

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Tenth Session

Page 97

SUMMARY RECORD OF THE TENTH MEETING

Held at the Palais des Nations, Geneva,
on Friday, 11 November 1955 at 10 a.m.

Chairman: Mr. L. Dana WILGROSS (Canada)

Subject discussed: Surplus Disposal

Surplus Disposal (L/451)

The CHAIRMAN referred to the Resolution of the CONTRACTING PARTIES of 4 March 1955 which took note of the intention of contracting parties "to liquidate any agricultural surpluses in such a way as to avoid unduly provoking disturbances on the world market that would adversely influence other contracting parties". According to this Resolution, any contracting party making arrangements for the disposal of surplus agricultural products should undertake a procedure of consultation with the principal suppliers and other interested contracting parties with a view to achieving an orderly liquidation and to avoid prejudice to the interests of others. At the request of the Australian delegation, the agenda included as an item a discussion of experience this year under the Resolution. The Australian memorandum (L/451) stressed the responsibility of contracting parties to dispose of surpluses so as to give full regard to the effects on the trade of others and ensure that the consultation procedures provided for in the Resolution be made effective.

Mr. WARWICK SMITH (Australia) said that one of the reasons for circulating the note was that there appeared to be some uncertainty as to their objectives in seeking the listing of this subject on the agenda of the Session. The Australian Government attached great importance to this subject and therefore found it appropriate, valuable, and, in fact, essential for the CONTRACTING PARTIES to discuss the question in the light of the Resolution of 4 March.

Regarding particular aspects of the problem, Mr. Warwick Smith explained that Australia was not concerned, in considering experience under the Resolution, with genuine famine or flood or other emergency relief programmes. Australia had actively co-operated in such programmes. Although, in a practical way, they had hitherto been concerned mainly with disposals conducted by the United States, the wording of the Resolution was general, and clearly applied to any country arranging

a surplus disposal transaction. In that regard Australia accepted the need to dispose of existing surpluses. They considered, however, that such disposals should be conducted so as to reduce to an absolute minimum the consequential effects upon the normal commercial trade of affected countries. Mr. Warwick Smith referred to the FAO "Principles of Disposal of Agricultural Surplus", accepted by many governments members of both FAO and GATT.

The first of these principles was that the solution to problems of surplus disposals should be sought, wherever possible, through efforts to increase consumption rather than through measures to restrict supplies. The second was that governments with excess stocks of agricultural products should dispose of such products in an orderly manner so as to avoid any undue pressure resulting in sharp falls of prices on world markets.

The third principle was that where surpluses were disposed of under special terms, there should be undertakings that such arrangements would be made without harmful interference with normal patterns of production and international trade. The Australian Government supported and commended these principles.

With regard to disposals by the United States, without forgetting the gratitude owed to that country for its efforts in supplying increased quantities of food when the need was great, this problem of surpluses had, however, existed for some years, openly recognized since about 1953.

While, over the past year or so, the stocks position showed some improvement, in some directions the position had either barely been held or deteriorated. Moreover, there were grounds for believing that the full impact of surplus disposals programmes had not yet been felt in international trade. Hence another aspect of Australia's objectives in seeking a discussion by the CONTRACTING PARTIES of experience under the Resolution was that the discussion might point ways in which that impact upon international trade might be minimized in the future. This aim should be constantly kept in mind in future surplus disposals.

In connexion with the section of the Resolution regarding liquidation of surpluses in such a way as to avoid unduly provoking disturbances on the world market that would adversely influence other contracting parties, he emphasized that the indirect results of surplus disposal transactions have not received sufficient recognition. Whether existing trade was prevented from expanding, or new trade outlets blocked, the effect could be just as serious. The Australian note referred to triangular surplus disposal transactions in order to draw attention to the possibly quite wide-ranging effects of such transactions if they were to become more frequent.

The note set out Australian experience under the consultation procedures referred to in the Resolution. There had been some progress, through the consultation procedures, in reducing the disruption of trade arising from surplus disposals, but there were real defects in some of the arrangements

for consultations and his Government was not satisfied with the position that had been reached. Perhaps the main improvement sought was in the timing aspect. Earlier notification of proposed transactions would remove several causes of dissatisfaction. Time was necessary to develop an adequate statement of a country's position, to ascertain facts and weigh possible constructive suggestions, but, most especially the whole consultation procedure could be frustrated if the surplus disposal negotiations were not so arranged as effectively to take into account the views presented.

Australia wished to have confirmed their understanding that all surplus disposals fell within the terms of the Resolution, that the consultation procedures recognized in the Resolution applied to all disposals of surplus agricultural products in world trade.

