

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva  
on Friday, 11 November, at 2.30 p.m.

Chairman: Mr. TORU HAGUIWARA (Japan)

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1. <u>Impact of commodity problems upon international trade (L/1329, L/1292 and Add.1, L/1318) (continued)</u>	

The CHAIRMAN invited further discussion on this item, which had been begun at the morning meeting.

Mr. CASTLE (New Zealand) said that his delegation were prepared to agree that the Working Party on Commodities should not meet this year, although this should not be taken as detracting in any way from the importance which New Zealand attached to the question of commodity problems. The documents before the contracting parties drew attention again to the unsatisfactory state of commodity trade and reflected both the decline in the terms of trade of primary producing countries in recent years and the effects of price fluctuations. This situation hindered the less-developed countries' task of promoting economic development. New Zealand was particularly concerned about agricultural protectionism in the more developed countries, which were the natural markets for New Zealand's meat and dairy products. The abandonment of these protectionist policies, which adversely affected both domestic consumption and imports, was in the long-term interests of all contracting parties and would result in an expansion of trade between the less-developed and the industrialized countries. For this reason, special significance should be given to the discussions in Committee II. While commodity problems could best be dealt with by removing the underlying causes, New Zealand also favoured the commodity-by-commodity approach leading to worthwhile arrangements, provided these had a balanced representation of producer and consumer interests.

In reference to regional trade arrangements, Mr. Castle said that the commodity policies inherent in such arrangements, and the failure of participating countries to move away from protectionism, was a matter which warranted the CONTRACTING PARTIES' closest attention. Mr. Castle went on to say that, while waiting for the final reports of Committees II and III, it would be an important step forward if contracting parties would agree first, not to increase existing levels of support for farm prices and incomes and to reduce these levels as rapidly as possible, and secondly, to accept as an objective that guarantee or support prices should not, over a period, exceed the general level of prices in international markets where there was a significant volume of trade in the commodity concerned, and to take action as soon as possible to make existing practice conform with this principle. Mr. Castle emphasized that the expansion of international trade on a multilateral basis would only succeed if a solution was found to commodity problems having their origin in protectionist policies. Primary producing and less-developed countries needed assurance that tariff concession would not be nullified by non-tariff protective measures. He would return to this point when the report of Committee II was discussed.

Mr. OLDINI (Chile) said that the fact that the deficit on trade account of the less-developed countries had shown an improvement was hardly a matter for satisfaction when it was realized that this had resulted from a reduction in imports by these countries. This situation was in contradiction to the efforts of the CONTRACTING PARTIES to promote the expansion of trade. As regards Chile, where the situation in regard to copper had been satisfactory in 1959 as compared with 1957 and 1958, the decline in copper prices at the end of 1959 and early 1960 was nevertheless a matter for serious concern. While there might be certain favourable elements in the situation, there were unfavourable factors operating. In his view, it was always better to take action before a really difficult situation arose; in many respects the efforts to deal with problems of this sort in various international bodies tended to represent an attempt to cure rather than to foresee. Similar considerations applied in the case of lead which was also a commodity of importance to Chile. Mr. Oldini went on to refer to the dangers of duplication and divided competence which arose from the existence of a considerable number of international organizations dealing with commodity problems. In this connexion he quoted from the report of the Chairman of ITCICA (L/1329) in which it was stated: "confusion as to which international forum is the most appropriate for taking specific action in respect of commodity problems could be an obstacle to agreed international action". Perhaps the GATT could take the initiative in suggesting some better co-ordination of the work of organizations currently active in the commodity field. Mr. Oldini added that, since its reconstitution, the CICT appeared to be becoming more effective; perhaps a co-operation between the CICT and the GATT would improve this effectiveness and assist the CICT in taking account of the preoccupations of contracting parties concerning commodity problems. The United Nations too, which was occupying itself with these problems, had taken as a basis a line of action which reflected discussions which had taken place in the GATT. Mr. Oldini went on to repeat the need to ensure a proper division of responsibility in this field. For example, the field of action of the IMF was not that of the CICT, and the competence of the

CICT differed from that of the GATT. In commenting on the United Nations Resolution regarding the establishment of a group of experts, with particular reference to the question of compensatory financing, Mr. Oldini said that this also reflected the preoccupations of contracting parties. It was to be hoped that it would be possible for the GATT to follow the work of the group of experts very closely. In conclusion, Mr. Oldini said he hoped the decision that the Working Party on Commodities would not meet this year would not constitute a precedent and that the Working Party would always meet in future years.

Mr. RIZA (Pakistan) said that Pakistan, whose interest in the question of the disposal of primary commodities and in world market trends was well known was, like other contracting parties, concerned that primary commodity prices had not reacted to the recent resurgence of economic activity in the industrial countries. Pakistan's terms of trade in commodities of interest to it had generally not improved and, in some cases, had tended to worsen. Cotton prices continued to depend on the policies of the largest cotton producers. His delegation hoped it would be possible to come to some arrangements whereby a reasonable and stable return was assured to producer on a long-term basis, so as to facilitate development planning over a number of years.

