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SUMMARY RECORD OF THE FIFTH MEETING

Held at the Palais des Nations, Geneva,
on Monday, 9 March 1964 at 2.30 p.m.

Chairman: Mr. J.H. WARREN (Canada)

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1. Disposal of commodity surpluses (L/2150, L/2152)

The CHAIRMAN said that experience under the Resolutions of 4 March 1955 on the disposal of surpluses and the liquidation of strategic stocks had been reviewed at recent sessions of the CONTRACTING PARTIES. At the twentieth session it was agreed that the item should be retained on the agenda and that contracting parties should again be requested to submit reports of any disposal or liquidation arrangements in which they may have engaged. The reports received from contracting parties had been distributed in document L/2152, and, in addition, the Executive Secretary had provided a note on the activities of other international agencies in the field of disposals in document L/2150.

Inche Abdul Rahman bin HAMIDON (Malaysia) said that his delegation had read with great care and interest the reports by contracting parties in document L/2152, in particular the report by the Government of the United States regarding its disposal programmes in respect of tin and rubber. Tin and rubber were the two most important export commodities of Malaysia and together constituted about 80 per cent of its total export earnings. His delegation was encouraged to learn from Annex A of the United States report that the United States Government had found it possible to develop a set of criteria for the development of disposal programmes involving long-range disposal planning and expanded consultation

procedures. Since stockpile surpluses first made an impact on the world commodity markets, his Government had advocated the adoption of a set of principles governing the disposal of materials which were of direct interest to the less-developed countries. Now that there was a basis in the form of the United States criteria for a soundly planned disposal programme, his delegation wished to comment on the matter from its point of view as one of the main producers of the products involved. In their view, based on intensive experience of both tin and rubber disposals, much of the violent apprehension and misgivings which United States disposal announcements provoked in the past and still did to some mild extent, were due to the ignorance within the market and the industry of the specific criteria which governed the United States disposals. The United States assurances about not disrupting markets, etc. were regarded as too general or ambivalent to inspire business confidence and price stability. In view of this his delegation hoped that the United States Government would seriously consider giving these newly developed criteria a much wider publicity so that the whole intention and purpose of the United States disposal programme could be better and more generally understood.

There were a number of factors mentioned in the United States list of criteria which were of critical and direct relevance to producer governments and commodity councils interested in the matter. His delegation was anxious to see that these selected factors should be given the appropriate emphasis when the United States long-term disposal programmes for these commodities were being formulated. As regards tin, the United States Government had announced its objectives, i.e. to promote an orderly disposal of unneeded stocks in such a way as to meet fiscal requirements of the United States; put no undue pressure on the usual markets; help meet necessary industrial requirements for tin during the period of world-wide shortage; and give necessary assurance to producers and investors who are preparing to meet future increased requirements for tin. The Government of Malaysia, and he was certain that the International Tin Council also, would gladly welcome and readily endorse these common and constructive objectives. However, in trying to fulfil some of its own domestic objectives, it was hoped that the United States would not vitiate its efforts in the international field of creating a climate of confidence for the development and rejuvenation of the world tin industry. The central problem besetting the industry now and in the next few years was one of maintaining a level of price which would make it economical to exploit the extensive low-grade reserves. It was crucial that United States tin disposals should not in these delicate circumstances inadvertently depress the price below this economic level. On the subject of rubber disposals, the criterion to be used was different from tin disposals because the price situations were diametrically different. The price of tin was on the upward trend whereas the price of rubber showed a progressively declining secular trend. Any contemplated changes in the United States rubber disposal programme, it was hoped, would not depress further the already low price of natural rubber which was the economic life-blood of a number of developing countries, particularly some in the South-East Asian region. In this respect, it was encouraging to note the United States' assurances that any changes in the programme would be preceded by consultations with substantially interested governments.

