

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.23/5  
15 April 1966

Limited Distribution

CONTRACTING PARTIES  
Twenty-Third Session

Page 51

## SUMMARY RECORD OF THE FIFTH MEETING

Held at the Palais des Nations, Geneva,  
on Thursday, 31 March 1966, at 10 a.m.

Chairman: Mr. J.A. LACARTE (Uruguay)

	<u>Page</u>
<u>Subjects discussed:</u>	
1. Impact of commodity problems on international trade	51
2. Disposal of commodity surpluses	59
1. <u>Impact of commodity problems on international trade (L/2608)</u>	

The Chairman recalled that at each session since 1956 the CONTRACTING PARTIES had reviewed the trends and developments in international commodity trade. These reviews, in accordance with the Resolution of 17 November 1956, were carried out on the basis of a report submitted by the Chairman of the Interim Co-ordinating Committee for International Commodity Arrangements in his capacity as nominee of the CONTRACTING PARTIES. Since the formal basis for review had disappeared with the end of ICCICA, the Council of Representatives has requested the secretariat to prepare a report with a view to providing a basis for discussion on this occasion. This report (document L/2608) dealt with the current situation in international trade for various commodities and with the activities of intergovernmental organizations in this important sector of world trade. Other relevant documents had been distributed, and the Committee on Trade and Development had extensively dealt with the commodity problems of developing countries.

Mr. SAUTO-MAIOR (Brazil) observed that, from the standpoint of a developing country, the review of the trends and developments in international commodity trade had been a rather frustrating experience. Admittedly, price fluctuations were a regular feature of commodity trade, but these fluctuations had been so severe that a downswing assumed the characteristics of almost a full crisis, threatening the very momentum of the development process of a number of low income primary exporting countries. The need for meeting such crises was felt, but there had been the

familiar gap between words and deeds, between intention and performance. From the information provided by the secretariat in this connexion, it was easy to discern that the export prices of primary products had fallen between 1952 and 1964 both in absolute terms and in relation to those of manufactured goods. The difficulties were understated to the extent that the prices of primary products exported by developing countries had fallen more than those exported by the developed countries. Moreover, the exports of primary products from developed countries had increased more rapidly than those from developing countries. Confronted with declining prices and a dwindling share in world trade in primary commodities, the developing countries were in a far from enviable position. There was a general price rise in commodity markets in 1963 and early 1964, but it was short-lived as prices had shown a consistent decline thereafter. The facts and their causes were well-known, but this knowledge had hardly served as a basis for a deliberate and concerted action to solve the problem. The case of sugar and cocoa was illustrative of the situation. During the whole of 1964 and 1965 the price of sugar had fallen almost to the level prevailing during the great depression of 1930. Still, all efforts to conclude an international agreement with a view to stabilizing prices at more satisfactory levels had failed and uneconomic production had continued. The case of cocoa was equally disappointing. Efforts to conclude an international agreement had failed in 1963 as they failed in 1964 and 1965, when prices fell dramatically to their low levels due largely to the financial weakness of the primary producing countries. More recent attempts at an agreement between producers and consumers had not yet achieved satisfactory results, because there was resistance to recognizing the difficulties that were involved in financing the buffer stocks for the maintenance of prices, within a given range, by the developing countries.

Concluding, Mr. Sauto-Maior remarked that, while difficulties continued in the way of agreements aiming at stabilizing some of the commodity prices, the trade and consumption of several of those commodities was also hindered by restrictions and internal taxes applied by a number of developed countries on imports. These barriers to trade were inconsistent with the spirit and letter of the General Agreement, and their removal did not necessarily require an international arrangement; it merely required action by the countries applying such restrictions. It was regrettable that, in the middle of the Development Decade and one year after the signing of Part IV of the General Agreement, the review of commodity trade could not produce a brighter picture of international co-operation. It was hoped that the realization of failure would bring redoubled efforts to attain results commensurate with the urgent needs of the developing countries and the responsibilities of the international community as a whole.

Mr. AOUSSOU KOFFI (Ivory Coast) expressed satisfaction at the retention of this item on the agenda of the CONTRACTING PARTIES despite the fact that it was being considered by some other organizations as well. For the reason that international trade in coffee and cocoa had been characterized by a serious imbalance in

the past few years, this subject deserved a closer examination by the CONTRACTING PARTIES. The price of cocoa had dropped to its minimum during 1965 due to a growing disequilibrium in demand and supply in the preceding three years. The imbalance in the world market was the result of overproduction which followed from rationalization measures like better cropping methods, improved technology and disease control. Productivity has also increased from 300 kgs. to 800 kgs. per hectare. This was also true of coffee and other crops grown by the developing countries. If the range of price fluctuations could be reduced through international commodity agreements, the severe vulnerability of their economies would be reduced. While discussing the possibilities of an expansion in trade, reference should also be made to non-tariff barriers.

Mr. Koffi pointed out that worsening terms of trade for the developing countries were due to artificial prices of agricultural products. While developed countries could cover the price gaps by subsidies to farmers out of their large resources, the developing countries were unable to do so. Consequently, there was a need for more realistic price policies and international commodity agreements. The Government of Ivory Coast was particularly hopeful that the developed countries would do their utmost to make the Cocoa Conference a success.

