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ARGENTINA

Proposal for a World Food Fund

At the seventh session of the United Nations/FAO Intergovernmental Committee of the World Food Program, held in Rome from 31 March-14 April 1965, the Delegation of Argentina made a proposal for the conversion of the World Food Program into a World Food Fund*.

At the request of the delegate of Argentina this proposal is herewith circulated to the members of the Group.

* Document World Food Program: WM/IGC:7/1/Add.2

Proposal of the delegation of Argentina for the
conversion of the World Food Program
into a World Food Fund

I. GENERAL

The recent studies undertaken by FAO in connection with the decision to be taken this year with regard to the World Food Program established by UN General Assembly Resolution 1714 (XVI), show that the reasons behind its creation are likely to continue until the end of the present decade, namely that:

- (a) a large section of the world's population does not have enough to eat;
- (b) a growing proportion of world food production cannot enter normal commercial channels by reason of the insufficient spending power of the less developed countries;
- (c) the domestic production of many of the developing countries, chiefly for technological reasons themselves a consequence of economic underdevelopment - will be unable to satisfy needs, which are expected to show a marked rise as a result of the increase in population. This, according to the forecasts, will have totalled some 56 percent by 1980.

These and other considerations open up a wide field for international co-operation. As will be developed below, Argentina understands that the fundamental need for such international co-operation arises from the conditions in which the populations of the less developed countries live and that the general problem to solve is the fact that hunger impairs man's capacity to contribute to the fullest of his potential, both spiritual and material, to economic development. In this field, international co-operation began in bilateral and multilateral agreements of varying inspiration and with different objectives, and without very clear ideas about the immediate objectives of the aid afforded under them. Today's plans and programs are not really equal to the magnitude of the task it is proposed to accomplish. Multilateral action has made slow and halting progress.

Bilateral arrangements for sales on concessional terms such as we have seen adopted in recent years, have depressed the exports of many developing countries. Clearly, this is no ordered and beneficial system of co-operation, and its side-effects militate in the long run against the harmonious development of world agricultural production and marketing.

On the other hand, multilateral aid, the most appropriate in this field, has not imposed itself as the most logical form of co-operation, and this for a number of reasons which it would be idle to list here. Now that the time has come to decide upon a fresh principle for the bringing into operation of a vast plan for combating hunger, bilateral and multilateral facilities must be co-ordinated in such a way that the efforts so made do not oppose each other or cancel each other out in the negative effects that they may produce on world economy.

Again, there are several ways of operating aid. Aid may be considered as a means of financing development projects, in which case a specific project is selected and a basic ration is provided for workers or for the groups of people directly or indirectly connected with the work undertaken. Then there is the "program" approach, where the goal is to improve the diet of large groups of a population, but in such a way as to link up with general development programs. A further type is emergency aid at times of natural disasters. As a general rule, the first type has been operated as a form of multilateral aid and the second through bilateral channels.

There is the further point that the programs on the whole have lacked a single unifying criterion where their objective are concerned. Now, what is it we are attacking? Is it hunger - hunger defined as a subjective need or a biological condition? Is it economic underdevelopment? In the task of eliminating hunger from the face of the earth we must be careful to define terms.

What food aid is primarily concerned with can only be man as an individual person, irrespective of his role in society. Obviously, food aid may be an important factor in financing projects and plans but emphasis must be laid on the main objective of all food aid, which is to eradicate hunger.

This is one of the most noble and humane tasks that international collaboration can take upon itself. Accordingly, the undertaking must be a joint one, with all countries participating, whether they be developed or underdeveloped, food producers or not, and the concrete objective must be to satisfy this vital need of mankind, wherever his economic situation prevents him from doing so.

II. PURPOSE OF THE ARGENTINE PROPOSAL

From what has been said it is clearly necessary to plan means and methods with a view to a more efficient and better-integrated large-scale international action. The institution of food aid for populations whose food consumption levels are excessively low cannot be absent from an ordered world economy. As long as the evil persists, due to whatever causes, effective ways and means of combating it must be found.