The GATT Resolution of 4 March 1955, on liquidation of stockpile surpluses, provided for two minimum requirements, namely a period of forty-five days' notice and a recommendation for consultation. In the view of the delegation of Malaysia the period of notice should be longer than forty-five days, because if effective and meaningful consultations were to be undertaken, it was necessary to have more time to consult. It would be desirable if at least six months' prior notice could be given, as was done in the United States. Consultations between interested governments were not only desirable but necessary. However these consultations should take place well ahead of the time of the announcement and also before the United States programme had been irrevocably formulated. Otherwise, these consultations would defeat the purpose of developing mutual understanding and appreciation of each other's problems and difficulties instead of exacerbating them. There was also the question of developing a mutually agreed set of objectives and criteria to govern disposals of certain commodities, and there were several ways in which this mutual exercise could be carried out. First, by the United States together with substantially interested producing governments as was done with rubber disposals. Secondly, the United States with the commodity council concerned as in tin disposals, or thirdly under the aegis of other multilateral and fully representative international organizations such as the United Nations Conference on Trade and Development and its offshoots. Should any of these approaches present certain difficulties to the United States Government, it was vital for market stability and business confidence, for the United States to consider another alternative of publicly declaring the essential details of its programme including its criteria and disposal techniques which were designed to minimize disruption of the market and, of more importance, avoid distressing the economies of foreign countries, particularly developing ones. The delegation of Malaysia regretted that it had found it necessary to single out the United States Government in presenting its views on this important question of disposal of commodity surpluses. It was not that it had any bitter grudges against the United States, but it was generally recognized that the disposal programmes of the United States Government, particularly of tin and rubber, had the most profound effect on international commodity markets. The views of the delegation of Malaysia had been put forward in the spirit of offering constructive criticism for the mutual benefit of both the consuming and producing countries. Moreover, the delegation of Malaysia believed that there was no forum more appropriate than the GATT where problems confronting both developed and developing contracting parties could be discussed in a frank and cordial manner with a view to achieving solutions which were of real benefit to the developing countries. Finally, the item under discussion should be retained on the sessional agenda of the CONTRACTING PARTIES in order that the subject could be kept under review.

Mr. VAN WIJK (Kingdom of the Netherlands) said that the subject of surplus production, disposal and utilization had always been considered by his delegation to be of major importance. Nearly all countries represented in the GATT were involved either as producers and exporters or as recipient countries. Everyone would therefore have an interest in keeping the situation under constant review and in particular to note any change in attitude or type of activity connected with surplus disposal. Referring to paragraph 12 of document L/2150, Mr. Van Wijk said that changes had taken place in attitudes. In 1954 when the FAO Principles on Surplus Disposal were drafted agricultural surpluses were considered to be the undesirable unintentional result of several causes. They were regarded as a problem of temporary and incidental nature. Today a growing acceptance was noted of the fact that surplus production might become a long-term phenomenon. The possibility of making a beneficial use of surpluses was recognized years ago, although the word surplus in itself retained a somewhat negative meaning. Since then the mental attitude towards the word surplus has undergone a change and it was not a coincidence that some had referred to abundance of agricultural production in this connexion. This changing attitude must have significant implications. It might contribute in providing much needed additional food for those who were undernourished and thus help to improve living conditions of the population in large parts of the world. Further, it might also have quite contrary effects on the efforts of the less-developed countries to improve their own agricultural production; and finally, it might have effects on international trade in agricultural products.

Continuing, Mr. Van Wijk said that it was not known how things would develop. Much would depend on the extent to which these questions could be discussed in international fora and, conversely, the influence these international organizations would be able to exert. The consultative machinery and procedures, developed and strengthened over the years, had proved generally effective both in providing an international forum for the discussion of surplus problems and in promoting the observance of the principles of surplus disposal themselves. It was recognized that surplus holding countries, for example, the United States, had observed these principles with great sincerity. Because of its restraint and regard for other interests the United States deserved the gratitude of all countries for whom the export trade of agricultural commodities was of vital importance. The Netherlands was strongly in favour of the continuation of these procedures, but this did not mean that it considered that no damage had been done to its interests as a commercial exporter. The procedures to which he had referred, in many instances enabled the United States to achieve some sort of balance between the advantage of recipient countries and the disadvantage of traditional