Mr. PHAKAMEA (Malawi) said that the aim of the CONTRACTING PARTIES to expand trade could best be achieved by concentrating on commodities which could be efficiently produced. Malawi was interested in commodity production not only because commodity exports were important in stemming the trade imbalance, but also for their significant contribution to foreign exchange earnings upon which depended the future development of the country. The Ministerial Declaration of 1961 and the Kennedy Round negotiations had provided some encouragement and hope, which was reinforced by the decision of the United Nations Conference on Trade and Development and the incorporation of Part IV in the General Agreement. The problems and difficulties faced by developing countries were succinctly described in paragraphs 3 and 4 of Article XXXVI. The question of whether these objectives could be achieved on a commodity or general basis had been dealt with extensively in many forums. The important question relating to new or expanding producers amongst the developing countries, however, had not figured in past considerations of this problem. Because of this omission there was a danger in all international commodity agreements that the export and production controls would favour the "traditional" producers at the expense of newcomers. There were clear indications of this tendency at the 1965 United Nations Sugar Conference. It did not make any sense that the traditional producers of a commodity restricted their levels of production, while newly developing producers adapted their labour and climatic resources to more efficient production. It was even less comprehensible that the established producers, with whom new producers had to compete, had been subsidized by contributions from the taxpayer. The developing country was thus denied the essential export earnings on which depended its future development.

Mr. DONOVAN (Australia) mentioned that his country had always attached importance to this particular item as it was believed that it should be a continuing function of GATT to consider, report and deal with problems of international commodity trade. Realizing the limitations of the scope in this field open to GATT, it was still considered that it would be useful if CONTRACTING PARTIES were to take note of the problems confronting the trade in primary products and the need for co-ordinated international action to find solutions. Australia had been concerned at the apparent lack of interest shown over recent years in this item, and had on a number of occasions expressed the hope that the matter would receive more serious consideration. It was heartening to note that there was a growing awareness throughout the world of the importance of international commodity problems and this was well illustrated by the discussions in the UNCTAD and elsewhere, both on general commodity problems and on specific commodities. While it was certainly not desired to see any unnecessary duplication of activities, it would be unfortunate if the GATT were to abdicate its rôle in this field. It was in this spirit that Australia had requested at the last Council meeting that this item be kept on the agenda for future sessions of GATT. The representatives of Ivory Coast and Malawi had referred to Part IV, which did not make sense unless it dealt with these problems. Although the paper prepared by the secretariat (L/2608) was incomplete, it could serve as a useful basis for future discussions by the CONTRACTING PARTIES. This paper could not have been more comprehensive due to the short time available for its preparation, but it should be prepared for future sessions in order to keep abreast with the latest developments in international commodity trade. The suggestion made by the Director-General in paragraph 5 thus appeared useful in order to assess the scope open to GATT to influence developments in this important field.

Mr. OBIORAH (Nigeria) associated himself with other delegates who had expressed their appreciation for the work done by members of the various groups of the Committee on Trade and Development. The Nigerian delegation had the privilege to serve in some of the groups and fully shared the views of other delegations. Part IV of the Agreement had yet to acquire a legal framework and it was a little disappointing that the big trading nations continued to hesitate to assume their responsibility in this respect. He expressed the hope that a solution would soon be found and that the wisdom of the years enshrined in these simple programmes would be brought into play. The products of interest to less-developed countries continued to be subject to various types of restrictions about which it was said that they would be done away with in the Kennedy Round. It was, however, disappointing that most of the offers so far made were contingent on reciprocity. Regarding the question of residual restrictions, he drew attention to the suggestion made by the Committee and emphasized by its Chairman. The Nigerian delegation was of the view that the Committee had made useful recommendations for the expansion of trade among less-developed countries. The delegate of Indonesia had described

the continued deterioration in the trade of less-developed countries and it was bewildering that in a world where the cry was for the production of more food to feed the millions born every year, primary producers were finding that the more they produced the less they earned, not only per unit of production but also in absolute terms. This paradox was the result of price supports for the most efficient producers who competed with the peasant farmers; of stockpiles; of import restrictions by the richest nations; of residual restrictions, inconsistent with GATT principles, maintained and administered by those who had accepted the principles of Part IV.

Mr. Obiorah pointed out that in the field of commodity agreements very little progress had been made. It was, however, gratifying to note that definite and positive results had been achieved in the field of trade and aid studies. The studies on Nigeria and Uganda had brought into sharp focus the problems that the less-developed countries as a whole had to contend with in their efforts to industrialize. The recommendations of the experts contained in paragraphs 11, 12, 13, 16 and 18 of the Nigerian report were very useful. It was hoped that Nigeria and Uganda would receive whatever help they might need to attain the targets set out in the plans. The Trade and Information Centre was also a useful device in seeking increasing and expanding outlets for trade of the less-developed countries. Technical advice in this connexion would be immensely useful. However, there was an urgent need for removing restrictions on trade, implementing Part IV of the General Agreement and reaching suitable international commodity agreements.

Mr. BOSCH (Uruguay), reviewing the progress made in the last ten years in trade negotiations, expressed his concern at the results achieved so far. The possibility of offers materializing in the Kennedy Round was far from sight and international commodity agreements lacked sufficient support from the industrial countries. The Uruguayan delegation was interested in keeping this item on the agenda on the CONTRACTING PARTIES in order to facilitate future initiatives on this problem.