Mr. Riza said that his Government had been very concerned about the recent rise in raw jute prices which, enquiries showed, was mainly based on trade forecasts of a short crop. This year no licensing restrictions were imposed by his Government on jute acreage. Furthermore, the Government sought to counteract the failure of pre-monsoon rains by removing the ban on growing jute in border areas and supplying seed and fertilizer. While these measures had reassured buyers in May of the Government's determination to ensure adequate supplies of jute at reasonable prices, and while acreage increased by about 10 per cent compared with last year's figure, the first official forecast for the crop was 5.6 million bales, although this figure might increase. However, the fact that the carry-over stocks were only 0.23 million bales, and the comparatively slow pace of arrivals of raw jute, contributed to a bullish tendency in the market. The Government had very carefully considered what steps to take to meet this situation. Inter alia, administrative measures were being taken to encourage the farmer to release his stocks at a faster pace. As regards complaints that some middlemen, taking advantage of the rising prices, had been resorting to the practice of artificially increasing the moisture in jute before sale, Mr. Riza said his Government wished it to be known that it had given a warning of stringent action in such cases and had provided for more severe penalties. It was hoped that all buyers would co-operate by refusing to purchase stocks suspected of having been treated in this manner. Mr. Riza went on to say that, as the consensus of opinion in jute circles, both foreign and domestic, was against the adoption of a quota system to regulate supplies of jute to buying countries, it had been decided not to interfere with the established channels of trade in jute. The Pakistan Government hoped, however, that buyers would so regulate their purchases as not to lend support to bullish trends in the market. As regards the difficulty which shippers had been experiencing in obtaining jute to fulfil commitments already made, the Pakistan Government had decided that reasonable

extensions would be given if requested. This facility would not, of course, be available in respect of fresh commitments.

In conclusion Mr. Riza said his delegation agreed that the best way of tackling the question of commodity problems was the commodity-by-commodity approach. The GATT was already considering, in Committees II and III, the question of the removal of barriers such as quantitative restrictions, high tariffs and internal fiscal charges. Mr. Riza emphasized the need to secure substantial results from the work of these Committees.

Mr. ADAIR (United States) said that the statements which had already been made indicated the concern of governments with the special difficulties of commodity trade, including the problem of market instability. They also bore evidence of the increasingly broad perspective in which these problems were being viewed and the broad many-pronged approach to them which was now being followed. Thus, account was taken today of the desire for larger, as well as more stable markets for primary exporting countries. The GATT had assumed a vitally important responsibility in connexion with this problem of trade expansion.

Mr. Adair went on to say that another problem distinguishable from the problem of short-term fluctuations in market prices had been brought into prominence by the behaviour of commodity prices in the recent past. This problem was the basic or structural imbalance between supply and effective demand which had developed in many commodities, such as the grains, beverages and fuels, and which tended to exert a persistently depressing influence on prices. The decline in commodity prices during the 1957-58 recession appeared to have been aggravated by this underlying factor, just as the recovery of commodity prices as a whole since that period had been retarded by it. The CICT had announced that it intended to give special attention to this problem of imbalance at its next session, in addition to considering various subjects bearing upon the matter of price instability as described in document L/1292/Add.1. He would suggest that the GATT too was tackling this problem of imbalance through its trade expansion programme. The over-expansion of supply had derived in many cases from government price support policies, such as were under study in Committee II. The possibilities for absorbing surplus supplies through normal commercial trade, was the general subject under study in Committee III. The existence of arrangements designed to prevent excessive fluctuations in market prices did not dispose of the efforts to bring supply and demand into better balance where a severe imbalance had developed, as in the case of wheat and sugar. In conclusion, Mr. Adair said that, overall, countries had come through the recent period of market instability with perhaps less damage than ever before, due in part to the national and international reserves on which they could draw, in part to the growing diversification of the export earnings. The extent of international activity on the full range of commodity problems gave reason for hope that the future would show still further progress.

Mr. TAUFER (Czechoslovakia) expressed the disappointment of his delegation that the Working Party on Commodities would not meet this year. Despite the fact that commodity problems were occupying the attention of other organizations, such as the ECOSOC and the CICT, they were of such importance and topicality that the CONTRACTING PARTIES should always have them under serious examination. Further, there was the fact that the practical results of all the international discussion and study were fairly modest; the CICT for example, while having a fairly big study programme, had a long way to go before these studies would have practical application. In reference to the CICT's proposed study of compensatory financing, Mr. Tauffer said that his delegation considered it necessary, in seeking to achieve the practical execution of measures of this sort, to have recourse to measures other than those of the IMF within the

framework of its existing principles and methods. The ICCICA, on the other hand, was largely directed towards registering the effects of commodity agreements; while not wishing to under-estimate the scope of such agreements, it should be recognized that their effectiveness was necessarily short-term and they only dealt with individual products. Further, as regards the relative influence of producer and consumer countries in these agreements, the question of economic superiority was in fact the decisive factor.