Although the WFP, established on an experimental basis under UN General Assembly Resolution 1714 (XVI), constitutes a definite step forward, it is no more than a hesitant probing. Aware of the inadequacies in this field, the UN Conference on Trade and Development in laying the basis for modifying current machinery of co-operation approved without dissent a recommendation (Annex A.II.6).

Accordingly, the Government of Argentina, taking into account the wide divergence of interests in this matter, considers that the WFP should be transformed having in view the following principles and objectives:

- (i) the World Food Program be replaced by a World Food Fund;
- (ii) the basic purpose of the said Fund to be the elimination of hunger, that objective being an end in itself. Accordingly,

food aid should be considered not merely as a solution to an economic problem, but as part of justice and respect for Man's dignity. The economic growth of developing countries - based, as it should be, on a healthy and properly-fed population - must however seek its driving force in national effort at industrializing and modernizing production, in technical and financial aid, in greater opportunities for the expansion of the international market, in improved terms of trade, and so on;

- (iii) action to be multilateral. The proposed Fund must assume responsibilities currently borne by those countries that at the present time provide food aid under bilateral arrangements. For as long as such arrangements continue, it will be necessary to co-ordinate them with the work of the Fund itself;
- (iv) participation in the Fund to be universal in character. Participating countries would be divided into four groups:
 - (a) developing countries, with food deficits and insufficient spending power;
 - (b) food-exporting developing countries;
 - (c) industrial countries with surplus food production; and
 - (d) food-importing industrial countries;
- (v) the resources of the Fund to consist of contributions in cash and/or in kind, depending on the group to which the country in question belongs;
- (vi) the proposed Fund, in order to be an effectively large-scale action, to be considerably greater than the present World Food Program;
- (vii) the action of the Fund vis-à-vis recipient countries to cease the moment the level of economic development is reached where it becomes possible for them to supply their own needs through the normal market;
- (viii) the proposed formula to be reviewed after a period of five years' operation.

III. FUNCTIONING OF THE WORLD FOOD FUND

Financing

As stated earlier, the resources of the Fund would be made up of contributions in cash and in kind. The cash component under the General Regulations of the World Food Program, as it now is, should represent at least one third of the total contributions. In the Report on the World Food Program by the Executive Director (WM/IGC: 7/4 Add.6) it is admitted (paragraph 249) that this would not permit the purchase of commodities from nearby sources to cope expeditiously with the emergency needs of the victims of a catastrophe, or the purchase of food exports from developing countries as recommended by the United Nations Conference on Trade and Development.

It is abundantly evident that the proposed Fund could never become an effective multilateral institution or achieve its objectives without the participation of all developing countries, whether they be food-producing or food-deficit countries, with a view to the international transfer of the contributions of the developed countries to those undergoing development.

As the Executive Director's Report here referred to shows, if cash resources amount to only 30 percent, on the most favorable hypothesis there would only be some 6-7 percent available for the purchase of commodities. Now, further to Recommendation (Annex A.II.6) of the United Nations Conference on Trade and Development, the Government of Argentina considers that the resources of the proposed Fund should have cash and commodity components in as near as possible equal proportions.

With the exception of catastrophes, where for reasons of emergency or geographical proximity commodities can be acquired from nearby sources, the cash resources of the Fund should be used for buying the commodities from food-producing developing countries.

Assuming a fifty-fifty ratio of cash and commodity components and considering that some 4-5 percent would continue to be needed to pay for administration, and around 19 percent to pay for shipping, there would be a balance of 26-27 percent of the total pledged amounts for purchases from developing countries.

In this way it would be possible to expand considerably the commercial demand for food commodities through the co-participation and the more efficient exploitation of production potential from the economic standpoint.