Mr. BRODIE (United States) was of the view that while this problem was a subject of discussion in numerous other organizations and study groups, the approach was mainly on a commodity-by-commodity basis which did not clearly bring out the overall market trend. The adverse conditions in the sugar and cocoa markets, for example, had a relationship to the developments in basic foodstuffs. In order to give an overall picture of the international commodity markets, therefore, it was important to bring together differing strands into a comprehensive review. It was his delegations' belief that a comprehensive review, as suggested by the Director-General in paragraph 5 of the document L/2608, would provide a valuable perspective in formulating policy approaches, both in general and in particular cases.

Mr. RAZAFINDRABE (Madagascar) pointed out that the problem of commodities had been discussed on many occasions for many years in several international forums and there was now an even more serious problem especially for the developing countries producing tropical products. When drawing up Part IV of the General Agreement it was hoped that at last this problem was going to be discussed in an exhaustive manner and that concrete measures would emerge from numerous studies and exchanges of views. The Madagascar delegation had on several occasions stated that the essential problems were the maintenance of an increase in the export earnings and remunerative and equitable prices. The problem of prices related not only to commodities supplied by the developing countries but also to those exported by the temperate zone which competed with tropical products. The basic issues were prices and adequate export outlets. The tariff problem was important in commodity trade but it was only one of the elements involved. The problem of prices was by far the most important consideration which required effective solution within the framework of GATT. The difference between producers' prices and consumers' prices amounted to as much as 15 to 20 per cent and this situation had to be rectified by suitable measures. The question of preferences needed an immediate settlement but existing preferences should not be suppressed unless effective international measures were taken to deal with prices and markets. Although this was a difficult question, it could be effectively tackled with international co-operation and dynamic leadership.

Mr. SCHWARZMANN (Canada) said that the report prepared by the secretariat provided a useful basis for discussion of the difficulties and problems arising in international commodity trade. This report, together with the establishment of the Working Group on Commodities, would be a useful addition to the GATT machinery. It reflected the growing recognition of the important, and in some cases crucial, implications of commodity questions faced by the economies of many contracting parties. In the light of recent changes in international institutions dealing with commodity problems it had become clear that GATT had a special rôle to play in this field. Since commodity trade involved many problems such as production policies, price arrangements and market access, a simultaneous attack on all fronts was essential. This called for a high degree of co-operation between the international organizations concerned.

Mr. LANCHIN (United Kingdom) expressed agreement with the Director-General's suggestion to prepare a comprehensive document for future sessions. While the form of the document should be left to the discretion of the Director-General, it was essential that the reports of other bodies and UNCTAD's annual survey of commodities be kept under consideration. The global position concealed a variety of entirely different problems relating to individual products, still it was heartening to see progress made on many fronts. The United Kingdom delegation, for its part, would continue to lend support to all efforts which were being made to stabilize markets.

While no substantial progress had been made on a cocoa agreement it was expected that a satisfactory arrangement would be worked out in future discussions. Similarly, last year's conference on sugar was expected to pave the way for fruitful results.

Mr. AGANAYE (Chad) drew attention to the problems that the various primary producing countries, including Chad, were faced with in international markets. The situation was well illustrated in document COM.TD/17 which showed that over the preceding twelve months the prices of commodities had considerably declined and that the export earnings of the developing countries had hardly increased. Cotton, which represented about 80 per cent of Chad's exports, was faced with a similar situation. The price of cotton had suddenly declined during the last three months of 1965, and this had meant a real tragedy for his country. The price on the world market was not sufficient to allow an improvement in standards of living of the producers. If this year's gap in cotton producers' prices was to be met, at least \$2 million would be required. This matter was brought to the notice of GATT during the first meeting of the Working Group on Commodities which was held in November 1965. At that time the phenomenon just mentioned had occurred and concern was expressed for the future.

Since a full account of these events was contained in document COM.TD/C/1/2 it was not necessary to enter into details. Article XXXVI of the new Part IV envisaged measures to solve this problem and the courageous statements made at that time had provided hope that something would be done. It was the hope of his delegation that the Working Group on Commodities would meet soon and would try to find a concrete and satisfactory solution to the problems that had continued to build up and were of great and constant concern to them. Measures to stabilize cotton prices at an equitable and remunerative level were to be welcomed. The Chad delegation was of the opinion that GATT should continue to deal with these problems and try to find their satisfactory solution.

Mr. PRATT (Sierra Leone) suggested that the downward trend in commodity prices called for a special committee to study a global plan for commodity production and to recommend the diversification of production. The interests of the developed and developing countries could be reconciled by a greater understanding on the part of both.

Mr. RYDFORS (Sweden) said that it was understandable that countries with a particular interest in commodity problems wished to retain this important item on the agenda for future GATT sessions. Sweden of course had no objection to this, but it was important that unnecessary overlapping with other international organizations be avoided. The work of other bodies should provide a useful basis for a comprehensive note on the impact of commodity problems upon international trade. In his opinion it was also important that special emphasis be given to the barriers to trade.

