Over the years the GATT has owed a great deal of its success to the readiness of the contracting parties to meet new situations, to adapt, to compromise, to experiment.

But in this, its twentieth year, our organization is at a particularly dangerous period of its life. We have all just come through the long and traumatic experience of the Kennedy Round; we see other international bodies taking up some of the more intractable problems we have groped with for years. All too easily we could slip into the view that after all we have done a pretty good job, that we have probably come just about the end of the attainable. This is the understandable state of mind of men who have scaled a peak and expect the way to be easy from then on.

But there are only three choices to be made when one has climbed a mountain - to stand still or to go downhill either of which spells decay for an organization, or to accept the challenge of the heights ahead. This is the challenge our Director-General has made to us and we ought to be grateful for this jolt to complacency and post-Kennedy Round euphoria.

The form in which this item has been presented to us underlines very forcibly the long evident fact that we really have three versions of the GATT. There is the GATT as it presents itself to the industrialized countries, the GATT as agricultural export countries see it, and the GATT as it affects less-developed countries - the last two GATT's being to some extent overlapping.

Because New Zealand naturally sees the GATT from the point of view of an agricultural exporter it is this GATT we want to talk about in the main (that is item 3(b)) but I would comment briefly on item 3(a). Of course even this we see from a somewhat different point of view because New Zealand was not a "linear cut" country, though the extent and depth of the concessions we made was in fact not so very different from what we would have made on a linear cut basis.
Clearly the Director-General is right when he points out that one lesson of the Kennedy Round is the need for adequate consultation and preparation in advance. Superficially it might seem that there was plenty of this but in fact we all went into the Kennedy Round with a great many unresolved issues hanging over the negotiations and some of them such as the so-called "tariff disparities" were never really resolved.

We do now have a little time we can profitably use in working out the problems and solutions ready for the next massive assault in the field of industrial tariffs. And some of the problems are not simple. Even the matter of consolidating duty-free treatment, which is presented in document L/2893 as one which ought not to cause insuperable difficulty, can be a very different problem for countries which are in the process of expanding the range of their industrialization as indeed can that of duty-free raw materials.

Similarly the suggested sector approach may work much better as between industrial exporters than it can for countries at a lower level of industrialization.

None of this denies the need for a careful study of these and other problems in preparation for a further step forward - indeed it reinforces that need. So also with the problem of non-tariff barriers in industrial products. This is all work that needs to start now and it needs to be carried out in the full realization that further negotiations can only be fruitful if the problems are considered against the background of the wide differences in the economies of the Member States.

If I now speak briefly on item 3(c) it is not because this is a less important item but perhaps it is one on which there will be more - and more eloquent - voices than ours. We welcome the initiative taken by the Director-General in presenting the proposals set out in document L/2875 and L/2898 and await with interest what will emerge from the Committee on Trade and Development by way of specific recommendations for further work.

The only point I should like to make is that GATT cannot shrug off responsibility for positive action in this field just because some of the issues are raised in other international organizations. There may be a question of timing and of avoiding conflict and confusion, but GATT, which took the first initiatives in this field, is the international body, above all, which seeks to embrace the trade policies and practices of all sort of countries whether they be industrialized free market, industrialized centrally-planned, agricultural, less-developed or however you like to classify them.

We in New Zealand like to think we have made a constructive contribution, within the limits of our powers, to meeting the special problems of developing countries and we shall certainly not fall behind in future. We are all the more sympathetic and understanding because some, but fortunately for us, not all of them are problems we share.
I now come to item 3(b) and the problems of trade in agricultural products. With few exceptions, such as Article XI(2)(c) and Article XVI the GATT rules do not distinguish between industrial and primary or agricultural products. Ostensibly the same rules apply to both, and it was originally assumed by agricultural countries that this was so.

However, long before the Kennedy Round was planned it had become apparent that whatever the formal position might be, the GATT rules (to which all contracting parties subscribed) were not in fact being applied alike in the agricultural and industrial fields. GATT was not proving to be, in the words of its preamble, "reciprocal and mutually advantageous" in the eyes of either the less-developed or the agricultural countries.

It was in partial recognition of this that the ground rules for the Kennedy Round provided that the negotiations "should cover all classes of products including agricultural and primary products" and that the negotiations "should provide for acceptable conditions of access to world markets for agricultural products".

For some products, and in some countries, these objectives were in part achieved. For other products, including those of major importance to my country, little or nothing was achieved. Two important groups of commodities - meat and dairy products - were dealt with in the Kennedy Round by a group approach in the course of which efforts were made to find a basis for general arrangements covering these commodities.

This work was useful, even if it led to no concrete results. It would be a great pity to waste it. It seems to my delegation that these commodities are among those on which the CONTRACTING PARTIES, in their continuing work, might well aim at comprehensive negotiations covering all aspects of trade and production, and taking into consideration the new concepts which were introduced during the work of these groups, but not there fully worked out.

In carrying out this work no options should be barred and no prejudices or preconceived notions should be allowed to stand in the way. We must of course assume, if we hope for success in thus paving the way for more meaningful negotiations on agricultural products, a sufficient consensus that there is indeed a special problem of fitting agricultural countries into the framework of reciprocity and mutual advantage. Or perhaps I should say a series of special problems, for different considerations apply to different products.