exporters. However, he wondered how a reliable estimate could be made of the damage done to the latter. Over the years many complaints by Dutch exporters concerning surplus disposal programmes had reached the Netherlands Government, which had looked into their complaints case by case. If it were said that the surplus exporting countries had exercised a great deal of self control, it could also be said that the Netherlands on its part had always exercised considerable self restraint when defending its commercial interests. His Government had always endeavoured to take the larger view and did not consider only its own side of the picture. The tenth anniversary of Public Law 480 seemed to have offered an excellent opportunity to examine over a longer period of years the influence this and other surplus programmes had exercised on the Netherlands' exports of agricultural commodities. This examination revealed a decrease in its exports of several products on various markets where surplus programmes had become an active source of supply. In addition the Netherlands also experienced the negative indirect effects of surplus programmes because recipient countries closed their markets for third countries in order to concentrate their commercial purchases in the surplus-disposing country; or were affected by the competition by receiving countries on third markets with commodities produced on the basis of surplus raw materials like cereals and oils and fats. These developments were of a major concern to his delegation, particularly because the problem was not one of today, but most probably also one of tomorrow. The Netherlands delegation therefore wished the maintenance and if possible the strengthening of the present procedures with regard to surplus disposal and at the same time to underline the importance of multilateral solutions to the problem of surplus disposal, such as the FAO World Food Programme.

Mr. STONER (Canada) said that the purpose of the Resolution adopted in 1955 had been to ensure that the harmful effects of surplus disposals on the normal commercial marketings of contracting parties were mitigated by a procedure of consultation with the principal exporters of the products in question. It could be said that both the bilateral and multilateral consultative procedures and arrangements that had been set up in recent years had been working well in the agricultural sector. These arrangements had helped to ensure observations of the principle of additionality, i.e. that transactions on concessional terms should be additional to, and not displace, normal commercial marketings. This had facilitated the orderly use of food surpluses as aid under observations of appropriate criteria. The Canadian Government attached importance to the concept of food aid and had tried to adjust its own programmes to these criteria. While the problems resulting from the disposal of surpluses had been rendered less acute, attention should not be diverted from the basic causes of surplus accumulation - sometimes the weather, but more often the result of support policies of governments. The Canadian delegation had stated on previous occasions that there was a real danger that agricultural surpluses would be taken for granted and that countries would assume that it would be possible to continue to produce and to dispose of them as part of the normal pattern of world production and trade. In paragraph 12 of document L/2150 relating to the report of the FAO Sub-Committee on Surplus Disposal, it was particularly noted that there were now signs of an emerging philosophy that a fuller utilization of agricultural producing capacity should be deliberately planned to meet world commercial needs. The Canadian delegation recognized the vital and important rôle that food surpluses had played and continued to play in alleviating hunger and malnutrition and as an aid in economic development. However, given the vagaries of agricultural production and the financial and other problems involved in food aid, his delegation questioned very much the soundness or advisability of deliberate planning for surplus production unrelated to either financing or absorptive capacity. It was by no means clear that the interests of developing countries would be well served by a larger production of foodstuffs for disposal in their markets in ways which might prejudice the development of their own food production and set up relationships which might not from their point of view, constitute a desirable continuing dependence. Mr. Stoner went on to say that countries should consider most carefully any solutions to agricultural income and the trade problems that would build in artificial incentives for planned surplus production in the expectation that such surpluses could be easily and usefully disposed of. Surpluses could all too easily result in swings in production and prices which were to the advantage of neither producers nor consumers. Food aid which was wanted and could be absorbed and for which financing was available was one thing. The idea that surplus disposal through food aid was an automatic outlet for the results of mistakes of policy in producing countries may well prove to be a false and dangerous doctrine.

Mr. Stoner, turning to the question of industrial raw materials and stocks of strategic materials, said that the appropriate methods of disposal differed as between metals. It was therefore important that adequate consultation be maintained and that the least harmful method of disposal be adopted for any particular action. The delegate for Malaysia had referred to the importance and need for this consultation; the Canadian delegation fully shared this view but considered that this need should not be limited to tin and rubber. This was all the more important since so much uncertainty overhung the metals market. Much of this uncertainty could be removed if agreement could be reached among interested countries on appropriate principles and procedures for disposal in relation to the commodities concerned and particularly that disposals be undertaken only over an extended period of time. The concept of additionality should also be borne in mind for industrial raw materials. In the case of lead and zinc it had been expected that, with the increasing shortage of special high-grade zinc, strong consumer pressures would be satisfied by increased imports rather than stockpile releases. In this connexion it was noted that in the United States market, pressures for stockpile releases rather than increased imports were accentuated by the fact that import restrictions still existed on these important raw materials. The satisfactory statistical position and the improved market situation for these metals which was borne out in the recent report of the International Lead and Zinc Study Group indicated that the realities of the market situation in lead and zinc made possible and should lead to the removal of restrictions maintained by the United States under Article XIX. In conclusion, the Canadian delegation felt that the CONTRACTING PARTIES should continue to review annually the disposal of both agricultural and strategic material surpluses. The reporting procedures should be continued and the item retained on the agenda for the next session. It was realized that in their reporting, countries might have some difficulties in defining what constituted surplus disposal. Some commodities might be in excess of current domestic market needs but means were, in fact, found to dispose of them without the government or a government agency actually putting them in stock. It was hoped that such assisted disposals would be reported in the subsidy notifications if not in the surplus disposal notification, so that with these two reports contracting parties would be able to obtain a clear picture of the magnitude of the problem.