Mr. EMRE (Turkey) stressed the importance of cotton in the economies of many developing countries and their dependence on this product as an important source of foreign exchange earnings. Cotton was one of the most important of Turkey's export items, accounting for 22 per cent of export earnings. Turkey was endeavouring to diversify her economy and to expand her exports, but the success of these efforts depended to a large extent on an increase in earnings from this major export commodity. This in turn required stable, profitable and remunerative prices on world markets, as envisaged in Part IV of the General Agreement. Turkey was seriously concerned about the impact of the new farm legislation recently adopted by one of the major cotton producing and exporting countries. The deterioration of cotton prices on world markets had been another anxiety over recent years. In the view of his Government, a remedy to the trade problems lay in a broad international understanding along the lines suggested by some cotton producing less-developed countries, an organization of the cotton market, a better harmonization of artificial and natural fibres, a solution to the problems resulting from an accumulation of stocks and measures designed to promote the consumption of cotton goods. The secretariat might be requested to prepare a paper summarizing the work of other international bodies on the cotton trade and other relevant information on the international trade in cotton so that the CONTRACTING PARTIES might consider what specific aspects of the problems lay before them.

Mr. HUMBERT (Niger) supported the statements made by the representatives of Chad and Turkey and said that the possibilities of diversifying cotton crops very largely depended on programmes of industrial development. As a result of the fall in prices, Niger's production of cotton had to be curtailed. This was against the spirit of Article XXXVI of the GATT which aimed at improving market conditions and expanding foreign exchange earnings of the less-developed countries.

Mr. SWARUP (India) said that he was happy that the GATT Council had decided to keep this item on its agenda. In view of the fact that the present document was incomplete, it was necessary that the secretariat prepare a more extensive study, avoiding duplication of information with other organizations. The work carried out by UNCTAD's Committee on Commodities should be kept under consideration when the next study was undertaken. The question of market access should be dealt with in the framework of the Kennedy Round negotiations, and efforts should be made towards joint action on tropical products. He supported the idea of Madagascar's representative that preferential producers should not have to suffer as a result of any action in this field. Finally, he suggested that GATT should keep itself informed of what other organizations were doing in this field.

Mr. ASTRAWINATA (Indonesia) said that his country was particularly interested in the international commodity situation because it was an important exporter of primary products and was dependent on foreign exchange for its imports. For this reason, his country had supported the proposal for establishing a working party to

study trade barriers as well as prices. As far as preferences were concerned, he was of the opinion that either these should be given to all developing countries or completely abolished, since his country did not enjoy any preferences. He supported the proposal that this item should be kept on the agenda for future discussion by the CONTRACTING PARTIES.

In summing up the discussion, the CHAIRMAN said that the discussion had clearly brought out the concern of many of the contracting parties over the problems arising in international trade in commodities. He suggested that the Council be requested to consider, in the light of this discussion and of any proposals that might be put forward by governments, how this question could best be dealt with by the CONTRACTING PARTIES at future sessions. As proposed in paragraph 5 of the Director-General's note (L/2608), the secretariat would be prepared to provide documentation for consideration of these problems at future sessions.

It was agreed accordingly.

2. Disposal of commodity surpluses (L/2561, L/2605)

The CHAIRMAN recalled that at recent sessions the CONTRACTING PARTIES had reviewed their experience under the Resolutions of 4 March 1955 on the disposal of surpluses and the liquidation of strategic stocks. Contracting parties had again been asked to report on any disposal or liquidation arrangements in which they may have engaged during the past year, and the statements received had been distributed by the secretariat in document L/2605. The secretariat had also distributed a note on the activities in this field of other intergovernmental agencies (L/2561).

Mr. ERODIE (United States) said that he would summarize the main highlights of the United States surplus disposal programme. The rate of disposals of strategic and industrial materials had been accelerated in the past year, as the high rate of industrial activity and the new demands resulting from military activities and other disturbances had created an opportunity to feed additional quantities of surplus stocks into current supplies without undue impact on normal markets. In some commodities, stockpile disposals had been the only means of avoiding a severe shortage which would have had serious effects in the United States and elsewhere. Value of disposals, for the six-month period ending 31 December 1964, was \$201 million, for the six months ending 30 June 1965, \$222 million, and for the six months ending 31 December 1965, \$446 million, including a Presidential release of copper from within the stockpile objective. The results of the stepped-up programmes had shown them to be well adapted to the present marketing situation. It now appeared that the current high rate of industrial operations would support the larger disposals of a number of materials. The United States Government had decided therefore to increase its disposals while observing its usual precautions against unduly affecting commercial sales, including consultations with interested governments.

In regard to agricultural products, the value of commodities programmed under all titles of the Agricultural Trade Development and Assistance Act (Public Law 480) during fiscal year 1965 came to \$1,463 million. This compared with \$1,450 million reported for fiscal year 1963. In general, food aid under P.L. 480 was extended only to food-deficient countries in need of assistance, thus minimizing the danger of displacement of commercial sales. In addition, the United States continued to follow consultation procedures and other measures to protect normal commercial trade. The five main new features, or those given greater recognition, that were contained in the proposed new legislation, "Food for Freedom" (to replace P.L. 480, which expires at the end of 1966) was submitted to Congress on 10 February 1966, were as follows: (1) recognized agricultural development as a major objective of food aid and made agricultural self-help a condition of such aid in order to reverse the downtrend in food output per capita in developing countries; (2) eliminated the surplus requirement for food aid and authorized the Secretary of Agriculture to purchase commodities not in surplus in the open market; (3) authorized greater food aid shipments than the current rate - up to about \$3.3 billion annually compared with the present rate of about \$2 billion; (4) contemplated that sales for local currency would be phased out during the next five years and replaced by dollar loans, on terms comparable to other development loans; and (5) provided for better co-ordination of food aid with other economic assistance. The United States had two related objectives concerning the World Food Program: (a) extension and enlargement of the Program; and (b) establishment of the principle that the Program's cash resources that were in excess of those needed for transportation and administrative costs, may be used to purchase goods for more adequate diets - with purchases, where possible and economic, from developing countries. The United States contribution to the Program was contingent on the amount of contributions from other countries. The United States believed that greater contributions to the Program were necessary to meet critical food shortages and was disappointed at the relatively small pledges to date.

