GENERAL AGREEMENT ON  
TARIFFS AND TRADE  

Group on Cereals  

SUGGESTIONS FOR AN INTERNATIONAL GRAINS ARRANGEMENT  

Paper Submitted by the United States Delegation  

Introduction  

In order to facilitate our coming to grips with the task we have been assigned, the United States delegation has prepared for consideration by the Group the following memorandum which attempts to sketch the broad outlines of the form which an international grains arrangement should take. These proposals have been developed having in mind the directive of the GATT Ministers.  

At their meeting in May 1963, the GATT Ministers agreed that there should be comprehensive trade negotiations for the purpose of achieving a significant degree of liberalization of world trade. 4 May 1964 was set as the date for the formal opening of these negotiations. The Ministers further agreed that the negotiations would cover all classes of products, including agriculture, and that in view of the importance of agriculture in world trade the trade negotiations should provide for acceptable conditions of access to world markets for agricultural products.  

A Trade Negotiations Committee and certain special groups were established to develop rules and procedures under which the negotiations would be conducted. These groups were charged, among other things, with developing the rules to govern and the methods to be employed in the creation of acceptable conditions of access to world markets for agricultural products in furtherance of a significant development and expansion of world trade in such products. The Special Group on Cereals was given the responsibility of negotiating appropriate arrangements for carrying out this directive for cereals.
The Cereals Group subsequently met in June and in November of 1963. These meetings have provided considerable information regarding the position of all participants in the negotiations, and have identified the elements to be considered for inclusion in an international grains arrangement. It was impossible at these meetings to initiate negotiations with respect to the commitments to be undertaken by the participants in an arrangement. It was agreed at the last meeting, however, that actual negotiations must begin early in 1964. It is essential that we now get on with this task.

For agriculture, as with respect to the general tariff negotiating plan, we must by 4 May, broadly speaking, have agreement on where we are going in the trade negotiations. Negotiation of a world grains arrangement no doubt will be long and time-consuming. It should, however, be possible within the time available between now and 4 May to make sufficient progress to enable at least tentative conclusions to be formed regarding the general nature of the commitments to be undertaken by exporting and importing countries. We propose, therefore, that the Cereals Group should proceed at once with this task, with the view to achieving significant progress by 4 May 1964.

Elements of an arrangement

The Cereals Group agreed in June of 1963 that the following elements should be considered for inclusion in an international grains arrangement:

1. Agricultural price supports and subsidies and related measures such as production limitations.
2. The level of international cereals prices.
3. The nature and extent of access commitments by importing countries.
4. Assurances of supply by exporting countries.
5. The relation of non-commercial trade in cereals to a world cereals arrangement.
6. Procedures for carrying out the arrangement.
7. Commodity coverage would include wheat, wheat flour, and the main coarse grains.
Objectives

An international grains arrangement, in common with the trade negotiations as a whole, should aim at promoting a more efficient use of resources consistent with reasonable protection of farm incomes in exporting and importing countries. The central objective of such an arrangement as established by the GATT Ministers is to provide acceptable conditions of access to world markets for cereals in furtherance of a significant development and expansion of trade.

Other objectives of an international grains arrangement should be to promote a better balance between world production and consumption; to assure adequate supplies of grains to importing countries at equitable prices; to encourage the consumption of grain; and to further the orderly programming of non-commercial sales, consistent with the achievement of the objectives of the grains arrangement. These objectives should be sought in ways that take into account the interests of both producers and consumers and of importing and exporting countries.

In pursuance of these objectives, the role assigned to each of the elements listed above would be as follows:

1. Domestic policies

   It has been agreed that, with regard to certain agricultural commodities like grains, the negotiations designed to achieve the objectives established by the GATT Ministers must deal with more than the reduction of protective devices at the border. Since domestic price support and related programmes frequently have a major impact on the opportunities for trade in such commodities, such programmes should be brought into the negotiations. The desirable objective of adequate income protection to farmers must be reconciled with the equally desirable objectives of trade liberalization and expansion of world trade based upon comparative efficiency.