Continuing, Mr. Taufer, in reference to ICCICA's last annual review, underlined the negative effects of certain regional groupings on international commodity trade. The establishment of the EEC and the OECD, for example, would have the effect of strengthening the position of the countries which were members of these groups, while the groups themselves would, as a result, play a negative role in the attempts being made to stabilize commodity prices. Many European countries had also experienced the effect of groupings of this sort, for example in connexion with the joint pricing policy of the European Coal and Steel Community. Mr. Taufer stressed that the economic evolution of the less-developed countries had been adversely conditioned in the past by considerations of economic and political subordination, which had resulted in these countries being mainly exporters of primary commodities. He went on to quote statistics from the report of the CICT on its eighth session (E/3383, page 6) to indicate the extent to which the evolution of the price index for primary products and manufactures had been to the disadvantage of the less-developed countries. From the statistics it could be calculated that, in 1959, these countries had to export 12 per cent more primary commodities than in 1953 in order to cover the importation of the same quantity of manufactures; if the base year were taken as 1950 the situation would be even worse. Continuing, Mr. Taufer referred to page 18 of the CICT report which stated that the effects of the industrial decline on the export trade of the less-developed countries had been reflected in commodity price falls whereas the improvement in industrial activity resulted essentially in an increase in the quantum of exports of the less-developed countries. The reduction in the trade deficit of the less-developed countries in 1959 was essentially due to a reduction in their imports, with consequential adverse effects on the industrial development of these countries.

In conclusion, Mr. Taufer said that the facts and statistics he had quoted confirmed his delegation's view that the position of the less-developed countries in world trade deteriorated year by year, despite all the consideration and study that had been given to this question. In the light of this situation, the claims of the less-developed countries, as set out in document W.17/11, were justified and were a minimum requirement. His delegation were convinced that it was only through systematic and energetic industrialization that the less-developed countries could achieve a rapid and diversified development. Czechoslovakia was convinced of this view and its economic contacts with the less-developed countries had the object of enabling them to realize this aim.

Mr. GRANDY (Canada) said that his delegation were prepared to agree that the Working Party on Commodities should not meet during the present session. This should not constitute a precedent, however, in view of the acceptance of

the fact that the CONTRACTING PARTIES were fully competent to deal with the question of commodity problems and taking account both of the realistic approach of the CONTRACTING PARTIES to these problems and the progress that had been made. In this connexion, he considered that the proposals in paragraph 11 of the report (L/1329) of the Chairman of ICCICA regarding the role of the CONTRACTING PARTIES in this field were very valuable and appropriate. He would, however, have given sub-paragraph (b) in paragraph 11 of the report priority over sub-paragraph (a) as, in the view of the Canadian delegation, protectionism was fundamentally more detrimental to the interests of primary exporting countries than the lack of commodity agreements. The attack on protectionism should therefore be the main objective, although there did, of course, remain a very useful role for both commodity agreements and study groups; in the latter connexion, his delegation would endorse the last sentence in document L/1329, where continuous support was urged for the existing machinery whereby agreements were negotiated at conferences with the full participation of both producing and consuming countries.

Mr. MENASE (Yugoslavia) stressed the importance of commodity problems, particularly for the less-developed countries, and said his delegation well understood the problems which arose for these countries from the instability of commodity prices and the restrictive import policies of the industrialized countries. Yugoslavia was also in the process of economic development and a considerable proportion of its exports consisted of primary commodities and, in particular, of agricultural products. His delegation supported the view that the GATT should constantly concern itself with these problems; the Chairman of ICCICA had pointed out in his report the lines of action which the CONTRACTING PARTIES could best follow.

The EXECUTIVE SECRETARY referred to certain points which had arisen during the discussion. In connexion with the question of the better co-ordination of the work of the various international bodies active in this field, he said that the establishment of the Sub-Committee on Commodity Problems of the Administrative Committee on Co-ordination had led to a considerable improvement in practical co-operation between the international secretariats concerned. As regards the CICT, it had not been possible to participate as actively or regularly in the work of the Commission as much as he would have wished, because of limited resources, but he hoped that this would be rectified as a result of the budgetary decisions being taken at this session; he would in any case take steps to have the record of the present discussion brought to the attention of the Commission. The Executive Secretary went on to say that the co-operation of governments was also necessary in this matter. He had, for example, noticed in the past that questions with practical trade implications had been put to the CICT which could more appropriately have been dealt with by the CONTRACTING PARTIES; in this connexion he would again emphasize the availability and usefulness of the GATT consultation procedures. The Executive Secretary then drew attention to document L/1318, which contained a memorandum from the International Chamber of Commerce on obstacles to the operation of futures markets and proposed that the memorandum should be referred to the next meeting of the Working Party on Commodities. In reference to the Working Party, the