Mr. PRESS (New Zealand) said that New Zealand regarded this as an important topic and one whose discussion in the GATT was well worthwhile despite the attention given in other organizations - FAO and UNCTAD for example - to the problem of surplus disposals. New Zealand thought it was proper and useful for the CONTRACTING PARTIES to retain this item on their agenda because the GATT's concern with the expansion of trade enabled the problem to be looked at from a different perspective.

The unsatisfied demand for food in some areas in the world had manifested itself in starkly graphic form in recent months. The immediate contribution to human welfare of food aid had been clearly demonstrated. New Zealand had been glad to play a small part in meeting the demands of this situation - but New Zealand's contribution had, of course, not been from "surplus" stocks but.

represented a loss of foreign exchange savings from commercial sales. Over the longer term, a large part of the answer lay in developing to the full the productive capacity of the food-deficient developing countries. To the extent that this was not the complete answer, continuing external aid would be necessary. In the New Zealand view it was important that programmes for food aid should not be based on the temporary availability of what had traditionally been regarded as "surpluses". It was important from the point of view of the recipient that regular supplies should be assured and that they should be in the form in which they could best be utilized.

It would seem, therefore, that the interests both of potential recipient countries and of international trade - the special concern of the CONTRACTING PARTIES - would best be served by arrangements which were conducive to a rational development of the world's resources for agricultural production. Cereals and dairy products were two products where the productive capacity of those countries, which produced more than sufficient food for their domestic requirements, could well contribute to the needs of the food-deficient countries. This was one aspect of negotiations under way in the Cereals Group and of discussions which had been taking place in the Dairy Group. New Zealand believed that one result of these negotiations could be arrangements which would be beneficial to those in need and to those whose continued development was largely dependent on earnings from exports of the products involved.

The continuation of the World Food Program was another indication that multilateral food aid would become more rather than less important. New Zealand believed that the GATT had a contribution to make to the study to be undertaken by the Secretary-General of the United Nations and FAO and was hopeful that the results of co-operation among the organizations concerned with this subject would produce fruitful results. Whatever the form and scope of future food aid activities, the safeguarding of the legitimate interests of those countries dependent upon the export of foodstuffs must remain an important consideration, and one for which the GATT had a special responsibility.

Mr. VALENZUELA (Chile) referred to the statement in document L/2605 that, in a few cases, the United States had found it necessary to authorize or consider releases from within the stockpile objective, involving the use, for the first time since the Korean War, of Section 5 of Public Law 520, which permitted releases for the common defence on order of the President of the United States of America, without the public notice, Congressional approval and other safeguards for normal trade required by the Act when supplies surplus to the stockpile objectives were to be liquidated. It was stated that the purpose of the stockpile was to provide for such defence needs. Further, in laying down the main areas which explained

The stepping up of these sales, the statement contained two elements and linked them: on the one hand, the critical requirements of the booming industrial economy and, on the other hand, the stepped up military effort. In another passage of its report the United States Government pointed out that if large surplus stocks of strategic materials were ever to enter world markets, it could best be done in a period of high industrial activity. This idea, which seemed to be a fair one, should be supplemented with another which goes hand in hand with it: that of bearing in mind not only the industrial activity of any given country but likewise the economic situation of the chief supplying countries of these strategic materials, in particular, developing countries at the time of undertaking such sales. The specific case of copper was also mentioned. It was stated that a four-point programme was designed to ease shortages and price pressures and that the price of copper went as high as 67¢ a lb., a price which was not the world price. It was also stated that the Administration had in mind a request to Congress to suspend the 1.7¢ a lb. import duty on copper. For a number of years the developing copper-producing countries had been arguing that this import duty be scrapped rather than suspended. At this critical time an import duty was applied which complicated the marketing of this mineral. Understanding that Public Law 520 was a law which was strictly aimed at the needs of military defence, but bearing in mind that this precise phase of liquidation of stockpiles had a serious impact on the chief supplying countries of these products, the Chilean delegation would venture to point out the suitability of the Government of the United States' considering a procedure which would facilitate some type of consultation or the provision of information which would be helpful to the Chilean Government.