Mr. CARMODY (Australia) said that the Australian delegation was generally satisfied with the consultation procedures which had been followed by the United States and other countries. However, his delegation had been disturbed by the inadequacy of the consultations and in some instances with their outcome in respect of deals covering markets where commercial sales might not have been made by Australia for some time but frequently where it might be looking for further outlets. In such cases full consultation would be welcome. Thus, while Australia was largely satisfied with present arrangements, it believed that more comprehensive arrangements for agricultural surpluses needed to be worked out in the wider context of international commodity agreements.

There was one other point which was of considerable and immediate importance to the Australian delegation. Australia was concerned that action appeared to be likely in the United States to release quantities of lead and zinc from the American stockpiles. Because demand appeared to be outstripping production in the United States, especially for high-grade zinc, with a resultant pressure on prices, there was on pure economic grounds a justification for this thinking. However, it would be intolerable if this were done at a time when the United States was severely restricting imports. It would be completely unacceptable if quotas were kept at present levels and increases in demand were met from stockpile releases. Such a complete insulation of the United States market was not consistent with the arguments used by the United States representatives in the past for maintaining its current Article XIX action in this field. Australia had heard the reasons advanced by the United States in the past for applying these restrictions under Article XIX. The growing tightness of world supplies of these minerals was appreciated, as was the resultant pressure in the United States to make supplies available from the stockpile. Each of these factors, however, should provide the justification for removing, or at least substantially relaxing, the import restrictions. The quotas for imports of these minerals into the United States had not changed since they were introduced, despite increases in demand in that country for these minerals. In view of the importance which both Australia and the United States attached to the expansion of commodity trade generally, it was expected that the United States would take action to remove, or at least substantially alleviate, the present import controls before any action were taken to release supplies from the stockpile.

Mr. HAKIM (Indonesia) said that the disposal of surpluses either in agricultural commodities or strategic and industrial materials was of the greatest importance to the economies of the developing countries. His delegation was therefore grateful to contracting parties for their reports on action taken as regards the disposal of commodity surpluses. With regard to agricultural commodities, it was obvious that as long as a large part of the world lacked foodstuffs and clothing the disposal of such commodities as rice, cotton, fats and oils would be of great help to the developing countries. Indonesia appreciated the disposals under the United States Public Law 480 and hoped that this policy would be continued in the future and, if possible, on an even larger scale, fully taking into account the ever-increasing needs of the developing countries. This could be done without harming the interests of those developing countries whose economies depended largely on the exports of these commodities. As for the disposal of strategic and industrial materials, any impact which disposals of such materials as tin and rubber had on world market prices directly affected Indonesia's export earnings. It was therefore essential that the disposal of stocks be carried out in such a way that the export earnings of developing countries were not impaired. This could only be achieved by consultations with producing countries on the basis of long-range planning. Fortunately progress had been made in this direction recently and it was particularly encouraging that the American administration had shown understanding of the problems of producing countries. However, although some progress had been made there was still a lot to be done.

Mr. Hakim continued that the prospects for countries producing natural rubber were gloomy, largely because of the long-term downward trend of prices and the steady increase in the production of synthetic rubber. His delegation would have the opportunity at other meetings and conferences to analyze this very important problem fully. However, it was certain that a new and fundamental approach had to be found for dealing with the rubber problem which would lead to a comprehensive and co-ordinated series of measures. In such an endeavour the producing countries would need the goodwill and full co-operation of the consuming countries and it was obvious that the disposal of rubber stocks was significant in this context. He hoped that in planning a new rubber policy, as recently suggested by the Working Party of the Rubber Study Group, the co-operation of the agencies entrusted with the disposal of rubber stocks would be obtained. In the case of tin, the producing countries needed stable prices on a remunerated basis, and to achieve this a new tin agreement was essential. Equally essential was that the large consuming countries such as the United States, the Soviet Union and the Federal Republic of Germany participate in such an agreement. The rules of disposal of stocks could thus be agreed upon by mutual consent. While this target was still far away, it was hoped that the American administration meanwhile would persevere in its policy of taking the interests of the producing countries fully into consideration and adapt its disposals of tin stocks to this consideration. Finally, Mr. Hakim stressed the need for the GATT to pay more attention to commodity agreements in general. Commodity agreements on a much wider and universal basis than those existing at present were of the utmost importance for producing and consuming countries but particularly for the developing countries. Methods of disposing of commodity surpluses should also be incorporated in such agreements.