Mr. Warwick Smith referred, as an example of the reactions and interactions that could arise from surplus disposals, to the present consultations by Australia under Articles XII and XIV. Wheat, among other products, was a vital element in Australia's earnings of export income and to the extent that surplus disposal transactions operated to reduce their exports of wheat, which they believed to have occurred, their export income was reduced, and reserves of foreign exchange correspondingly reduced. In present conditions that simply meant that restrictions on imports from all sources had to be intensified so much the more.

The Australian paper also referred to the position of importing countries in surplus disposal transactions. Some importing countries had entered into consultations with their normal suppliers of the goods concerned and his Government believed that, at least in some circumstances, such a course would help the importing country properly to weigh its own interests.

The Australian attitude was not merely one of complaint and criticism. They had co-operated wherever possible in developing programmes to contribute to a solution of surplus problems and sought to be positive, constructive, and realistic in the course of consultations.

In summary, Mr. Warwick Smith referred to what had been pointed out by the FAO and others, that measures to dispose of surpluses already in existence would not solve the surplus problem unless parallel measures were taken to avoid the accumulation of new surpluses. Secondly, the possibilities of internal utilization of surpluses should be fully explored. Thirdly, surplus disposals in world trade should be directed towards supplying additional consumption, and in such cases adequate safeguards must be applied to ensure that the objectives were achieved; in particular the countries concerned must ensure that the disposal for export of surpluses of agricultural products was conducted with adequate regard to the effect on the normal commercial trade of other contracting parties and that the consultation procedures were managed so that the purpose of consultation could in fact be achieved, that there be a real opportunity for views expressed in the course of consultation to be taken effectively into account.

He did not think that consideration by a working party of this item would be necessary or particularly appropriate but if the discussion showed support as to the importance and continuing nature of this item, he hoped that it would again be placed on the agenda for the next Session of the CONTRACTING PARTIES.

Mr. LEDDY (United States) thought it might be useful, in view of the Australian note and statement, to give some explanation of the United States programmes at this stage, and, despite the relatively short time since the Resolution on this subject was adopted, to review briefly the United States experience in this field and perhaps to clarify points which might have been obscure. These remarks should not be taken in any sense as a formal statement or report, but rather a description of the various types of programmes which might be regarded in one way or another as involving surplus disposal operations, an indication of the general size and scope of these programmes and a clarification of the different consultative procedures applying to each of them.

The first and the most important of these programmes was carried forward under Title I of the Agricultural Trade Development and Assistance Act of 1954. For this programme, Congress authorized an expenditure of \$1,500 million over a period of three years for the disposal abroad of surplus commodities, the disposals taking place pursuant to agreements between the United States and the government of the receiving country. The proceeds from the sales of these commodities in the country concerned were deposited in the currency of the foreign country, not in dollars, the United States retaining title to these deposits which could be used for various agreed purposes, including United States governmental expenditures in the country concerned. But by far the largest use of these currencies was for the purpose of making long-term loans or grants for developmental or other objectives within the recipient country. As of 30 June 1955, twenty-one agreements under this programme had been concluded with seventeen governments covering some \$436 million worth of commodities calculated on the basis of their cost to the Commodity Credit Corporation. Of this amount, approximately \$168 million consisted of wheat, \$124 million of cotton, and \$145 million of other commodities, principally feed grains, rice and tobacco. As these agreements customarily required the recipient governments to maintain their usual marketings in respect of such commodities imported from the United States, apart from those provided under the agreements, his Government had agreed that it was proper to have a system of prior notification and consultation with other governments which might be affected. In referring to usual marketings of the United States, however, it would be wrong if contracting parties were led to conclude that, in the absence of these disposal programmes, their total marketings would necessarily have been larger. If any lapses had occurred where countries believed they had a substantial interest and had not been notified in advance or consulted, they were entirely unintentional and the United States would be glad to discuss them with the governments affected.

The nature of the consultation process followed with respect to Title I of P.L. 480 had already been explained during the Ninth Session. Since that time, this consultative process had been subject to some criticism by other governments, perhaps most explicitly in the note circulated by the Australian Government. In some cases, the governments concerned appeared to have been satisfied, and in others not. There would of course always be room for disagreement as to the possible effects of particular programmes, but as to the nature of the consultative process itself, and more particularly the time within which they were completed, the system outlined during the Ninth Session was in process of evolution and experiment. Suggestions had been received and would be studied, but consideration of precise steps of consultation could not be considered in a vacuum, apart from the detailed programmes themselves, since the consultative process might well vary depending upon the concrete programme under consideration.