Mr. PHILLIPS (Australia) said that since the last session his Government had become increasingly concerned at the apparent fundamental change of attitude within the United States on the important question of consultations relating to releases of metals and minerals from national stockpiles. It seemed to his Government that the present approach to this matter by the United States meant that it would decide unilaterally whether or not consultations were warranted, and that generally consultations would only involve interested parties being informed of decisions made regarding stockpile disposal programmes. While representations might still be made by interested countries, it seemed unlikely that these would have any immediate effect on the relevant programme. Because of the magnitude of the excess stocks held in the United States and the importance of this market in world trade, there was obviously too much at stake for Australia's export industries for his Government to accept such an approach. His Government would expect other countries to be in a similar position. His Government could understand and sympathized with the internal problems posed for the United States Administration in consulting on particular releases, but to his Government consultation meant more than mere advice

that a particular transaction or programme had been decided. To be meaningful and effective, consultations must ensure that the views of third countries with a legitimate trade interest were taken into consideration at the stage of policy formulation and not after decisions had been taken. Moreover, the views of interested third countries should be reflected as fully as might reasonably be expected in the final arrangements adopted. His Government could also appreciate that consultations might at times prove burdensome and time consuming and accepted that on occasions there might be good reasons why the views of third countries might not be acceptable to the American Administration. However, if countries were sincere in indicating their acceptance of principles relating to surplus disposals they should provide third countries with adequate opportunities to make representations and in sufficient time to have such representations seriously considered. His Government accepted that from time to time its judgment of the effects of particular transactions might differ from that of the United States but such legitimate differences of opinion surely reflected the value of the consultations both to the United States and other interested countries.

His Government would therefore seek from the United States delegation a specific assurance that the United States would continue to observe the GATT resolution concerning the liquidation of stockpiles and would continue to consult in a meaningful way with interested third parties when contemplating disposals involving significant quantities. With regard to the disposal of surplus agricultural commodities, his Government had at recent sessions expressed its general satisfaction with the consultation procedures that has been worked out and implemented. Mr. Phillips expressed appreciation for the procedures applied by the United States over the past year in regard to disposals under Titles I and IV of P.L. 480. However, here again his Government was not entirely happy. Its main concern related to the increasing tendency to insert in these agreements provisions tying commercial purchases either wholly or partially to the United States. His Government had been perturbed in some recent instances where the legitimate commercial interests of supplying countries did not appear to have been given sufficient weight in deciding the quantities to be provided under Titles I and IV. His Government was not sure of the full implications of the proposed legislation contained in the United States "Food for Freedom Act". Nevertheless, it had some apprehension that a fundamental change in United States policy on agricultural surpluses might be in prospect. After many years of endeavour related to the curtailment of surpluses and their controlled disposal, his Government would hope that the new legislation would be administered in a way which would recognize in full the legitimate commercial trade interests of third countries. His Government would welcome any further clarification which the representative of the United States could give on this point.

His Government would again like to register its hope that, when negotiated, international agreements concerning cereals and certain other primary products would contain comprehensive provisions governing non-commercial transactions.

Mr. BRUUN-PEDERSEN (Denmark) said that his Government considered it important that the efforts to co-ordinate the disposal of surplus stocks of agricultural commodities should continue so that the least possible inconvenience would be caused to normal commercial trade. His Government appreciated the work done by the FAO Sub-Committee and the Committee on Commodity Problems in this respect, and also the way in which consultation procedures generally worked between the United States Government and other governments prior to arrangements under Public Law 480. He wished, however, to draw attention to an important problem which was touched upon in document L/2561, namely the problem of "tied sales" or the use of the "normal market requirement" clause in P.L. 480 arrangements. It appeared that to a growing extent such arrangements contained an obligation for the importing country to buy commercially certain quantities of the goods concerned of which a minimum proportion had to come from the United States.

The question was raised early this year in the FAO Sub-Committee after the conclusion between the United States and the United Arab Republic of an agreement on delivery of poultry, and it had become clear that his Government's concern over the "tied sales" practices was shared by a considerable number of other countries. The real effect of "tied sales" was, of course, to create for the exporters of one country guaranteed markets sheltered from competition of other suppliers to the detriment of open access to world markets. His Government believed that such practices were contrary to the established principles of surplus disposal. It was reasonable and justified to ensure, in connexion with sales on concessional terms, that commercial trade was not displaced. But there was danger if concessional sales were used as a means to obtain bilateral guarantees of commercial sales sheltered from the competition of other suppliers. His Government sincerely hoped that these discussions, as well as future discussions in FAO committees, would form the basis for satisfactory future development where "tied sales" provisions were used only to ensure that normal commercial trade was not hampered by sales on concessional terms.

Mr. SIGNANINI (Argentina) said that the problems of the disposal of commodity surpluses had for several years been a constant preoccupation for his Government. Two aspects of this problem could be distinguished. First, the setting up of surpluses without a possibility of disposal by normal trade channels gave rise to disruptions in markets and pressures on prices, which was to the detriment of efficient producers. Secondly, normal trends of trade were disrupted notwithstanding the principles recommended by FAO in this field. His Government was very concerned by what had occurred up to now, but its concern was increased when seeing the uncertainty of finding a solution in the fairly near future. In document L/2561,

it was said that there was a possibility of agricultural surpluses appearing in other regions of the world, especially in the European Economic Community. If this were to occur, the fears expressed by Argentina and others would be confirmed. His Government hoped that, in order to avoid this, the members of the European Economic Community would adopt all the measures necessary. His Government was alarmed to see the expansion of concessional sales and that the FAO Consultative Sub-Committee felt that they may continue to increase. Past experience led one to conclude that consultative machinery did not suffice and it was necessary to take international action to control production and defend commercial sales while meeting the needs of countries that did not have adequate food.