Executive Secretary said that the fact that it was not meeting this session had, in a way, focussed attention on its importance. It would be recalled that, following the Working Party's meeting and the plenary discussion at the fifteenth session, the CONTRACTING PARTIES expressed their views, inter alia, on the importance of directing international financial resources towards helping the primary producing countries during periods of balance-of-payments difficulties; it was a cause for satisfaction that this question was being taken up so actively in the other international bodies with particular responsibilities in this field.

The CHAIRMAN, at the conclusion of the discussion proposed that the Council should be given the task of making arrangements for the next meeting of the Working Party on Commodities which would be held in 1961.

This was agreed.

2. Disposal of commodity surpluses (L/1291, L/1360)

The CHAIRMAN recalled that annually, for the past six years, the CONTRACTING PARTIES had discussed developments in the disposal of commodity surpluses in the light of the Resolution of 4 March 1955. The secretariat had distributed in document L/1291 a note on the activities of the Food and Agriculture Organization in the field of surplus disposal. The secretariat had also made available, in document L/1351, the text of a Resolution adopted recently by the General Assembly of the United Nations dealing with the distribution of food surpluses.

Mr. D'AMICO (Food and Agriculture Organization) referred to the Resolution recently adopted by the United Nations' General Assembly relating to the distribution of food surpluses, the text of which had been distributed to contracting parties by the GATT secretariat (L/1351). Having outlined the main features of the Resolution and the part which the FAO had been invited to play in its implementation, Mr. d'Amico went on to say that the decisions taken by the UN General Assembly were of outstanding importance to the FAO. They had already been considered by the FAO Council, and the decisions taken by the Council aimed at ensuring speedy and adequate study of the proposals, both at the technical and inter-governmental level. Mr. d'Amico said that, both as regards the promotion of studies at the technical level and the consultations requested by the Resolution, the Director-General was authorized to take such action as was required. As for the consideration of the matter at inter-governmental level, the FAO Council had decided to make the maximum use of the established FAO machinery. The Council had set up an inter-governmental advisory committee of FAO member nations to advise the Director-General on the preparation of the report to the Economic and Social Council. This advisory committee would work within the framework of CCP and, in particular, would maintain liaison with the CCP Sub-Committee on Surplus Disposal. The report of the advisory committee would be considered by the CCP before it was submitted to the ECOSOC, if necessary at a specially called emergency session. Should issues of high policy arise, the Director-General was authorized



to convene an emergency session of the FAO Council. Steps were being taken to implement the UN and the FAO Council's instructions. In conclusion, Mr. d'Amico said that FAO would keep the GATT secretariat informed of developments within the FAO on this and on other activities concerning surplus disposal, so that these could be brought to the attention of contracting parties.

Mr. BECKER (United States) said that he wished to draw attention to three features of the United States report (L/1360). The first of these was the inclusion of a table showing the countries to which sales for local currencies, under Title I of PL.480 had been made. His delegation had pointed out in the past that, over the years, these sales had been increasingly concentrated upon countries in process of development or in balance-of-payments difficulties, this being one way in which the United States sought to ensure that its disposals contributed to additional consumption, and did not displace normal commercial trade. The table annexed to the report gave the evidence on this point. Secondly, he would draw attention to the discussion in the report of the agreement concluded this year with India, which would finance the purchase over a four-year period of 16 million tons of wheat and one million tons of rice. This was the first agreement under Title I of PL.480 specifically designed to help a country establish substantial food reserves. One fourth of the wheat and all of the rice programmed under the agreement would be available for this purpose, providing India with 147 million bushels of wheat and 22 million bags of rice over the four-year period for the building of a reserve. Of the \$1,276 million in rupees paid by India for the wheat and rice received under the agreement and for ocean transport costs, \$1,076 million would be made available to the Indian Government for economic development projects. In developing this programme, the United States had consulted closely and fully with other major exporters of the products concerned. The Indian Agreement was the prime example to date of the progress that had been made in evolving procedures for surplus disposal that contributed to economic development and had a minimum impact upon normal commercial trade. Mr. B.K. Nehru, speaking to the General Assembly of the United Nations, had recently stated that had the grain received from the United States and Canada on special terms not been available, his country could not have afforded to purchase from abroad "one ounce more grain", in their foreign exchange situation.