The programmes under Section 402 of the Mutual Security legislation were perhaps next in importance. To a considerable extent, these programmes were an extension and development of foreign aid programmes from earlier years. In 1954 the Mutual Security legislation required that at least \$350 million of total aid authorizations be used to finance the export and sale of surplus agricultural commodities for foreign currencies. In 1955 this authorization was reduced to \$300 million. These programmes were part and parcel of the total aid programmes for the countries concerned, which total programmes were based on an estimate of overall need. Therefore, if for any given aid programme, the component relating to surplus commodities should be reduced, the total programme for that country would probably have to be reduced and this, of course, would affect the aid allocations among a number of countries. Commodities financed under these programmes, moreover, did not need to be in addition to the usual marketings of the United States. Surplus commodities financed under Section 402 had generally been sold at prevailing United States export prices and private trade channels had been used to the maximum extent practicable. As of 30 June 1955, sales amounting to \$467 million worth of surplus commodities had been authorized to twenty-one countries, covering about \$143 million in grain, \$4 million in rice, \$250 million in cotton, \$15 million in fruit, \$24 million in fats and oils, \$12 million in dairy products, and \$2 million worth of frozen beef, the cost of transportation amounting to \$17 million. While the minimum goal for Section 402 disposals in fiscal 1955 was exceeded by a substantial margin, a similar result was not expected in fiscal 1956. Because of the intimate relationship between the Section 402 programmes and both the total and country allocations of foreign aid as a whole, and because there was no necessary presumption that shipments under these programmes would impinge upon the exports of other countries as against the normal commercial exports of the United States, the United States Government had not felt it necessary, nor indeed feasible, to establish a system of prior consultation with other exporting governments in connexion with these Section 402 programmes. Nevertheless, they were ready to consult on a review basis with any government which felt that it had cause for

complaint about particular transactions that had taken place. No complaint had actually been made, to their knowledge.

Turning to the programmes for famine or emergency relief, Title II, Public Law 480 programmes; under this title of the Agricultural Trade Development and Assistance Act, Congress had authorized the expenditure of \$300 million for the purpose of using surplus commodities to relieve emergency and famine conditions as they might occur abroad. Up to 30 June 1955, agreements had been concluded under this title with fifteen governments, and total disposals had amounted to \$109 million worth of commodities on the basis of their cost to the Commodity Credit Corporation. Surplus commodities under this programme were distributed free of cost to needy people in the recipient countries. Under such conditions, it was not considered likely that the transactions would displace commercial marketings; but if they did have some effects of this kind, there would be the question of the extent to which the humanitarian aspects of such relief programmes could properly be taken into account purely commercial considerations. For these reasons, the United States had not felt it desirable to consider such programmes as these a matter for prior consultation. The Australian statement concurred in this view on the matter.

There remained for consideration those transactions in surplus commodities which were executed on a basis similar to barter, Title III, Public Law 480 programmes. Under this portion of the Agricultural Trade Development and Assistance Act, Congress had authorized the Commodity Credit Corporation to exchange surplus commodities for other commodities, usually strategic materials. In such transactions, American traders took the initiative in locating foreign merchants willing to trade their goods for United States agricultural products held by the CCC. The American trader could obtain a quotation from the Corporation, based on world market prices, which was firm for seventy-two hours. Usually the trader would also arrange to sell the goods obtained from the foreign merchant to the CCC at the going price. These transactions were thus effected by private traders and involved participation by the Government only to the extent of its willingness on the one hand to sell particular commodities at world market prices and, on the other hand, to buy strategic materials at world market prices. In other words, the Government did not itself arrange the transaction or determine the destination or source of supply. It would seem apparent that advance United States notification to other exporting countries with respect to this type of transaction would be neither practicable nor realistic. Surplus commodities sold under Title III of Public Law 480 as of 30 June 1955 amounted to \$282 million. The commodities received by the CCC in exchange for these sales had been held by the Corporation. It was expected that the bulk of these materials would be transferred to the stockpile as stockpile funds became available to reimburse the Corporation. It should be noted that since transactions under this programme did not, of course, involve any undertaking by foreign

governments with respect to maintaining their usual marketings from the United States, it was not a presumption that these transactions would displace the exports of other countries as against displacing the normal exports of the United States. But again, as in other cases where a specific procedure of prior consultation had not been established and would not be feasible, the United States was ready to consult with any other contracting party which felt that a particular transaction had damaged its trade.

The Resolution on surplus disposal dealt with consultation in respect of disposals in world trade. Mr. Leddy reminded contracting parties that the United States had not neglected efforts to dispose of and curtail surpluses domestically. In his statement with respect to Section 22 restrictions, he pointed out that certain funds had been devoted to domestic disposal through school lunch and similar programmes. The Government had also recommended to Congress that authorization be given to utilize up to 100 million bushels of surplus wheat for domestic feed purposes.