The General Assembly of the United Nations, in Resolution 2069, requested the Secretary-General - in co-operation with the Director-General of the FAO and in consultation with the executive heads of other interested international organizations and programmes - to examine the means and policies which would be required for large-scale international action of a multilateral character for combatting hunger effectively. His Government believed that the co-operation of the secretariat of GATT would be of great use in the work still to be carried out in this field. Now that the Government of the United States intended to change P.L. 480, his Government wished to express the hope that the new legislation would reflect past experience and honestly face existing problems in this field.

Mr. LALL (India) said that the disposal of agricultural surpluses had, of course, commercial aspects, but mainly it had been conducive to human welfare. His Government attached great value to it and he wished to take this opportunity of expressing his Government's gratitude to the Government of the United States and to other governments, particularly the Governments of Australia and New Zealand, who had played their part in helping India in bridging the gap between its own resources and its requirements. His Government, of course, recognized that the primary responsibility for feeding its own population rested on itself and the CONTRACTING PARTIES would be interested to hear that production of foodgrains in India had gone up from 51 million tons in 1951 to 88 million tons in 1964/65, and yet, because of the increasing rate of the growth of population, it had not been possible for India, from its own resources, to meet the requirements to provide an adequate food ration for its population. On top of this, in the years 1964/65 and 1965/66 India had deficient rainfall which had led in one particular year to a foodgrain shortage which was estimated to be as much as 13 to 18 million tons. In this particular year they would have been faced with acute starvation if it had not been possible for the Government of the United States to maintain a high level of disposal activity. Having regard to its foreign exchange situation and the balance-of-payments position, his Government hoped the contracting parties would be satisfied that this activity had had no bearing on the commercial interest of any contracting party. Mr. Lall welcomed certain features of the new United States legislation, particularly those concerning agricultural self-help and shipping and

financing facilities. So far as his Government was concerned, it would continue to strive towards self-help, but it did seem that over the period of the next five years or so India would remain dependent upon others to some extent for the satisfaction of its food requirements.

Mr. WINTERMANS (Kingdom of the Netherlands) expressed appreciation for the documentation the secretariat had prepared for the discussion of this item, and also for the information supplied by individual contracting parties. Last year, the Netherlands delegation drew attention to the device in P.L. 480 agreements called "tied usual marketing requirement provision", according to which a recipient country could only receive a quantity of surplus commodities if it agreed to purchase on commercial terms a quantity of the same or other commodities from the United States. The Netherlands had requested the United States to proceed with caution in the use of this device. During the consultation in the Sub-Committee on Surplus Disposal of the FAO Committee for Commodity Problems the use of the "tied sales" provision had been continuously discussed. According to the report of this consultative body, concern had been expressed by a number of countries as to the use of this provision in P.L. 480 agreements. Commodities made available under P.L. 480 in effect were already tied in the sense that they could only be obtained from United States sources. On top of this the "tied usual marketing requirement" from the United States was made part of the agreements. This practice constituted a combination of concessional as well as commercial sales in one agreement. His Government appreciated that in general the United States endeavoured to obtain free access to foreign markets. But "tied sales" provisions of this type in fact created an obstacle to the free access of goods from other exporting nations to the markets of P.L. 480-recipient countries. Thus the policy of using "the tied usual marketing requirements" was, in effect, contrary to the policy of free access. This was the case in recently concluded P.L. 480 Title IV agreements in which private traders in the recipient countries were involved or where part or all of the commercial market in the recipient country was thus reserved for the United States. In his Government's view the "tied sales" provision moreover was not in conformity with the FAO principles on surplus disposal which had as one of their objectives the avoidance of harmful interference with normal patterns of production and international trade. The provision of "tied sales" in P.L. 480 agreements at levels in excess of normal sales could not fail to have detrimental effects on the normal commercial pattern. To the extent that prices were higher from the United States than from other countries, the countries on the receiving end of the P.L. 480 agreements were suffering damage. Notwithstanding these facts, there was an increase in the use of the "tied usual marketing requirement provision". An examination of P.L. 480 agreements in force in December 1965 showed that over one third of such agreements contained that provision. His Government was very much concerned about this apparent trend of bilateralism in American commercial policy, especially since it was the intention of the United States to abandon the "surplus" requirement for United States food aid in the new Food for Freedom Act. Although this in itself was logical, considering the

need to combat hunger in the world, the combination of American bilateralism in trade policy and the abandoning of the surplus concept could create a serious danger. Efforts to reduce hunger and malnutrition should, however, not only take account of stimulating production increases in the developing countries and of the United States farm production, but also of normal patterns of commercial trade and production. The World Food Program should be expanded and the generous United States contribution to the Program was appreciated by his Government.

Mr. SCHWARZMANN (Canada) said that, as a country which relied rather heavily on basic commodity exports, this issue was of vital concern to Canada. His Government always regretted that the GATT did not contain more elaborate rules to ensure the safeguarding of commercial marketing in the face of liquidation of stocks, but it did attach great importance to the Resolution on this subject, and expected that the commitments in this Resolution would be fully and strictly observed. This involved an avoidance of interference with commercial markets and full consultation. There had been a history built up of detailed and useful consultation by the United States and other countries. But his Government shared the concern that had been expressed by the Australian and other representatives that there seemed to have been a great lack of consultation in the very recent period. Disposals were being planned and implemented by the United States and it was hoped that the principle of meaningful consultation would be adhered to in the future.