Mr. Becker then drew attention to what the United States had reported on the steps recently taken towards developing a system for directing existing food surpluses to areas of need through the United Nations system. These had been set in motion by President Eisenhower's announcement to the General Assembly that the United States was ready to join with other countries in developing a system of this sort, relying upon the advice and assistance of the FAO. The representative of the FAO had just outlined the main features of the Resolution on this subject recently adopted by the United Nations General Assembly and the text of the Resolution had been circulated to contracting parties by the GATT secretariat (L/1351). Mr. Becker went on to say that the United States would not have supported this initiative had it not felt that, with the experience gained under its PL.480 programme and the Food-for-Peace programme, governments were now at a stage when such a co-operative venture within the United Nations should be feasible and should be able both to increase the utilization of

existing food surpluses for economic development and to strengthen present safeguards for the commercial interests of agricultural exporting countries, with which the CONTRACTING PARTIES were particularly concerned.

Mr. Becker then said that his delegation had decided to submit the United States' report in written form this year because of their conviction that it had ceased to be an efficient use of the CONTRACTING PARTIES' time to handle the surplus disposal item under the procedure followed over the past five years. The frank exchange of views in plenary discussions during the early years of the Resolution of 4 March 1955 had been very useful but, in part as a result of these discussions in GATT, a substantial network of consultative arrangements, both multilateral and bilateral, had now grown up outside the GATT and it was through these other channels, which operated on a more or less continuous basis, that the United States became acquainted with any new concerns of other countries regarding its programmes and they with the objectives and techniques of United States disposal programmes. Unless the focus of the debates in GATT was broadened to take in the regular or occasional foreign surplus disposal activities of other contracting parties, the practical value in continuing the annual review of experience under the surplus disposal Resolution on the present basis was not, in the view of the United States delegation, sufficient to justify the time the CONTRACTING PARTIES now devoted to it, given the need to lighten their agenda. On the other hand, the United States delegation would not consider it advisable or likely to be in accord with the wishes of the contracting parties to eliminate this item altogether from the GATT's programme of work. Mr. Becker said it would seem preferable to his delegation to have the Council each year discuss recent developments in the surplus disposal field and determine whether there was need for further discussion of this item by the CONTRACTING PARTIES. As his delegation visualized the procedure, contracting parties engaging in surplus disposals would be invited to submit written reports to the Council on such disposals and on the procedures used in connexion with them, as the United States had done this year. On the basis of these and other relevant reports, and in the light of any specific request from interested governments, the Council would then decide whether to recommend inclusion of the item on the agenda for the next meeting of the CONTRACTING PARTIES. Another possibility might be to agree now that the item should not be carried over automatically from year to year, but that it would be taken up again whenever a specific request that this be done was made by an interested contracting party. The United States delegation would regard the first of the two proposals he had made as the better arrangement.

Mr. WADSWORTH (Rhodesia and Nyasaland) said that his delegation was pleased to note that, in respect of foodstuffs, the United States authorities had been able to dispose of some of their surplus commodities, greatly to the benefit of other countries which needed these foodstuffs badly, and in agreement, after consultation, with all the other producing countries concerned. There was, Mr. Wadsworth continued, the other side of the coin however. The Government of the Federation had always regarded the surplus disposal activities of the United States authorities under PL.480 with grave concern. Many of the deals concluded had, in its opinion, seriously prejudiced the Federation's present and potential position in several important tobacco importing countries; this opinion was being steadily supported by a growing and substantial body of evidence.

Since the present session began, Mr. Wadsworth went on, his delegation had been advised of a new agreement of an even more alarming nature than its forerunners. This was an agreement with France, a country with which the United States could claim little in the way of currency complications, and consisted of a deal in respect of which no currency or indeed other acceptable justification existed, despite the positive statement in document L/1360 that all deals were with countries with limited foreign exchange resources. According to information received from the United States delegation, this arrangement, concluded on 4 November 1960, provided for the supply to the French Monopoly of \$2½ million worth of flue-cured virginian and other light tobaccos, and for much of the monies involved in the transaction to be applied to research into the promotion of the consumption in France of these particular types of tobacco. Mr. Wadsworth said his delegation felt strongly about this agreement. Only one brand of tobacco included any material content of the types of tobacco concerned. The new "Royale" contained a good deal of American light tobaccos and the transaction came very close to direct market promotion, if not disruption. The actions of the United States authorities hardly reflected United States utterances in the field of international trade, particularly in relation to the interests of the less-developed countries. Neither, insofar as the Federation was concerned, was the United States Government complying in any way with the Resolusion of 4 March 1955 on the disposal of surpluses. Mr. Wadsworth went on to quote the following passage from the third paragraph of page 2 of document L/1360: "It was pointed out that procedures for bilateral consultations on proposed Title I transactions had been evolved along lines which protect the United States' need for freedom of action, yet also meet the desires of other exporters for advance information on proposed sales and for an opportunity to comment on them; that these consultations are supplemented in the case of particularly significant commodities by regular consultations with other exporters, on a bilateral or multilateral basis."