In summary, concerning consultative procedures under Title I, Public Law 480 programmes, the United States had a system of prior notification and consultation, and for other programmes a system of post consultation. The system of prior notification and consultation was still being evolved, and experience during the past year might, after further study, suggest possible ways of adjusting those procedures more closely to the desires of certain other interested contracting parties. It must be remembered, however, that the nature and method of operation of the United States disposal programmes raised practical limitations as to how far the United States could reasonably go in meeting specific demands of other exporting countries. His Government believed that the opportunity for discussion and consultation provided in the present procedures offered the best avenue for improving the procedures themselves and safeguarding the interest of other exporting countries.

Mr. BARBOZA-CARNEIRO (Brazil) reiterated the view of Brazil that the results of the Agreement could only be judged through the application of all of its provisions in their entirety. Surpluses constituted only one aspect of the complex problem of commodity trade. The best solution of the problem presented by the existence of surpluses had not yet been found, but the first step must consist in multilateral action and the institution of a system of consultations. Any plan which might result should be taken seriously into account in the final decision of governments, and only inability to reach a common and equitable solution would justify a return to unilateral attitudes. The Brazilian Government had always supported international action to confront the problems remaining from the war, among which those of international trade were undoubtedly of great importance. However, an isolated and partial consideration of any particular aspect would not give complete satisfaction to those interested.

Complete abandonment of bilateral policies meant sacrificing freedom of action which the great benefits promised by multilateralism seemed to justify. The opposite of independence was dependence, not interdependence. It must regretfully be recognized that the experience of the Agreement over the past seven years, with the exceptions permitted and introduced and the casuistical interpretation, had resulted in the instrument's no longer reflecting the theory of its inception.

The GATT was intended to free international trade, but some 80 per cent of that trade, governed as it was by a régime of preferences and waivers granted to industrialized countries, took place contrary to the most important principles of the Agreement. This situation threatened the very bases of the Agreement. The consideration of the problem of surpluses remained outside the GATT and all the efforts made until now to show the need of common action had resulted in nothing concrete. Without co-operation between governments it was impossible to confront with any hope of success such problems of international trade. Brazil felt that these realities of the situation must be faced, since the Agreement could serve as a basis for multilateral action provided its theory was not totally transformed in such a manner as to provide formal approval under the Agreement for the most flagrant discrimination. If, on the one hand, waivers and preferences had effectively protected the markets in underdeveloped countries for the products of the large industrialized countries, the same thing could not be said for commodity trade, which had received no such consideration by the CONTRACTING PARTIES. Must it only be the trade in manufactured goods which benefited from the Agreement? And did the industrialized countries believe that commodity trade presented no problems? The reply to these questions was to be seen in the problem of surpluses presently before the CONTRACTING PARTIES.

Mr. Barboza-Carneiro drew attention to the contradiction in a situation where one contracting party presented a draft agreement to regulate commodity agreements while on the other hand refusing to participate in the Wheat Agreement of 1953, and another contracting party refused its support to the former while participating in the latter. Moreover, the contracting party which wished to submit primary commodities to international regulation participated in the Tin Agreement both as a consumer and as a producer, while another contracting party having bilateral commitments on tin, opposed a multilateral solution supported by other contracting parties. The varying nature of the problems of the commodity trade made difficult a general solution. Nevertheless, collaboration in this field must not be prevented and it seemed to his Government possible to find collective solutions capable of protecting this trade against the uncontrollable caprice of nature.

The facts and situation described by the Australian note and statement proved the urgent need of a general revision of the rules hitherto followed which took from the Agreement its function of orienting governments towards a solution more compatible with the spirit of co-operation. The GATT was at the moment before various parliaments which no doubt would base themselves on the letter of the text before them. The existence of the GATT depended on the result of these ratifications. However, the Brazilian delegation considered that international undertakings had no sense and should not continue if the realities of the application of the treaty turned out to be generalized exceptions. Apart from the problem of surpluses, there were several aspects which brought into question whether the application of the Agreement was not being unduly limited; for example, the deliberate exclusion of freight policies and the distribution of maritime space. This question had a direct bearing on certain primary commodities and was of importance to Brazil. Maritime freight constituted more than 25 per cent of their balance of payments, and in this field there were clearly discriminatory practices directly affecting the international price of certain primary commodities. Cost and insurance were submitted to the Agreement, but freight remained outside. If the CONTRACTING PARTIES were to demonstrate their sincere intention of acting in accordance with the Agreement, they should examine and attempt to control any international action contrary to the expansion of trade and the principles of the Agreement.

Mr. Barboza-Carneiro supported the most detailed examination of the matters raised by Australia.

Mr. ISBISTER (Canada) said that his Government regarded surplus disposal as one of the most important problems of world trade, and would have preferred the inclusion of provisions in the Agreement from the beginning, setting forth agreed principles to be observed in the disposal of surpluses. Unfortunately, this was and has continued to be impossible. Canadian delegations had nevertheless given support, at successive sessions of the CONTRACTING PARTIES, to proposals for expanding the Agreement to take account of surplus disposal. Until the CONTRACTING PARTIES could develop methods of dealing with this problem, there would continue to be a serious gap in their work, which had been extended usefully to so many other aspects of international trade relations.