   The concept of identifying, binding, and reducing where possible domestic cereals price and income supports may have a useful application in a grains arrangement. No single formula will fit all cases. The end result, however, must be a combination of policies which enables exporting and importing countries to carry out the trade objectives that the GATT Ministers established. The binding of levels of protection, would, however, be useful only if such levels are not determined unilaterally but remain negotiable.
The United States would be willing to consider commitments of a reciprocal nature where this would contribute to the efficacy of an international grains arrangement. Among other things, the United States would consider undertakings on the part of the contracting parties to limit price supports, to take other measures to limit production and marketings, and to carry and manage stocks as a matter of policy in order to aid in securing an adequate cereals reserve.

The United States is also committed in principle to the reduction of export subsidies in cereals and is prepared to consider such an undertaking as part of the international cereals arrangement.

2. Access

We seek the greatest possible liberalization of trade. Barriers to trade, whatever form they take, should be reduced. This must be accomplished in a manner which takes into account the need to provide agricultural producers in both importing and exporting countries reasonable income protection.

But, since we are in an uncharted area in these negotiations, special measures are required to assure the continuation of a satisfactory flow of trade and the sharing of markets between domestic production and imports on a fair and equitable basis. Acceptable conditions of access to world markets should be assured by importing countries maintaining imports at least equal to the average levels of a recent representative period adjusted for growth proportionate to the increase in their total grain consumption. To this end, importing countries should agree to arrange their domestic policies so that there is a reasonable expectation of achieving the access objective. Moreover, the importing countries should agree to take prompt and effective remedial action if imports are not maintained at the agreed levels.

Specific commitments of individual countries could vary, depending on the particular measures of restrained and stimulus applied. Producer returns would be one of the crucial elements, and moderate price levels for both wheat and feed grains should be negotiated. The higher the prices in importing countries the greater the incentive to producers to expand uneconomic production and the more compelling the need for specific undertakings by importers in order to assure room in their markets for grain imports.

3. International prices

Provisions regarding international grains prices should form a part of an international arrangement. These provisions should have as their primary objective the stabilization of world grain prices within an equitable range.
Pricing arrangements might consist of a maximum-minimum price range applicable for all commercial sales. Price differentials by grades and qualities of various cereals would need to be established. The United States would be prepared, in co-operation with other exporters, to consider undertakings to supply agreed proportions of member countries' cereals consumption within the range and at the maximum price.

The present price range in the International Wheat Agreement and the current general level of world grain prices could be regarded as constituting a basis for initial discussion of world grains prices under the arrangement. Suitable arrangements for moderately higher prices could be explored, however, consistent with the objectives of the arrangement.

4. Assurance of supply

Provisions regarding the establishment and maintenance of reserve stocks by contracting parties should be included in a grains arrangement. Such provisions should have as their objective the maintenance of stocks in amounts necessary to facilitate the fulfilment of other provisions of the arrangement and to assure importers of sufficient supplies. Maintenance of reserves of stocks to assure sufficient supplies would be primarily the responsibility of exporters. The level of reserves by individual contracting parties would be in relation to their traditional share in world commercial grain trade and their ability to finance a storage policy.

5. Non-commercial grain distribution

Consideration should be given to including in an international grains arrangement provisions for making cereals available for non-commercial purposes. This activity should be consistent with, but secondary to, the main objective of the arrangement. Support to the programme, including contributions of grains, should be shared by both importers and exporters.

6. Coverage

The GATT Cereals Group has indicated, with respect to coverage, that wheat, wheat flour and the main coarse grains should be included. The latter group would probably include corn, sorghum, barley, rye and oats.

7. Administrative arrangements and procedures

An international grains arrangement negotiated within the context of trade negotiations is a departure from the traditional purposes for which international commodity arrangements have been undertaken. Basic provisions having a trade significance must have the same degree of continuity as other trade concessions such as tariff bindings.
Provision would have to be made for periodic review and consultations, however, with the view to assuring the achievement of the objectives and commitments of the arrangement. Provisions of the arrangement should be reviewed so far as possible simultaneously with general trade negotiations, and, in any event, at intervals of not more than three years.

It is impossible to foresee at this time the form which administrative arrangements should take. The relationship of the international grains arrangement to the present International Wheat Agreement would have to be considered.

8. Membership

Initially membership in an international grains arrangement would be open to all contracting parties of the GATT. Provision could also be made for participation in the arrangement by non-GATT countries.