal returns to producers, although such countries should be under certain obligations such as ensuring that national policies do not compromise and impair traditional markets of efficient exporters.

Japan fully endorses the first half of the paragraph while, with regard to the latter half, it might be too rigid to attempt to make it a legal obligation not to impair traditional markets of the exporting countries, though Japan is sympathetic with its basic concept.

(v) That countries should seek to ensure that, taking account of national policies, international schemes should be such as to encourage efficient producers and inhibit the less efficient; and that international prices that are agreed on or attempted, ought to be reasonable and such as to achieve this objective.

These points are acceptable to Japan as a general rule, provided that national policies and underlying agricultural situations be fully taken into account.
3. With respect to the Chairman's summary

In summing up the discussion, the Chairman raised three questions as the useful subjects for further discussion. Japan's views regarding those questions are as follows:

(i) The possibility of negotiating internationally the external consequences of internal support policies.

While internal price support policies of Japan are determined predominantly by such domestic factors as the level of farm income, agricultural production situations, etc., it should be noted that those policies are not designed to increase production of cereals or to make them available for exports, nor are they aimed at encouraging inefficient production. Therefore, Japan considers that in the case of Japan, it is not called for to subject the external consequences of its internal support policies to international negotiation.

(ii) The interim procedures to cover the period during which the international negotiations referred to above (i) are to be carried out.

Japan recognizes the necessity for an interim procedure.

(iii) The interrelationship between the international price level and internal support price level.

In dealing with this problem, careful study should be made of the interrelationship between the two price levels and their adjustment.

4. With respect to paragraph IV (Possible solutions to international wheat trade problems).

Japan's position regarding the four points proposed by the United States as a basis for discussion, is as follows:

(i) Problem of price raise

This problem, in the view of Japan, has been settled by the conclusion of the International Wheat Agreement 1962 with the revised price range, at least for the period during which the said Agreement is in effect.
(ii) Access commitments

The import of cereals in Japan has shown steady annual increase and the trend is expected to continue in the years to come. In fact, the import is estimated to increase by as much as a million tons within several years. While Japan is prepared to participate in the discussion of this problem in view of its importance, it considers that it is not in a position to make a formal commitment in this respect.

(iii) Control commitments

It would be very difficult for Japan to commit the regulation of the domestic production or supply of wheat along the base line to be determined by the negotiation. The price support system of wheat in Japan is not designed to encourage less efficient producers. Actually, in recent years, the quantity of domestic production has shown a tendency to taper off. Japan considers that the need for a control commitment is not warranted in the case of Japan and it finds itself unable to make such commitment.

(iv) Co-ordination of concessional sales

Japan is ready to participate in consultations regarding the disposal of surplus wheat.