The Resolution adopted at the Ninth Session on surplus disposal, providing for consultation amongst interested governments to avoid damage and disruption to normal commercial trade represented a step ahead, and was welcomed. Consultation was always useful and had an important part to play in connexion with this subject. It was perhaps not difficult to enunciate

certain desirable principles upon which all could agree, but it would be impossible to apply these principles, in practice, without close and continuing consultations amongst those concerned. Probably all of the contracting parties would agree, for example, on the desirability of genuine aid programmes to cope with the extremities of human need, and on the desirability, in general, of disposing of surpluses in ways which would avoid damage to normal commercial markets. A government in possession of actual surpluses, however, might find itself under intense political pressure to dump its surpluses abroad. An exporting country might try to justify itself, on the ground that it was making a worthwhile contribution to a relief or aid programme, even though the recipient country might be receiving little or nothing of genuine assistance. Sometimes the exporting country might argue that the dumping of an agricultural surplus, on concessional terms, was designed to avoid damage to commercial markets, when in fact this was not the case. There was no way, therefore, other than by thorough-going, continuous and effective consultations, by which the fact could be ascertained and damaging effects avoided.

Mr. Isbister had listened with interest to the explanation provided by the United States delegation of the procedures they had developed for consultation under their various programmes of agricultural surplus disposal. In general economic terms, they understood that there were really three methods involved: agricultural surpluses might be given away, or sold at reduced prices; they might be exchanged in barter transactions for materials acquired by the United States Government, mainly for stockpiling purposes; or they might be sold, not for dollars, but for local currencies. Under these various methods, consultation procedures had not been uniformly thorough and effective. The Canadian delegation emphasized, therefore, that surplus disposal or export subsidization was involved whichever of these methods was used. The commitments made by individual contracting parties with regard to consultation applied equally to all types of programmes for agricultural surplus disposal.

The agenda items under discussion referred to the experience under the Resolution passed at the Ninth Session on the subject of surplus disposal. Since only a few months had passed, it was perhaps too soon to appraise the success of efforts to consult under the terms of this Resolution. In their opening statement at the Session, the Canadian delegation had stated that they were by no means satisfied with the procedures for consultations thus far developed. The main importance of this debate was to draw attention to the urgency and importance of making further progress.

The problem of agricultural surpluses, and of surplus disposal, was important in itself and affected other large and important problems in addition. An exporting country, which indulged carelessly in the dumping of surpluses, would injure the trade of others. Quite often it would subject its own commercial exports to even more serious injury. To the extent that other countries found themselves unable to sell their normal agricultural exports in normal channels, it was correspondingly more difficult for them to make progress towards a more liberal system of trade and payments. Agricultural exporters were not alone affected. Importing countries might appear superficially to be the beneficiaries of agricultural surplus disposal but, over

a few years' time, importing countries would be hurt by methods of agricultural surplus disposal, which impaired the normal channels of production and trade without producing a dependable substitute method for the supply of essential foodstuffs. All countries would be adversely affected in some way by the disruption of normal commercial trade.

This problem was too large and complex to solve it in the present debate. The United States' difficulties could be sympathized with and understood. The Canadian and other delegations were also concerned to make clear that the CONTRACTING PARTIES were confronted with a challenge and an opportunity to attempt to deal more effectively with a large and serious problem. Mr. Isbister saw no need for a working party at the present time, but wished that careful note be taken of all the views expressed and that this item be carried forward for review at the Eleventh Session.

Dr. NAUDE (Union of South Africa) said that his government had shared the disappointment that the Review had not resulted in the inclusion of provisions on surplus disposal in the Agreement. South Africa agreed with Australia that this was a continuing and pervasive problem which must be studied. The wide repercussions of certain practices in this field had been seen at this Session in the balance-of-payments consultations, and certainly the problems that arose out of surplus disposal policies were linked with the ability to reach the objective of convertibility. The consultation procedures under the Resolution must be improved. Under which act disposals took place was irrelevant to governments to whom the important thing was to receive advance notification. Dr. Naudé was aware of the problem of the United States and recognized that courageous action had been taken by the Administration in the past months. This was not to say that they suffered the problem gladly. He agreed that no solution could be sought at the present time, hoped that efforts would continue to be made to improve the method of consultation and supported the inclusion of this item on the agenda of the Eleventh Session.