His Government hoped that in the Kennedy Round negotiations on cereals and other commodities, international co-operation in the field of disposal of surpluses and food aid would be strengthened considerably and that safeguards in this field would also be elaborated and put into effect. There was a blurred line between the concept of disposal of surpluses and the concept of food aid, but it was possible to make some distinctions between these two concepts. Food aid was something which was, and could, be carried out and expanded, fully consistent with the pursuit of policies designed to reduce artificial incentives and uneconomic production. His Government appreciated the assurance given by the United States regarding consultations and believed that these were required both with respect to food aid and with respect to surplus disposal.

Mr. PHAKAMEA (Malawi) said that commodities which were produced both in the temperate zones and the tropical zones could constitute a classical case for the implementation of Part IV. In fact, they were commodities which brought into very clear light the difficulties of applying the contemporary liberal principles. His Government acknowledged that, in some cases, growers in developed countries were accustomed to producing a particular commodity and that they might have difficulty in making adjustments in production. Also, support procedures by direct or indirect means might be necessary to maintain this pattern of production.

This was quite unobjectionable, provided that the crop was intended for domestic consumption. However, where these support procedures, either by design or accident, created surpluses which interfered with the legitimate trade of other countries, this surely brought up the question of where the limit should be put on the amount and extent of governmental or quasi-governmental assistance. There had been surplus disposals of a non-food agricultural product where the exporting country afforded support to its own producers which could have interfered with Malawi's exports. His Government, of course, could not hope to withstand the financial burden of such support procedures. Many disposals were made to meet what had come to be known as "non-commercial demand". He did not know what this term meant, but would certainly raise no objection to donations from one country to another where philanthropy on the one side and unrequited need on the other were the sole motivations. The degree to which these criteria were satisfied obviously differed from case to case, but it seemed to his Government that it was less easy to justify deals of this nature when the commodity involved was a non-food agricultural product. Justification was even less easy to find when support policies had contributed to the generation of the surplus, or when the disposal required an undertaking from the receiving country to buy a further amount at ordinary prices from the donor country. His Government agreed with other delegations that one particularly disturbing feature of these arrangements was the increase in both the number and the amounts of these "tied sales". The situation was serious enough when the disposal was made in order to retain existing markets, but when it amounted to penetration of a new market in which the developed country had no traditional interest, arguments against such disposals were incontrovertible.

Mr. YATES (FAO) said that the CONTRACTING PARTIES had been well informed by the GATT secretariat, in Document L/2561, concerning the Consultative Sub-Committee on Surplus Disposal, which met every month in Washington as a forum for inter-governmental consultation on surplus disposal transactions. From time to time the Sub-Committee undertook joint studies of particular problems that came to its attention in the course of its regular reviews of current bilateral and multilateral transactions involving surplus agricultural commodities. The initiation of one such study - on the so-called "grey area" transactions - had been described for the CONTRACTING PARTIES in document L/2561. He had not yet seen the report of the March meeting of the Washington Sub-Committee, but he understood that the Sub-Committee had just decided to undertake a further joint study on the "tied sales" provisions of transactions under P.L. 480. A special Working Party of members of the Sub-Committee had been set up and would hold a series of sessions in the coming months to prepare a special report on the operation of the "tied sales" provisions. He believed that some of the governments that had taken part in this discussion were members of the Washington Working Party. When the report on "tied sales" had been adopted by the Sub-Committee it would be forwarded to the FAO Committee on Commodity Problems. FAO would certainly make copies of the report available to the Director-General of GATT for such distribution to the contracting parties as he might think fit.

Mr. BRODIE (United States) said he would like to set at ease some of the concerns voiced by delegates regarding future United States disposal policy. Firstly, concerning the adequacy of consultation procedures for minerals and metals disposals, the United States would continue to hold advance consultations with interested governments under the expanded disposal programme. However, in cases of severe shortages the consultation process would have to be speeded up. In making final decisions the United States Government would have to give more weight to concerns of governments than it would under normal market conditions. Secondly, regarding consultations procedures under the Food for Freedom programme, it was stated in the Working Party on the Section 22 waiver that the proposed new legislation contained some provisions for consultations and for safeguarding normal trade patterns. While the proposed new programme would eliminate the surplus concept from the food aid programme, the United States Government would continue to observe GATT recommendations on agricultural surpluses as well as reporting requests, and hoped other contracting parties would take an equally liberal interpretation of what transactions should be covered by the two 1955 Resolutions on this subject. Thirdly, as regards United States "tied sales" under the P.L. 480 programme, the United States Government followed the general policy of seeking to safeguard normal commercial trade. Such normal marketings were usually considered on a global basis without regard to source. However, in certain situations the United States Government had had to resort to the "tied sales" device to maintain its usual share of the market in cases where third countries were supplying the commodity to the donee country on concessional terms and not on a purely competitive basis.

In summing up the discussion, the CHAIRMAN said that, because of the great interest in this matter, the item would remain on the agenda for the twenty-fourth session.

The meeting adjourned at 1 p.m.