The Federal delegation found this assertion about advance information and consultations with other exporters astonishing, although they had noted from the statement just made that it appeared to be true in the case of some commodities. Mr. Wadsworth went on to say that tobacco was of particular significance to the Federation. Yet, despite repeated indications in the GATT, the FAO and directly to responsible United States officials on a large number of occasions of the Federal Government's deep concern in this matter, together with formal approaches in Washington, and in spite of tobacco deals amounting over the last five years to 255 million pounds in weight or \$181 million in value, the United States had at no time seen fit to consult the Federation either before or after any transactions under this law or any other programme involving tobacco; all this notwithstanding what is called in document L/1360 a comprehensive framework for prior consultation. So long as these conditions prevailed, Mr. Wadsworth concluded, his delegation would resist any attempts to have this item removed from the agenda.

Mr. GRANDY (Canada) said that Canada had a major interest in this question, and had participated actively in the work of the international organizations dealing with the problems involved. His delegation was inclined to agree with the United States representative about the present effectiveness of the

consideration of this item by the CONTRACTING PARTIES and would be willing to examine possible new procedures to make this consideration more effective. In recent months, some important steps regarding surplus disposals had been taken in various bodies. Last July the Wheat Utilization Committee appointed a Working Party to look into the question of credit sales, with a view to providing guidance on how to avoid disturbance of normal commercial markets. On a number of recent occasions, the Canadian Prime Minister had put forward proposals for a World Food Bank on somewhat similar lines to the United States proposal, and these were reflected in the United Nations General Assembly Resolution, the text of which had been distributed in document L/1351. Canada was one of the sponsors of this Resolution. Moreover, the FAO Consultative Sub-Committee on Surplus Disposal continued to be an active and valued agency. However, while agreeing that some change in procedure for the CONTRACTING PARTIES' discussion of the surplus disposal item was warranted, his delegation would not like to see the item removed from the agenda until there was a better indication of the activities of other bodies considering the question, and especially until there was a clear indication of the activities that might arise out of the United Nations' Resolution. They would agree, as the United States' representative had suggested, to refer the item to the Council and for the Council to determine each year whether developments justified including the item on the agenda of the CONTRACTING PARTIES. They had some doubts, however, about the written reports which the United States representative suggested should be submitted to the Council. In conclusion, Mr. Grandy referred to the statement made by the representative of Rhodesia and Nyasaland. If the facts were as had been stated, this would represent a serious development, and it was clear that there must be adequate procedures to ensure that contracting parties were able to bring forward their concerns to the CONTRACTING PARTIES, if situations of the kind described arose.

Mr. CASTLE (New Zealand) said that New Zealand had consistently maintained that, as long as governments were reluctant to adjust their national pricing policies, the problem of agricultural surpluses was likely to remain difficult to deal with. He went on to say that United States surplus transactions continued to hinder New Zealand's efforts to develop new markets for dairy products although, he would agree, the United States had conformed with its undertakings regarding prior consultation insofar as those products were concerned. Mr. Castle added however, that it was clearly desirable that the procedure regarding prior consultation should apply to all products involved in surplus disposal transactions such as, for example, tobacco, to which reference had been made in the discussion.

Mr. Castle went on to refer to the disturbing influence of subsidized exports from several European countries on world markets for dairy products and the need for the interests of traditional exporters to be safeguarded. In this connexion his delegation were glad to note the recent Resolution of an OEEC Committee regarding butter disposals and the recent action of the Netherlands in raising the fat content of liquid milk. Mr. Castle said New Zealand recognized, provided that the measures taken did not disrupt world trade, that countries were entitled to maintain or improve the economic status of farmers. Occasional agricultural surpluses were also inevitable, but there

was a difference between these and large surpluses resulting from deliberate pricing policies. Mr. Castle said that, as far as possible, surpluses should be disposed of internally through measures to increase consumption; this could be done in the case of dairy products. Where surpluses had to be disposed of externally, the government concerned should consult with the FAO Consultative Sub-Committee on Surplus Disposal.

In reference to the United States' proposal regarding procedures for the future consideration of this item by the CONTRACTING PARTIES, Mr. Castle said that New Zealand had always considered the item to be an important one. His delegation could agree, however, that the item should be considered each year by the Council on the basis of written reports by the United States and other contracting parties concerned, and that the Council should decide whether the item should appear on the agenda of the CONTRACTING PARTIES. They could not agree to the alternative proposal of the United States that the item should only be taken up by the CONTRACTING PARTIES if a contracting party so requested. Having referred to the desirability of avoiding duplication of the work of other international organizations, to the use which should be made of information which might be available in those organizations, and the possible need for some change in the form and content of the paper (L/1291) distributed by the secretariat in future years, Mr. Castle suggested that the Council should recommend to the CONTRACTING PARTIES the scope of the reporting which should be requested from the contracting parties concerned.