Mr. JHA (India) said that the degree of restraint and understanding shown by the various speakers was a most important aspect of the functioning of the Agreement and contributed to the efficiency of the consultation procedure. Australia was not seeking a new commitment but stressing the importance of ensuring that the consultation procedures agreed at the Ninth Session were in fact effective. The United States delegate had indicated that his Government would co-operate in this effort and that the procedures themselves should be used to this end. If there were occasions when there was not sufficient time for prior consultation, countries should bring the matter directly and immediately to the notice of the United States Government.

The problem of surpluses still remained a difficult one, but he had been glad to hear expressed the view that they should be disposed of, that there was no thought that they should be destroyed in preference to disrupting the normal channels of trade. He had also been glad to hear reference made to the FAO principle that increased production should be met by increased consumption, as accepted, since in India it was sometimes feared that GATT might overlook the humanitarian aspect of the problem, borne in mind by FAO. Also it had

been agreed in the Australian note that genuine aid to meet calamities and to encourage consumption among peoples who could not otherwise afford it, was a method of disposal which was not harmful and therefore to be encouraged. Nevertheless the problem remained since there was a limit to charity. Many thought in terms of considering changes in production policies. The Indian Government laid greater emphasis on long-term consumption policies through the economic development of countries who could not afford adequate standards of living. So long as this situation existed, the solution must not be sought in a readjustment of production downward. It could not be said that a stage of over-production in absolute terms had been reached, but only in relation to effective demand. One of the solutions offered by the GATT lay in the revision of Article XVIII and the greater emphasis on economic development.

Mr. KASTOFF (Denmark) said that he hoped to receive some reassurance from countries holding surplus stocks, and a greater simplicity in the provisions of the laws in force in the United States on this subject would be one way to give a greater measure of assurance. His Government had been in favour of strict rules being included in the Agreement in this regard and had abstained on the Resolution which provided little improvement and no assurance. He supported the Australian note and statement and particularly emphasized the importance of the disposal of surpluses in such a manner as to lead to increased consumption (paragraphs 13 and 14). His Government agreed that surpluses should be disposed of in world markets only when it was clear that all possibility for increased internal utilization of surpluses had been exhausted. He agreed that the procedures for consultation should be improved. Denmark's experience had been small since there had only been limited disposal of dairy products, but there had been cases where they had felt that prior notification ought to have been given and of which they had only learned incidentally. His Government had noted with interest that the procedures in the United States were evolving and hoped that there would soon be progress. He supported the inclusion of this item on the Eleventh Session's agenda.

Mr. PHILLIPS (United Kingdom) referred to United Kingdom support of the Resolution passed at the Review Session. The related discussion clearly demonstrated the extent to which the interests of all the contracting parties were involved in this problem, and the fact that it was adopted without dissent showed the importance attached to the maintenance of proper consultative procedures in this field. It was a good augury that the United States Government had been able to accept the terms of this Resolution. It was clear despite the short time since the Resolution that the experience of the primary producing countries bearing the main impact of the disposal of the United States surpluses had not been uniformly satisfactory, and in the few cases involving the United Kingdom their experience had been a mixed one. United States cotton policy, in which the United Kingdom was particularly interested, had led to the creation of large stocks overhanging the world market. Uncertainty over the future of these stocks had for a long period had unsettling effects in the United Kingdom and elsewhere, which would have been reduced if there had been confidence that adequate consultations would be undertaken before disposals were affected, so that their final outcome would accord with the intention expressed in the Resolution.

On the other hand the experience of the United Kingdom had justified the concern lest the benefits of aid programmes should be bought at the expense of encouraging discriminatory practices and discouraging competitive trading. The triangular aid transactions in particular should be carefully prepared in order to avoid a situation where sources of supply were selected arbitrarily and not on the basis of normal commercial consideration. Such arrangements were complex, but every effort must be made to allow the free play of normal commercial factors. An illustration of this problem was the arrangements earlier in the year to supply aid to Pakistan in the form of raw cotton to a third party which would in turn export cotton textiles to Pakistan. This seemed to determine arbitrarily which country was to obtain the order for the supply of the textiles. Consultations ensued and, with the co-operation of the United States administration, it was possible to deal with the triangular disposal arrangement in such a way that normal suppliers were not arbitrarily displaced making it possible for a number of countries, including the United Kingdom, to participate in the transaction according to their competitive ability, and for the principle of multilateral competitive trade be maintained. On the other hand, the agreement for the disposal of feed grain earlier in the year had led to the abandonment of the principle of open international tendering for the construction of certain United States bases in Europe. He hoped that the United States would be able to devise arrangements which would not thus frustrate the CONTRACTING PARTIES' general policy of freer trade and payments.

His Government also recognized the importance of the responsibilities of those receiving surpluses as distinct from the responsibility which devolved on those disposing of them and were conscious of the implications which their acceptance of surplus commodities might have for their traditional suppliers. The United Kingdom had acted accordingly, in that it had succeeded in securing that the bulk of commodity aid purchases from the United States had been in commodities which would in any case have had to be purchased for dollars.

