STATEMENT BY AUSTRALIAN DELEGATE
ON NON-COMMERCIAL GRAIN TRANSACTIONS,
AT THE MEETING OF THE GROUP ON 3 APRIL 1964

(Note: The remarks of the Australian delegate were not intended to represent a comprehensive statement of Australia's position on all aspects of non-commercial transactions in cereals.

They were intended only to direct attention to one or two particular aspects which appeared to the delegation to call for comment in the light of remarks made by other speakers.

The remarks were expressed impromptu. As other delegations exhibited an interest in considering them further, an attempt has been made to reproduce them more or less verbatim. As requested, they are circulated informally for the information of other delegations.)

Among all the complex and difficult problems inherent in the international grain trade, none is more susceptible to confusion than the subject of non-commercial transactions.

Your statement, therefore, Mr. Chairman, in which, as I understand it, you were seeking to identify the several separate and distinct aspects of non-commercial transactions, is particularly useful.

What has been said by the representatives of Canada and the United Kingdom will find a wide measure of support. No one will challenge the very important purpose of the World Food Programme. Nor can anyone seriously disagree with the contention that "surplus disposals" are not and cannot be a panacea for all the problems of the world grain trade. Certainly, it is a very dangerous delusion for any country to believe that it can be indifferent to the consequences of irresponsible domestic price policies on the grounds that ways can always be found for moving surplus stocks into the mouths of the hungry millions of the world.
To the extent that the remarks of the representatives of Canada and other countries have borne on these kinds of issues, our delegation is in complete agreement. At the same time, however, it does seem to us that there is a quite separate aspect of non-commercial transactions which must be taken into account in any comprehensive agreement relating to world trade in cereals.

Perhaps I can illustrate the point best by taking a concrete example. I know our Indian friends, if they were here, would not mind me citing their circumstances to bring out the point of our argument.

It is no secret that for several years the Indian Government has, unhappily, found itself in the position of chronic and severe balance-of-payments circumstances. Nor is it any secret that very many countries in the western world, by one means or another have endeavoured to provide some assistance to the Indian Government to enable it to finance those imports which are essential to its economic development or which are needed to meet the very minimum food requirements of the Indian people. In the case of food, wheat has been the main commodity involved.

Whilst I am quoting figures from memory, I think an examination of the statistics will show that Indian production of food grains is of the order of 80 million tons a year. To meet the absolutely essential food needs of the Indian people it has been found necessary to procure something like 4.5 million tons of imported wheat - an amount relatively marginal to Indian production but of tremendous importance to the welfare of the Indian people. In its difficult balance-of-payments position, the Indian Government would have been very sorely pressed, indeed, if it had been necessary for it to find the foreign exchange to procure these minimum import needs on normal commercial terms.

As is wellknown, it has not, in fact, had to do so. Its commercial purchases have been under 0.5 million tons a year. The bulk of its import needs - 4 million tons a year - has been procured under the surplus disposal programmes of the United States Government at little or no cost to India's foreign exchange resources.

Let me make it quite clear that I am not in any way registering a complaint but merely stating a fact. Let me also say that the Australian Government very fully understands and accepts the circumstances which have made necessary the procurement of the bulk of India's import needs on non-commercial terms. And as an official of a commercial wheat exporting country, who from the inception of the surplus disposal programmes has been personally involved in the extensive consultations which have taken place regarding surplus disposal arrangements, let me also say that the United States has acted with very great responsibility in the administration of her programmes. It is, I believe, a fair statement of the position to say that the damage to the commercial trading interests of other wheat exporters has been reduced to a minimum as a result of the sensible and responsible attitude of the United States.
However, let me also say that, whilst the damage to commercial trade has been the minimum of what might have been expected in all the circumstances, there has, nevertheless, been damage, in the sense that the movement of wheat on non-commercial terms has undoubtedly been reflected in lower export earnings accruing to commercial wheat exporters.

Let me make this clear by contrasting the situation which exists in respect to India's purchases of essential grain supplies on the one hand and industrial goods on the other. Even if India's needs had not happened to coincide with the existence of United States surplus stocks and, more importantly, with the existence of generous aid programmes of successive United States Governments, this would not have meant that India would have been obliged to do without her essential wheat imports. Had this been the situation, I am convinced that finance would have been provided from international sources of one kind or another to procure the necessary supplies and make them available to the Indian Government. For this, of course, is exactly what has happened in the case of other essential imports required by the Indian economy. Imports of railways, steel plants, aeroplanes, and a host of other items vital for Indian development have been made possible because western countries - and I think every country represented around this table is involved in one way or another - have found the means to arrange the finance for their purchase - just as in the case of wheat means have been found through the United States programmes and, on a far more modest scale, by way of the Colombo Plan, to make possible India's essential wheat imports.

But the essential difference is, of course, that the countries which have exported the non-food items made possible through the international co-operative arrangements, have exported them on commercial terms. To some degree at least, the Indian Government has been able to procure the needed supplies from the source which has suited it best. The burden of assisting India has been shared according to something akin to a "capacity to pay" formula rather than by the "accident" of which country happened to produce the goods required by India.

With wheat, on the other hand, the fact of the matter is that a country such as Australia, which can reasonably be regarded as the natural commercial supplier of the Indian market - as evidenced by the fact that India buys from Australia virtually 100 per cent of such commercial imports as she does make - has foregone the foreign exchange earnings which she might reasonably have expected. Merely because it is wheat, and not railways or aeroplanes or industrial plant which is in surplus supply, has meant that commercial wheat exporters have borne what in our judgment amounts to a disproportionate part of the collective burden of assisting to overcome the Indian difficulties.
This is the aspect of non-commercial grain transactions which, I believe, has not been adequately reflected in the remarks of the representative of Canada and others. It is a matter of fact that a very substantial proportion of current world trade in wheat takes place under non-commercial terms in circumstances akin to, and with consequences equivalent to, those I have referred to above, using India as an illustration. This is why we do not believe that the kind of world grains agreement we are ostensibly seeking to achieve in these negotiations could or should ignore the need to recognize the facts of the situation and to provide appropriate provisions.

No one pretends that the solution will be easily found. Basically, it is a problem of the provision of finance, as the representatives of the EEC and of Argentina have already stressed. How the necessary financial arrangements can be organized is itself a question directly relevant to the outcome of the negotiations on certain key elements such as access and the level of international prices. We certainly do not pretend to know the answer but we are convinced that a world grain agreement will not adequately meet the needs of the existing situation unless this problem is tackled.

Let me make two final observations lest there be any misunderstanding of the Australian position. The first is that what I have said does not in any way diminish the importance of the World Food Programme to which extensive reference has been made and to which we fully subscribe. What I have been talking about relates to that side of the problem of non-commercial transactions which, as far as I know, it has never been suggested the World Food Programme can or should cover.

My second observation is to make clear that in all this Australia is certainly not seeking or expecting a solution which would have the effect of enabling Australia to ship unlimited quantities of wheat with some international body picking up the cheque. We would expect to play our own part in contributing to the solution of what we believe is not only a problem of great economic importance, but one of very considerable social and political consequence.