Mr. PHILLIPS (Australia) stressed the continuing importance of this item and its increasing significance for the CONTRACTING PARTIES. In reference to the Resolution of the United Nations General Assembly, the text of which had been distributed by the secretariat in document L/1351, Mr. Phillips said that the objectives of the Resolution would have the support of everyone. It was important to note, however, that the Resolution stressed the need for action to proceed with adequate safeguards and measures to prevent the dumping of agricultural products on international markets. It also stressed the need to avoid adverse effects on the interests of those countries whose export earnings depended mainly on the export of food commodities. This demonstrated that the Resolution adopted by the CONTRACTING PARTIES on 4 March 1955 continued to be very relevant to the position today. This did not mean to say, Mr. Phillips continued, that his delegation felt that the present procedure for the consideration of this question by the CONTRACTING PARTIES had to remain unchanged. His delegation could support the United States proposal that this item should initially be discussed by the Council which would decide whether it should appear on the agenda of the CONTRACTING PARTIES. His delegation had some doubts, however, about the United States suggestion regarding reporting although they appreciated, of course, that the surplus problem was not confined to the United States; in this connexion Mr. Phillips stressed Australia's concern about the protective agricultural policies of some countries and their effects on the interests of traditional agricultural exporters. Mr. Phillips said that his Government recognized the responsible attitude adopted by the United States in the disposal of agricultural surpluses of interest to Australia and were glad to say that the consultation procedures were operating smoothly as far as Australia was concerned. It was with quite some concern, however, that his

delegation had noted the experience in this connexion of the Government of the Federation of Rhodesia and Nyasaland. In conclusion, Mr. Phillips said that Australia welcomed the establishment of the Wheat Utilization Committee and considered that it had made an important contribution to the consultation procedures and to the study of satisfactory solutions to the surpluses problem

Mr. XYDIS (Greece), having quoted figures to indicate the value of United States surplus commodities received by Greece, said that this form of aid both helped Greece in making up deficiencies in its own agricultural production and provided finance for its development programmes. The assistance thus given helped the United States to accommodate its own domestic requirements and facilitated the task of the lesser developed countries in promoting their economic development. Having referred to paragraph 9 of the United Nations Resolution described by the representative of FAO, Mr. Xydis said that, in considering the question of the disposal of surpluses, a distinction should be drawn between the less-developed countries and those only experiencing temporary balance-of-payments difficulties. This was a matter which either the CONTRACTING PARTIES or the Council might examine.

Mr. HARTOGH (Netherlands) said that the continuation of the problem of agricultural surpluses was attributable both to the growth in agricultural production under the influence of technological progress and to national agricultural policies which stimulated production. His delegation were gratified that, over the past few years, there has been increasing international attention to this problem, while most FAO member countries adhered to the FAO principles of surplus disposal. It was also a matter for satisfaction that consultation procedures in connexion with surplus disposals had reduced the adverse effects of non-commercial transactions on the interests of traditional exporting countries. The fact that there was now a United Nations Resolution on this subject should not detract attention from the primary need for countries to restore the balance between production and effective demand through appropriate long-term policy measures. In conclusion, Mr. Hartogh said that his delegation could support the United States proposal that this item should be discussed by the Council on the basis of reports submitted by contracting parties on their surplus disposals activities; during the Council's discussions note might be taken of the reports to the CCP of the Consultative Sub-Committee on Commodity Problems.

Mr. RANGANATHAN (India) said that the safeguards provided by the consultations procedures had become more and more satisfactory over the years, although one still heard adverse comments on surplus disposals as such. In reference to the Public Law 480, Title I, transaction between India and the United States in May 1960, Mr. Ranganathan pointed out that the quantities sold under special terms were additional to India's normal acquisitions on commercial terms. Because of India's foreign exchange difficulties, and were it not for the efficacy of the consultations procedures and the availability of these additional supplies, India might feel obliged not to make any commercial purchases at all, in spite of food shortages. If there were such shortages, this would, inter alia, lead to a considerable rise in the domestic price of foodstuffs, which would threaten economic stability in view of the fact that food prices were still an important element in living costs and had a considerable

influence on other prices. Mr. Ranganathan, having described the purposes to which the 17 million tons of food involved in the transaction with the United States would be put, praised the United States' initiative. He also expressed India's gratitude for loans and gifts from surplus stocks received from Canada from time to time.