At least this minimum acceptance we need as a starting point, but fortunately I think the Director-General has left little scope for denial of the proposition. If this is so then, removed from the atmosphere of the Kennedy Round, and from that of confrontation, name-calling and slogan chanting, we still have faith that the adaptability and pragmatism of the CONTRACTING PARTIES will find ways of making our agreement as meaningful for agricultural as for industrial countries.
The Director-General has suggested that the forum for this activity might be the old Committee II with some clarification or modification of its mandate. New Zealand would be happy to accept this as indeed we would accept any forum provided that the task is defined in terms of the broad objective we have suggested in this statement.

In a sense this is the surrender of a long-held position. In the distant past we thought and said that the rules of our Agreement should apply in fact as they do in law, alike to agriculture as to industry. What we are saying now is that because we have to recognise that things have not worked out that way we should now sit down together and work out ways in which agricultural countries can in fact enjoy the declared benefit of "reciprocal and mutually advantageous arrangements".

From that objective we have not moved one inch. If in spite of our willingness to be co-operative and, as I have said before, to regard no options as barred, it turns out that even in these circumstances the objective itself is unattainable then for us the GATT is dead.

Now I come to a specific problem, but one which I think it is proper to raise at this time. What I have spoken about so far is the general approach which the CONTRACTING PARTIES should now make towards solving the problem of obstacles to trade in agricultural products.

What I now wish to discuss is the problem already brought to the attention of the CONTRACTING PARTIES by the Director-General in very forthright terms - the urgent problem of the increasingly critical situation in the world dairy market. May I point out that this crisis situation has also been forcefully brought to our notice by the letter from the International Dairy Committee quoted in document L/2866. This Committee is an international organization of the dairy producers of thirteen countries - all of them represented here. They are Australia, Austria, Canada, Denmark, Finland, France, Ireland, Netherlands, New Zealand, Norway, South Africa, Sweden and the United Kingdom. The words "urgent" and "crisis" are not mine - they are those of the dairy producers of these thirteen countries.

What is this crisis situation? The situation is that with many markets closed or partly closed to dairy products, with domestic support policies encouraging yet further surplus production, and with export subsidies pushing those surpluses on to world markets at dumped prices the market situation is becoming chaotic, and the trade of those countries which depend in large part on exports of dairy products is being seriously affected.
This is not a name-calling or "attacking" statement and what I say is merely a sober recital of some of the causes as we see them. One major factor is the agricultural policy of the European Economic Community. The effect of this policy is to produce high cost surpluses which either have to be disposed of in local markets (again at high cost) or dumped in overseas markets with the aid of very heavy subsidies (also a costly operation). And these export subsidies can be very heavy indeed. I quote one case in which butter, of which the producer price in a Community country was DM 6.30 per kg, was offered for export with an export subsidy of no less than DM 5.00 or 70 per cent of the producer price - or more than the export price of New Zealand butter. This just as a subsidy.

Let me emphasize that we know very well the strenuous efforts being made by the Community to dispose of a large proportion of the surplus on EEC markets in a manner which will not interfere with normal trading in other markets. What we are doing is to point out that certain results inevitably follow from Community policy - results which go beyond the virtual closing of their own markets, to damaging trade in outside markets.

I have spoken only of the EEC, but this does not mean the Community stands alone in this. Other countries too - some of them in GATT and some not - are acting in much the same way. The Community stands out because of the present and potential size of the surpluses which its system can create and dispose of.

On another item of the agenda we have said something - and will be saying more - about the recently introduced new restrictions applied by the United States on imports of dairy products. I mention them here only because they have to some extent contributed (by a further closing down of what could be a major market) to the urgency of the situation. We would not pretend that the problem would have disappeared if these restrictions had not been introduced - it would merely have been a little less acute.

This is surely not the time or place for a more detailed discussion of this most urgent matter but it is the time and place to discuss what we in GATT might do about it.

Now in the Dairy Group of the Kennedy Round we were feeling our way gradually towards the possibility of comprehensive arrangements covering all aspects of the trade in and production of dairy products. I have already suggested that in the long-term enterprise, on which I trust this session of the CONTRACTING PARTIES will decide to embark, this possibility will no doubt be further explored - perhaps for various commodities.

But the dairy products marketing crisis cannot wait upon that. It demands action now and action of a different kind, in a different atmosphere and, I think, in a different forum.
It seems to us that there are two lines along which urgent action might be taken:

(a) the establishment of fair trading conditions for dairy products in commercial markets, and

(b) a multilateral scheme for the disposal of surplus dairy products as food aid.

Under (a) the objective would be the mitigation of the effects of export subsidies and thus the avoidance of the depressing effect on prices. Properly worked out this would benefit both the exporters heavily dependent on exports of dairy products and the exporters who are facing heavy subsidy payments.

Under (b) we believe that we can find a way to make an effective and co-operative contribution to food aid in dairy products by such means as facilitating the use of unused capacity in milk reconstitution plants, school milk programmes and the use of new products such as the milk biscuit which may be suitable for aid in areas where other dairy products cannot readily be distributed. It will be apparent that in some ways the solution we propose is analogous to that adopted for cereals.

If these measures, or something like them, could be agreed upon it would no doubt be found desirable to establish a more or less permanent forum for discussion and co-operation in the arrangements under both (a) and (b).

We do not argue that this is the only basis on which the problem can be tackled. What we now ask for is a decision by the CONTRACTING PARTIES to set up a group to meet as soon as possible after the end of this session with terms of reference either along the lines we have suggested, or at any rate terms which convey the urgent need to co-operate in finding solutions to the critical situation in the dairy products trade and which would permit our proposal to be considered. We would hope that such a group would be required to report, presumably to the Council, at an early date, for example, the end of this year.

The work of this group should not be regarded as in any way prejudicing or replacing the longer and more general task to be carried out on the agriculture problem.