

GENERAL AGREEMENT ON TARIFFS AND TRADE

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DISPOSAL OF COMMODITY SURPLUSES ACTIVITIES OF OTHER INTERNATIONAL AGENCIES

Note by the Secretariat

At their twenty-first session the CONTRACTING PARTIES instructed the secretariat to continue to follow action taken by other international agencies in the field of disposal of commodity surpluses, liquidation of strategic stocks, and disposal of stocks otherwise held by government agencies, and to continue to report to sessions of the CONTRACTING PARTIES (SR.21/5).

The present note is accordingly intended to bring up to date the information given in document L/2150 and earlier documents. It is divided into four parts as follows:

1. United Nations Conference on Trade and Development.
2. Consultative Sub-Committee on Surplus Disposal of the Committee on Commodity Problems of FAO.
3. Committee on Commodity Problems of FAO.
4. World Food Programme.

I. United Nations Conference on Trade and Development

The United Nations Conference on Trade and Development recommended (Special Principle Eight) that, in the disposal of agricultural surpluses, developed countries should undertake to apply internationally agreed criteria of surplus disposal so as not to affect adversely the export prospects of developing countries and other countries heavily dependent on the export of a narrow range of primary products, the inter and intra-regional trade and agricultural development of developing countries, or the development programmes of the countries receiving these surpluses as assistance. Internationally agreed criteria should also govern the disposal of all primary product surpluses and stockpiles. Such surpluses and stockpiles should be disposed of for the promotion of economic development of all developing countries whether producers or recipients.

II. Consultative Sub-Committee on Surplus Disposal

The Consultative Sub-Committee on Surplus Disposal of the Committee on Commodity Problems has continued to provide a forum for intergovernmental consultation on national and international (World Food Programme) surplus utilization programmes and for the study of certain problems relating to surplus utilization, with particular reference to the need for such programmes to be in conformity with the FAO Principles of Surplus Disposal.

At its thirty-sixth session (1963), the CCP invited the Sub-Committee to study the practicability of the latter carrying out, with the co-operation of FAO member nations, some representative factual studies to establish whether, and if so to what extent, international commercial trade had been appreciably affected by concessional transactions undertaken by various countries. Such studies would not exclude, where relevant, consideration of marginal cases between commercial and aid transactions, and efforts would be made to take into account the benefits conferred on recipient countries.

The Sub-Committee, however, considered that it should not undertake any elaborate studies which might involve either the whole field of economic developments or the broad aspects of national and international commercial trade. The Sub-Committee then explored the possibility of carrying out a pilot study or pilot studies more limited in scope. It was finally considered desirable to await specific requests from member countries.

The Sub-Committee, in its report entitled "Changing Attitudes Towards Agricultural Surpluses", had pointed out two contrasting developments in international trade: that certain surplus disposal operations were tending toward commercial-type sales, while the liberalization of credit terms was introducing concessional factors into transactions which were otherwise commercial. The CCP had invited the Sub-Committee to continue to review developments in this "grey area" and to provide more information on such transactions, together with any comments it might wish to make. Work is continuing on this study of the "grey area" by the Sub-Committee ad hoc Panel.

In its Report to the thirty-seventh session of the CCP (September 1964), the Sub-Committee noted that the FAO Conference, in reviewing the conclusions and recommendations set out in its report entitled "Changing Attitudes Towards Agricultural Surpluses", felt that further consideration by governments would be required before the implication of the concept of planned surplus production and its impact on consultation machinery and procedures could be considered.

III. Committee on Commodity Problems

The Committee on Commodity Problems, at its thirty-seventh session (September 1964), agreed that the Sub-Committee on Surplus Disposal was continuing to play a useful rôle by keeping under review activities relating to surplus disposal in the light of the FAO Principles of Surplus Disposal. There was general agreement in the CCP on the usefulness of transfers of food supplies to developing countries in aid of their economic development or as emergency aid, but such transfers had to be administered in accordance with FAO Principles. Particular caution had also to be exercised in the use of other forms of surplus disposal which could not be classified as aid in order to ensure that harmful interference with the normal patterns of production and trade might be avoided.

The CCP re-affirmed the usefulness of the procedures developed by the Sub-Committee for consultations on individual transactions involving surpluses. It was stressed that, to be fully effective, consultations between donor countries and the third party countries which might be affected by specific transactions should be provided for in the early stages of the formulation of the programme.

The CCP noted with interest that further studies on the general aspects of the utilization of surpluses in individual countries (similar to those made in the past in Japan and Pakistan) were envisaged by the ECAFE and that the FAO was considering the possibility of studying certain specific aspects of surplus disposal in its work on individual commodities.

IV. World Food Programme

UNCTAD recommended that, in the review of the present experimental World Food Programme which will be conducted by the United Nations and the FAO in 1965 after consideration of the information to be made available in five independent studies on various aspects of multilateral food aid, due attention be paid to the possibilities of enlarging the cash resources of the Programme to permit the purchase of additional nutritionally desirable foodstuffs, such purchases to be directed, in so far as possible and economic, to food-exporting developing countries.

At its thirty-seventh session, the ECOSOC (Resolution 1019 (XXXVII)) expressed satisfaction with the progress achieved by the Programme, renewed its appeal to State members of the United Nations or members of the specialized agencies who had not yet pledged contributions to the Programme to make such pledges, preferably as contributions in cash, and appealed to all States participating in the Programme to consider the possibility of converting pledges already made in commodities to pledges in cash.

The Committee on Commodity Problems, at its thirty-seventh session (September 1964), expressed its satisfaction with the Programme's operations to date. The FAO Council, at its forty-third session (October 1964), expressed satisfaction with the progress achieved by the Programme since the submission of the Inter-governmental Committee's first annual Report. The FAO Council expressed the hope

that member nations and associate members that had not yet pledged contributions to the Programme would now do so and preferably in the form of cash, in order to enable the original goal of \$100 million to be attained; that States already participating in the Programme would consider the possibility of converting some pledges made in commodities to pledges in cash as well as the possibility of increasing the total of their pledges; and that States that had made pledges to the Programme but had not yet fulfilled them do so.

In October 1964, total pledges amounted to about \$92 million and thus fell short by some 8 per cent of the original target figure of \$100 million. The Programme had been gradually moving from the stage of project planning and development to that of project operation and evaluation, and a good deal of practical experience had already been gained in these two fields. As of September 1964, projects with a total value of almost \$31 million were in operation.

The FAO Council felt that while, generally speaking, recipient countries had willingly assisted the Programme in its assessment of project operations, and donor countries had effectively co-operated in the provision of pledged commodities, services and cash at the times requested, there was still in some respects considerable room for improvement, particularly in regard to some aspects of project preparation, to the speed of negotiating projects, and to the streamlining of procedures for commodity supply. It would, however, be unrealistic to expect that in a programme of such novelty, scope and complexity, everything would operate smoothly from the outset. The FAO Council felt that, in general, the picture was an encouraging one, and most of the problems encountered could eventually be overcome.