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## DISPOSAL OF SURPLUSES.

### Statement by the Australian Delegation.

Mr. Chairman, although I have not attended the previous meetings of this Working Party, I have been following its discussions very closely and I should like now to elaborate at some length on what the leader of the Australian delegation said on the subject of surplus disposals in his opening statement at this Session.

I know of no subject of more importance that is before the Contracting Parties at present. Because of its importance, because it raises issues that go right to the heart of G.A.T.T., I propose to speak quite bluntly about the problem. I admit at once that the problem confronting the United States is a highly complex one. Therefore, I intend not only to register - in strong and plain words - our concern about its implications but to make my criticism as constructive as I can.

Let me start by recalling the reference which the leader of the United States Delegation made in Plenary to the connection between the war-time and immediate post-war expansion of agricultural output in the United States and the present burden of farm surpluses there.

We recognise the tremendous contribution of the United States during the War and after. Its increasing productivity in agriculture, induced by a combination of high price supports and skilful and industrious application of scientific research was in fact a god-send to the world in those critical years. The world should be grateful - and it is grateful - for that. For our part, we shall do our best not to overlook this point.

It is not improper, however, to warn the United States that ingratitude can be encouraged by any suggestion, or even unintended implication, that what was necessary and even magnificent in one decade is something that will be appreciated as a permanent state of affairs. As in regard to other matters -

matters such as transitional quantitative restrictions on which G.A.T.T. speaks more loudly than it does on certain other practices that affect the free flow of trade - there is a real need to adjust past policies to present circumstances.

I appreciate that the United States Government has recently been re-examining its agricultural programme and facing up to the painful necessity of reducing price supports and/or of curtailing output. We are grateful to have these signs of a more cautious domestic agricultural policy, although we cannot be confident that the United States will soon relieve itself of the burden of farm surpluses. Nor could we seriously ask for catastrophically sudden reversals in now long established policies. But, meanwhile, we are confronted by those surpluses and by actions to dispose of them which, for all our goodwill, we cannot approve. And, being realistic, we accept it for a fact that a feature of the international trade in primary products is the certainty that surpluses over and beyond any concept of normal will arise and hang over the market from time to time.

We believe, therefore, that it is an urgent task for G.A.T.T. to deal, effectively and realistically, with the other barriers to trade besides tariffs and import restrictions as well as with this closely related question of the disposal of surpluses. Domestic agricultural policy, quantitative restrictions on agricultural products, subsidies - both domestic and export, and accumulated surpluses are closely connected. Too high domestic price supports inevitably lead to quantitative restrictions on imports to protect them and to burdensome surpluses which must finally be disposed of - whether or not anyone is hurt in the process. I suggest the United States is not alone in this problem other than in its magnitude.

What then is the approach that we recommend to the Working Party? I shall put it briefly in the form of a number of points:

First, as my colleague has already explained, the Australian delegation does not seek to outlaw subsidies and other protective devices. We do seek to curb subsidies so far as they enable a country to obtain more than an equitable share of world trade or so far as they have the effect of impairing the benefits that have been gained from tariff reductions. Likewise, in the case of surpluses, our approach is not to deny them entry into world trade but to ensure that they will be moved under conditions that will result in the least possible disturbance of regular commercial marketings, while at the same time creating if possible an additional demand for these same products.

In the most direct commercial terms, we are not happy to see disposals assisted by artificial devices which might in fact result in the known products and brands of established suppliers being

pushed right out of their markets for reasons other than open international competition not assisted by government devices. We could not be satisfied with the thought that some day we might recover those markets when surpluses in America disappear, if ever.

Our second point is that the existing provision in the G.A.T.T. which bears most nearly on the question of surplus disposals should be made a reality. I refer to the provisions in Part II(c) of Article XX which, read in conjunction with the opening paragraph of that Article, lay down that:

"Subject to the requirement that such measures are not applied in a manner that would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:

.....

II(c) essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any contracting party or of industries developed in the territory of any contracting party owing to the exigencies of the war which it would be uneconomic to maintain in normal conditions; Provided that such measures shall not be instituted by any contracting party except after consultation with other interested contracting parties with a view to appropriate international action."

This is the keynote to our approach. In the third place, then, what we seek is a genuine consultation; not the announcement of a series of faits accomplis in many of which our genuine market interests are affected while in others we are not concerned but our fellow members in the G.A.T.T. may be. It is not merely a fear of a fait accompli, but we are concerned that something permanent seems to be developing that will completely destroy the whole concept of the G.A.T.T. as a system of fair trading for all.

It is really no answer to say that we can take counter measures. For we cannot compete with subsidies by countering subsidy with subsidy. Who among sellers less wealthy than the United States could compete with such subsidies as 65 cents a bushel on wheat, 95 cents a bushel on wheat in the form of flour, 12 cents a pound on meat, 20 cents a pound on butter, 2 cents a pound on dried fruit and 4 cents a pound on honey? The significance of these figures lies in the high proportion they bear to the domestic prices in the United States.