While the situation under the Resolution was encouraging in some respects, there was still cause for concern, and Mr. Phillips hoped that the United States would in future be able to offer fuller co-operation under the terms of the Resolution. He welcomed the readiness of the United States Government to consider the adoption of improved consultative procedures. The United Kingdom did not under-estimate the difficulties of the United States Government in the disposal of surpluses, and recognized the benefits of the United States programmes of economic aid and relief in which the disposal of surpluses often played a substantial part. The total value of investments held by the Commodity Credit Corporation in price support commodities in June of this year, however, was one billion dollars greater than in the preceding year. It was evident, therefore, that the need for adequate consultation was now even more urgent. It had been useful to have this matter brought to the attention of the CONTRACTING PARTIES. He supported placing the item on the Eleventh Session's agenda.

Mr. IBSEN (Norway) supported the inclusion of this item on the agenda of the Eleventh Session. His delegation considered that the different aspects of triangular transactions in particular deserved more attention than was presently being given them. Normal Norwegian exports of commodities which had very little in common with the surpluses disposed of had been hampered because of these triangular transactions. He also drew attention to the fact that, where surplus disposals were linked with special discriminatory shipping clauses, they might interfere with the normal structure of shipping and thereby, among other things, have an adverse effect on the balance-of-payments situation of countries whose economy was largely dependent on the export of services.

Mr. AZIZ AHMAD (Pakistan) was interested in this matter both from the point of view of a country exporting primary commodities and from the point of view of a country which often received part of the surpluses. In their view, the only thing that could be done was to seek a better system of consultations and to see that consultations took place sufficiently early for countries effectively to express their views. With regard to the observations on triangular arrangements, he pointed out that in the case of the additional textiles to Pakistan the arrangement had been made subject to the amounts received being over and above normal imports. Clearly, therefore, efforts were made to prevent disruption of trade.

Mr. FOWLER (New Zealand) said that his Government supported the views of the Australian delegation. The problem of agricultural surpluses had far-reaching implications on the conduct of international trade, and the discussion had shown full appreciation of this. The experience under the Resolution of New Zealand whose principal interest was in dairy products, had been disappointing over the past months. In this time there had been an increase in the United States disposal operations in this field and little, if any, prior consultation by the United States. He had been glad to hear the explanation of the process of consultation in the United States and, while recognizing the difficulties of that country, was gratified to note that the United States Government were prepared to re-examine their consultative procedures with a view to rendering them more effective. Despite the lack of specific provisions in the Agreement, New Zealand attached great importance to the Resolution and hoped there was no question but that it covered every aspect of surplus disposal in world trade. For countries likely to be adversely affected, the recommendation to consult was their only safeguard that consideration of their trade interests would be considered. It was important, therefore, that consultations should be as effective as possible. He supported the inclusion of this item on the agenda of the Eleventh Session.

Mr. GARCIA OLDINI (Chile) said that this was a matter which affected directly both producers of primary commodities and the principles of the GATT. Chile had always supported the inclusion of provisions relating to surplus disposal in the Agreement and it was out of the impossibility of achieving this that the Resolution had emerged from the Review. This Resolution, which

had been accepted unanimously, must be applied in its entirety so as to achieve its object of avoiding disruption to normal trade channels through the instrument of consultations established by the Resolution. Experience had shown that the application of the Resolution was not perfect. The complex problems of the United States, which were both political and social, were not easily solved, but clearly they were making all efforts to resolve them as soon as possible.

Chile attached particular importance to the method of helping needy countries which must not be treated in the same manner as other aspects of surplus disposal. So long as the need existed it was difficult to put a limit to the aid given. It was, however, the other aspects of surplus disposal which were more important in volume and as disturbing normal trade. Even the best intentions did not seem to have given the results hoped for from the consultation procedure. It was necessary that these become truly effective. Mr. Garcia Oldini thought that this matter could be usefully discussed in a working party, but, if not, to wait until the Eleventh Session was too long. He suggested that the secretariat investigate the matter in consultation with interested parties and prepare an analysis which could serve as a basis for discussion at the next meeting of the Intersessional Committee.

Baron BENTINCK (Kingdom of the Netherlands) said that as a small producer of agricultural products his country was interested that surpluses be removed from the markets, subject to the important qualification that this be done in an orderly manner. The problem required examination internationally both in FAO and in the GATT, and the CONTRACTING PARTIES should find opportunities for constant review. Possibilities of action in this field depended much on the co-operation of the United States and he hoped the latter would continue to participate actively in such discussions. He supported the inclusion of this item on the Eleventh Session agenda.