Forms of aid

The operations that the proposed World Food Fund would perform would change with time, due to the characteristics of the present food shortages which may themselves vary, whether as a result of price fluctuation for specific commodities or the coming into being of new needs or diminution in present ones. The following types of operations are envisaged for aid under the proposed Fund:

1. Donation of food commodities intended chiefly for consumers who are unable individually to supply their own needs. The approval of shipments in this case would be conditional upon a real inability on the part of the recipient countries to acquire the commodities through the normal channels of international trade. Such inability may be due to the level of the national income, balance of payments, local production and the food needs of the country in question. This form of aid would also be used for specific development projects particularly for social development.
2. Food distribution under long-term financing. Operations of the kind would be mounted for countries whose needs, while not being endemic in character, nevertheless are such that there is a temporary or partial impossibility of purchasing food on the world market.

3. Emergency aid in cases of disaster of any kind, inter alia earthquakes, floods or any other calamity where the collectivity falls victim. In such cases the aid would be supplied automatically.

Except in such cases of emergency the supply of commodities will also cover freight and insurance costs as far as the port of unloading in the beneficiary country.

As a general rule, cash aid from the Fund would be granted only by agreement with the governments of the recipient countries, on whom it will be incumbent to determine the most appropriate methods of distribution in accordance with specific rules.

Orientation of food aid

At the present time the bulk of the aid furnished under the World Food Program goes to cover the food needs of population groups engaged on specific projects. Since aid is required to have as its objective the elimination of hunger irrespective of the role in society of those suffering that hunger, or of the causes behind it, and since, again, bilateral programs must be replaced by harmoniously integrated multilateral action for which the proposed Fund would be responsible, the aid operated by the latter in the future must be oriented toward general development and mass feeding programs. Accordingly, a greater proportion of resources will be devoted to non-project than to project oriented aid.

It is important that aid policy should do nothing to interfere with or disrupt commercial channels but rather contribute to their development.

Modus operandi of multilateral aid

The general guidelines described above for the operation of aid bring out the need for effective co-operation from contributing countries with the Fund programs. Pledges, the actual making over the contributions in cash and in kind and all other transactions must be consonant with the goals pursued by multilateral co-participation.

Cash pledges must be effectively honored for fund requirements by the appointed date. Until remittances are made, expenses would be charged to the donor countries. The latter may also contribute services or other facilities aimed at keeping down food distribution costs. Contributions in kind must be made over by the agreed date or as the Fund may require.

In order that the Fund may become a source of guidance and a creator of a balanced demand between the various production regions of developing countries, it must, when earmarking cash resources for the purchase of commodities, take into account such matters as geographic distribution, stock levels and the type and price of the proposed commodities.

While, as a general rule, it is not possible to determine which commodity best serves the object in view, it is clear that there are certain food commodities which by reason of their physical characteristics,

ease of transport, calorie value and the volume of world production, and other considerations, are the most suited to operations of this kind.

Lastly, aid policy and operations of the World Food Fund must be subordinated to the most general problems and policies pertaining to the production, marketing and consumption of agricultural products at both international and national levels.

IV. THE WORLD FOOD FUND AND GENERAL GUIDELINES FOR THE PRODUCTION, MARKETING AND CONSUMPTION OF AGRICULTURAL PRODUCTS

Accordingly, as contemplated in this proposal put forward by the Government of Argentina the objectives of the World Food Fund transcend those in terms of which the World Food Program was conceived. Broadly speaking, the functions which the Fund would exist to perform, with successive adjustments and modifications, do not consist merely in eliminating hunger or handling food aid but also in securing beneficial effects on the international market for agricultural products.

It is clear that such a Fund should seek to correct the imbalance that occurs from time to time between world supply and demand for agricultural products and, also, to keep down the surpluses brought into being by protectionist policies of the industrialized countries. It should prevent the contraction, whether in volume or prices, of the turnover in the commodities mentioned and should promote the expansion of commerce and a greater degree of participation by efficient developing countries.

In addition, there must be proper co-ordination of Fund activities with international agricultural commodity agreements now in operation or to be introduced in the future, notably the grains agreement currently being negotiated by the GATT countries. Should this agreement contain, as it very probably will, clauses dealing with surpluses, the proposed Fund should be the agency to provide multilateral administration of their marketing.