Mr. Ranganathan went on to say that his delegation were sure that the consultations procedures already in existence, as well as those envisaged in the recent United Nations Resolution, would be adequate to safeguard the interests of those countries whose foreign exchange earnings were derived substantially from the export of food commodities. There had to be a balance between the needs of the less-developed countries and the interests of commercial exporters of foodgrains; the established procedures for consultation, which were constantly being improved upon, were, in the view of his delegation, adequate to secure this balance. In conclusion, Mr. Ranganathan said that his delegation could accept the United States proposal that, in the normal course of events, the review of this question should in future be left to the Council.

Mr. RIZA (Pakistan) said that Pakistan was interested in the disposal of both foodstuffs and industrial raw materials such as cotton. Pakistan had suffered from food deficits for some time, and, although efforts were being made to become self-sufficient in food, particularly wheat and rice, Pakistan depended on sources such as the United States in order to supplement existing supplies. He wished to place on record Pakistan's gratitude for United States supplies received in the past.

However, Mr. Riza continued, his Government continued to be greatly concerned about United States cotton disposals. These disposals directly affected Pakistan and were detrimental to its earnings of foreign exchange. As long as the underlying causes of these surpluses remained, so would the situation continue to be very disturbing. Pakistan aimed at multilateralism in its trading relations, but the difficulties it sometimes met in the sale of its cotton made a degree of bilateralism unavoidable. While appreciating United States efforts to solve their surpluses problem without disturbing normal trade patterns, his delegation were of the opinion that further efforts were needed in the case of cotton. In conclusion, Mr. Riza said his delegation considered that this item should continue to appear on the agenda of the CONTRACTING PARTIES. The United States proposal regarding reporting by other contracting parties which also had agricultural surpluses for disposal could perhaps be examined by the Council.

Mr. THRANE (Denmark) expressed the grave concern with which the question of the disposal of agricultural surpluses continued to be viewed by Denmark, whose economy depended to a large extent on the export of agricultural products. The Resolution of 4 March 1955 was not as strong as his delegation would have wished. While it was fair to say that particularly the United States had been able to dispose of substantial quantities of food in an orderly manner and to the benefit of needy peoples, there had nevertheless been cases when the commercial interests of Denmark had been seriously damaged; they would have been even more seriously damaged had it not been for the established

consultation procedures, particularly in the Consultative Sub-Committee on Surplus Disposal. Having referred to the need for solving the basic problems underlying the accumulation of surpluses, Mr. Thrane went on to mention the recent near breakdown in the butter market, in this case because of surpluses in countries other than the United States.

Mr. Thrane said his delegation could support the United States proposal for a change in the procedure for the CONTRACTING PARTIES' consideration of this matter, provided the aim was to streamline and strengthen the procedure and not to downgrade the importance of the item, and on the understanding that any contracting party could request, if it so wished, that the item be included on the agenda of the CONTRACTING PARTIES. The statement of the representative of Rhodesia and Nyasaland illustrated the need for there not to be a procedure which required, for example, a majority decision in the Council before the item could be included on the agenda of the CONTRACTING PARTIES. In reference to the recent United Nations Resolution, the text of which had been distributed by the secretariat, Mr. Thrane said that, while welcoming the Resolution on humanitarian grounds, Denmark would have preferred it to be stated that the assistance envisaged would be on a grant basis, so as to avoid detriment to the commercial interests of some countries. Having referred to the short-term emergency nature of the measures envisaged in the Resolution, Mr. Thrane said that Denmark had voted in favour of the Resolution on the clear understanding that paragraph 9 ruled out the possibility of arrangements being made under the Resolution which would interfere with the normal competitive nature of trade in the products concerned, thereby excluding the possibility of the Resolution being used as a cover for special assistance measures to agricultural interests in any particular country.

Mr. PEREIRA (Peru) said that his delegation supported the statement made by the representative of Pakistan on the subject of cotton.

Mr. BRUNET (France) in reference to the comments made by the representative of Rhodesia and Nyasaland on the recent Franco-American tobacco transaction, said that the amount involved in the transaction was very small. Moreover, the transaction was only one of a number which France had signed with the United States over the past several years. During that time, as far as he knew, no complaints had been received from other producer countries about the transactions.

Mr. BECKER (United States) said that the statement of the representative of Rhodesia and Nyasaland had taken his delegation by surprise. He would like to look into the facts of the matter before replying, although it was his hope and expectation that it would be possible to find a remedy satisfactory to the representative of Rhodesia and Nyasaland. As regards the proposal he had made earlier, concerning a change in the procedure under which the CONTRACTING PARTIES should discuss the question of commodity surpluses in future, Mr. Becker said that he appreciated that other contracting parties might need more time to study the proposal. His delegation were quite prepared to accept that the proposal should be further discussed in the Council.

The CHAIRMAN proposed that the question of the procedure under which the CONTRACTING PARTIES should consider the question of the disposal of commodity surpluses should be referred to the Council with the request that the Council should submit recommendations thereon to the CONTRACTING PARTIES.

This was agreed.

The meeting adjourned at 5 p.m.