

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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The decisions reached here this week will have a profound effect on New Zealand's future.

Successive generations of New Zealanders have by hard work and enterprise created an economy and a way of life of which we have been justly proud. Our success was based not on industrial strength or raw materials and minerals to fuel the industries in other lands. It was based on farming; on our ability to use science and management skills coupled with a favourable climate to grow livestock and produce food for markets on the other side of the world. Life was not easy for our farmers for most of the first hundred years up to the 1940s. They suffered from depressingly low prices and from manipulation by traders. But our farmers responded to market forces. They adapted their production techniques and their marketing operations so that they would survive the adverse years and expand in the good years. Our farmers and New Zealand prospered from the process of constant adjustment to the needs of, and the returns from, the markets we supplied. And we sought and were able to negotiate secure terms of access to certain major markets. This underpinned a livestock industry which cannot be turned on and off with a switch but which needs a four to five year time cycle.

It was against this background that New Zealand became a founding member of the GATT. In 1947 we were prepared to join with others in an agreement which we hoped would apply on a universal scale the lessons New Zealand had drawn from its own experience - that economic growth and development would be encouraged by a trading system which respected comparative advantage; each country doing what it could do best and exchanging goods in a free and non-discriminatory way. Just as other countries wanted this system to cover manufactured goods, we wanted it to cover agricultural goods.

Thirty-five years later this remains our goal. We have had little success in the intervening period in getting changes in the practices of other countries. Many countries have established and continue to maintain

severely protectionist import régimes for agricultural products. A number participate in export trade only through the vehicle of substantial export subsidies and other support measures. GATT studies have revealed a pattern of fundamental discrimination in trade policies and in the application of the GATT rules against the interests of countries heavily dependent upon the export of farm products. These policies are not the responsibility of one nation or group of nations alone. All of the major trading countries and a number of the smaller countries have, in one form or another, rules governing agricultural trade which they would find totally unacceptable if applied to manufactured products. We urge all countries represented here to unite in a decision to change - to agree to work together to bring agriculture more fully into the multilateral trading system, and be subject to disciplines and other commitments as apply to the generality of trade in manufactured products.

It is a regrettable fact that in the last few years more and more goods have become subject to restrictive import policies; to subsidies of various kinds; to non-commercial financing arrangements; to so-called "voluntary" restraint agreements; to a mish-mash of ad hoc, undisciplined, beggar-my-neighbour policies. These policies and others have led us to the brink of the greatest economic crisis since the 1930s. We face both a crisis of confidence and a crisis of direction. We are at a crossroads. In another sense we have built a castle of cards - remove one card at the bottom and the castle will collapse.

The choice open to us - and it is the only choice - is to point in the direction of a constructive, concerted programme of action to rebuild the international trading system. This must be done on a comprehensive basis - covering the interests of all countries represented here and all product areas, agricultural as well as industrial - and being prepared to encompass new areas of interest.

In GATT we are concerned about the rules of international trade. There are, of course, other dimensions to the problem of the international economy - problems of indebtedness and the balance-of-payments, especially among developing countries. There is a critical interaction between trading and financial issues. In recent months the New Zealand Prime Minister has put before various international bodies ideas for a comprehensive review of the Bretton Woods agreements. We shall be pursuing these ideas further in the appropriate bodies.

What then should we do at this meeting to establish the new foundation and the GATT agenda for the 1980s and 1990s?

First, we must make a strong political statement of intent to manage our affairs in conformity with the law and the spirit of the law which the GATT embodies - full respect for the interests of others and recognition of comparative advantage.

Second, we must bring the GATT up-to-date and ensure we get to grips with the unfinished business of the GATT - agriculture; subsidies; and safeguards.

Subsidies are a particularly serious problem area and the GATT has certainly not dealt adequately with it.

The fact that New Zealand - one of the most efficient producers of livestock products in the world - has been forced by the export subsidies and market protection practised by other countries to introduce support measures for its farmers, is a reflection of how desperate the international market situation has become. For us this can only be a temporary measure. We cannot as a nation afford to subsidize our farmers - equally we cannot afford to have our agricultural industry weakened by lack of confidence in the future. There are significant proposals on the table of this conference for the progressive and substantial reduction in existing export subsidies and other export support measures and against the introduction of new measures. New Zealand wholeheartedly supports the intent and direction of these proposals. We must try and find a basis on which the issues can be addressed. In the absence of fuller agreements on a specific programme of action, we urge that all countries exercise the greatest restraint in the management of their agricultural export programmes; seeking to cooperate to avoid damage to the essential interests of others; and working together to find sensible solutions to immediate problems arising from the accumulation of surplus stocks.

Third, we must prepare the ground for new negotiations to improve market access for agricultural products. We propose an evolutionary approach - one which provides for gradual improvements in access and reduction of surpluses. We believe that marginal adjustments in production and access policies will provide beneficial market opportunities for New Zealand and other exporters of temperate agricultural products without putting at risk fundamental interests of domestic producers in those countries.

Fourth, we must insist that the work programme in the GATT be action-oriented and with a tight time-table for reporting back and for decisions by Ministers. I note the drafts refer to two years. I question that we need take that long - can we not shorten the period allowed, providing, if need be, for the use of consultants or other techniques to hasten the process of analysis and formulation of conclusions?

Much of what I have said applies with equal force to the trade of developing countries in areas other than primary products. It is essential that this meeting should lead to concerted action in favour of the developing countries and that special attention should be devoted to the problems of the least developed countries. New Zealand does not approach

this conference determined to blame any one group or country. As a small developed nation we are concerned that the economic and trading leaders - the European Community, the United States of America and Japan, appear unable to resolve by negotiation the differences which militate against the progressive resumption of liberalized trade. They have the population, and economic strength, to initiate the change which we smaller nations desperately seek and their lead is urgently required in order that we all may see a resumption of growth and employment.