Mr. de ST. LEGIER (France) supported the Australian view and said that his Government attached great importance to effective international co-operation in the examination of all the problems posed by surplus disposal. From the economic point of view, he would draw particular attention to the uncertainty introduced by the existence of continually growing stocks, the pressure, when disposals were effected, on world prices, and the distortions which might be imposed on ordinary commercial channels. There was also the risk that discrimination might result. The problem should be approached on the level of international co-operation as it was not possible for a government acting in isolation to be certain that it was acting in the general interest. Concerning the humanitarian aspect, a situation where large stocks were accumulated and artificial support was given to producers while whole populations were starving was clearly intolerable. It had been said that the solution lay not in reducing production but increasing consumption. It had also been said that this problem was only one aspect of the problem of primary commodities, which was in turn one aspect of the problem posed by the economic development of underdeveloped countries which could only be solved by international action on a wide front.

It was for this reason that the problem of surpluses had to be studied in detail. The Resolution, if only a first step, was better than isolated action by individual countries.

Mr. ABE (Japan) said that Japan was interested in this problem not directly, but because of being a large importer of primary commodities. They had benefited in their balance-of-payments difficulties from receiving surpluses which did not require foreign exchange. They agreed that this was a complex matter and supported consideration of it at the Eleventh Session.

Mr. LEDDY (United States) thanked the speakers for their understanding of the problems of his country. Simplicity in the legislation however much to be desired was difficult to reach in a matter of such complexity. He would not wish to leave the impression that consultations would in fact be improved along the lines suggested in the debate but the views expressed would be communicated to the United States Government. He repeated that one of the most promising avenues of improvement was in course of the consultations themselves.

Mr. MACHADO (Brazil) supported the suggestion that the matter be considered by the Intersessional Committee before the Eleventh Session. It was also essential that a conclusion of the present debate be recorded. It must be clearly stated what the nature of the consultations should be and what were the objectives of the Resolution. He still did not know from his discussion whether these consultations should be bilateral or multilateral and whether they should take place before or after the event. The CONTRACTING PARTIES could not disclaim responsibility for the interpretation of a Resolution that they had unanimously adopted.

Mr. WARWICK SMITH (Australia) expressed satisfaction with the debate. His delegation supported the idea that the Chairman so summarize the debate as to have a clear statement on the record. They understood from the United States representative that he agreed that the Resolution covered all disposals of surpluses, irrespective of the programme involved. While they did not dispute the United States statement that it would be misleading for countries to believe that, in the absence of the local currency transactions type of disposals, their total sales would have been larger, his Government nevertheless wished to ensure that these transactions did not prevent larger commercial sales. This they believed had occurred.

The CHAIRMAN said that this problem of surpluses was one of the most serious confronting world trade. It had been emphasized that this was a question of international collaboration requiring the continuing attention of the CONTRACTING PARTIES. Reference had been made to the humanitarian aspect and the need to solve the problem by an increase in consumption rather than a decrease in production. The discussion had shown that the disposal of surplus

agricultural products and the consultation procedures relating to such disposals referred to in the Resolution of 4 March 1955, were matters of serious and continuing importance to many contracting parties. A number of countries indicated that, in their view, the consultation procedures conducted under the Resolution had had some effect in reducing the disruption of international trade. Most delegations, however, had expressed the view that consultations had not been as effective as they would have wished or as they might expect in the light of the provisions of the Resolution. In the view of many delegations a principal cause of concern lay in the fact that on the whole the main impact of surplus disposals had not yet been felt, and they emphasized that this brought into strong relief the necessity for all countries disposing of surpluses to give full consideration to the effect of their transactions upon the trade of other contracting parties. In connexion with possible improvement in the effectiveness of consultations it was clear that the emphasis was upon sufficient time to enable the views expressed in those consultations to be taken effectively into account.

The United States delegate had indicated that the various comments which had been made with the object of making consultations on surplus disposals more effective would be brought to the notice of his Government. He had pointed out that the consultation procedures were in evolution and continually under review but that his Government would not find it practicable to undertake any more specific responsibility in this connexion. The Chairman found general agreement that the Resolution covered all disposals of surplus agricultural products in world trade and was not limited to particular types of programme. It also seemed the general wish of contracting parties that, because of its important and continuing concern to many of them, this item should be placed on the agenda for the next Session. Chile, supported by Brazil, had proposed that this subject should be considered before the next Session and that it be referred to the Intersessional Committee. That Committee, in the ordinary course of its duties, would give attention to the documentation required for considering this question at the Eleventh Session and he suggested that the Committee be left to consider how best this matter might be studied with a view to making the discussion at the Eleventh Session more useful and effective than it would be without adequate preparation.

The CONTRACTING PARTIES agreed that this item should be included on the agenda of the Eleventh Session.

The meeting adjourned at 12.30 p.m.