We, for our part, cannot match these any more than we could match by counter subsidy the threat to Australia's exports now represented by the high agricultural subsidy bill in the United Kingdom - to quote another source of worry for us. Nor can we afford to associate with any counter measures we might temporarily attempt, the very real inducements in the way of economic assistance, counterpart funds and so forth, which are frequently part of a package proposal by the United States. Our only weapon is our relatively low costs, the natural advantage of which is threatened by these terrifically high subsidies which the United States is prepared to pay and by other financial means available to it for stimulating exports.

These are, therefore, good enough reasons for us to seek, through proper consultation, a friendly and constructive, but, above all, effective solution to this problem of surplus disposals which contains so great a threat to our future welfare. I see no other practicable approach to the problem or any other approach consistent with the objectives of the G.A.T.T.

We have been concerned to find that deals have been made, and are still being made, that do not really meet principles of the kind laid down, for example, by the Council of F.A.O. However, we do recognise that the United States Government considers that it has exercised a very great deal of restraint in handling its surplus disposals operations. We respect the sincerity of its declarations and efforts. Nevertheless, we cannot concede that the programmes have had regard to the extent that we have felt necessary, to their effect on the normal commercial marketings of friendly countries. We have, of course, protested but we do not consider that we should let the matter rest there - since protests after the unalterable event are more humiliating than helpful to the protester.

We seek genuine consultation. What do we mean by this? We mean a practical partnership that will enable us and other interested countries to work out jointly with the United States the best ways of disposing of surpluses - ways which will add to total consumption whilst protecting the normal commercial relations of other countries in the G.A.T.T. To this end, we would press strongly for the inclusion in the G.A.T.T. of an article that would make more detailed provisions for consultations than does the present Article XX.

I do want to say, however, that, in the final analysis, we would not hamper action by a supplier with surpluses if a solution could not always be found. I say we would not hamper; we would not, of course, deprive ourselves of the opportunity to have our experience reviewed in G.A.T.T. from time to time.

To repeat, we look for adequate procedures for consultation; but we are ready, and would propose, to place a limit on the time in which consultations can take place. We do not regard consultation as a matter of being told too late for useful comment - sometimes first by the recipient, sometimes by the supplier and sometimes by neither. Yet, with one or two notable exceptions, that is the story of the deals - deals which have begun to hurt our interests or present a grave threat of future harm to come.

While we strongly believe that in the interests of all of us real consultation must take place, we are under no illusion that all disruption of trade can be avoided. In our view, on the contrary, it is impossible to dispose of surpluses on the scale contemplated and now inevitable without hurt to someone. We recognise that, and, as F.A.O. studies have shown, major disposals must lead to some disruption. Therefore any solutions must be in the nature of compromises - somewhere between a ruthless disposal which ignores others, on the one hand, and, on the other, the avoidance of disposals merely because they will hurt. This latter timidity merely leads to dumping of unwanted produce in the sea - a tragedy never to be repeated.

Indeed, we see the task of surplus disposal as a dual one; on the one hand, to make a proper, that is, consumer use, of available surpluses and, on the other, to minimise the disruption to ordinary commerce. The best way to achieve this is through a partnership based on consultation leading to practical arrangements in which all principals may share. Consultation, too, is the only way to overcome the difficulty inherent in the fact that different commodities and different areas - the recipients of surpluses - call for varying solutions. There is no single formula. A school lunch programme may help dispose of a small surplus, but more radical methods in which commercial and non-commercial disposals are combined are called for by large surpluses. Again, a great deal must depend upon the willingness and ability of a recipient country as well as of the supplying countries to administer agreed schemes effectively. We have been giving thought to projected sales of great interest to us. We believe we could, if given reasonable machinery for consultation, make some useful suggestions towards practicable solutions in particular cases.

It will be clear to the Working Party that it is an essential part of our approach that surpluses must be used for the good of mankind. Even on the narrower commercial front we recognise that it is as much in our interest as it is in the interest of the surplus holding country to facilitate an orderly disposal of

surpluses. Likewise, the mutual interest suggests a mutual effort to understand and agree on the programmes of disposal. Our good faith in the matter rests in our unqualified willingness to construct rather than obstruct and our recognition of the final right of the holder to dispose in reasonable time if consultation fails to produce workable agreements.

Mr. Chairman, it will be obvious that Australia attaches great importance to this subject. I must emphasise the view that, if we do not get an effective understanding on this subject of surplus disposals, we - and I do not mean Australia alone - face a bleak world indeed. I have also, I trust, made it clear why we in the Australian delegation have stressed so much the present imbalance in G.A.T.T. which fails to offer adequate rules of fair trade to those whose trade is very much dependent on steady markets for their unsubsidised primary products.

We commend the United States for its willingness to discuss this problem at this Review Session. I trust that the United States representative will himself submit in some detail constructive proposals for consultation. I had deliberately not outlined our position in the Plenary as I had hoped he would have submitted there some such proposal.

Finally, Mr. Chairman, I do not think I could have spoken more directly. I could, perhaps, have been slightly more explosive, but I don't think fireworks are a particularly good means of gaining permanent illumination. They could not have given increased importance to this problem. In words that have been used by another contracting party in relation to another problem; a solution "must be found" to this and the related subsidy question if G.A.T.T. is to assume the reality of the balanced instrument we - and, I believe, all contracting parties - so much wish to see.