Mr. PRESS (New Zealand) recalled that the item under discussion was one to which his delegation had always attached importance. The New Zealand delegation considered that this was an area which was properly the concern of the CONTRACTING PARTIES and hoped that the item would be retained on the agenda and that the present reporting structures would be continued. At previous sessions New Zealand had explained that its interpretation of commodity surpluses was rather broader in scope than that held by some other contracting parties. A not insignificant amount of world trade in some commodities was carried out by government agencies or with the aid of subsidies, and it was expected that some reference would have been made to these activities in the reports in document L/2152. His delegation was, however, grateful to those countries which had presented reports, and appreciative of the action which these contracting parties had continued to take in accordance with established international procedures to minimize the adverse effects of surplus disposals on commercial trade. His delegation wished to mention particularly its appreciation for the care which the United States had taken to observe these procedures with regard to commodities of direct concern to New Zealand. The scope of this item went, however, beyond considerations of procedures. New Zealand's attitude to programmes designed to alleviate hunger had always been positive, and it would continue to support activities designed to use surpluses to meet the needs of food-deficient peoples and economic development.

These were, however, activities which New Zealand always preferred to view in the context of aid rather than as a permanent aspect of international trade as was sometimes suggested. In the GATT, the preoccupation should be with the expansion of international trade. This implied a better utilization of productive resources, coupled with an expansion of effective demand. The New Zealand delegation did not accept the view that surpluses of certain foodstuffs were a permanent feature of the world scene. In their view, programmes for the future based on this outlook were neither in the interests of the world trading community as a whole nor of the developing countries which included both recipients of food aid and agricultural producers. New Zealand preferred to look forward to a situation in which global commercial demand had increased and where there would be a rational development of agricultural production in those parts of the world most suited to it, including some of the countries now receiving food aid.

Mr. COLLINS (Southern Rhodesia) drew attention to Southern Rhodesia's extreme vulnerability to operations in the field of surplus disposals and the keen interest of his delegation in the subject. Like others, his delegation was gratified at the responsible manner in which this problem had been approached by the countries which by their activities in the field of surplus disposals unavoidably created problems for others. The delegate of Canada had particularly stressed the concept of additionality; the Southern Rhodesian delegation had a particular interest in non-commercial disposals of surpluses and in this connexion appreciated what was being done to avoid limiting markets for commercial sales. However, more should be done to create opportunities for commercial sales, even in instances where at the present moment those opportunities were accepted to be very limited. Mr. Collins associated his delegation with the remarks made by previous speakers on the need for an adequate period of consultation. Consultation to be effective should take place in circumstances in which all the implications could be worked out before the country with whom the consultations were taking place was called upon to give an indication as to its views. His delegation in the past had had cause for concern that this adequacy of the period of consultation was not always recognized. Finally, he supported the suggestion that the item should be maintained on the agenda of future sessions.

Mr. LERENA (Argentina) said that the Secretary-General of the International Conference on Trade and Development had recently emphasized the necessity of taking into account the problem of stocks in considering the question of economic development. The products involved in agricultural surpluses played a very important rôle in providing resources for countries which were in the process of economic development. It was therefore essential that a whole series of steps be taken to deal with the problem of surpluses, and efforts made to get down to the very core of the problem. Surplus production was very often due to protective measures and artificial incentives provided in the industrialized countries. In dealing with the problem of surpluses the interests of both the supplier and recipient countries should be taken into account. On the supply side there was the pressure which was being exercised

on prices and on the demand side there was the intolerable situation that two thirds of the total world population were insufficiently nourished, whereas in other parts of the world there were surpluses. All these factors made it essential that the marketing of surpluses should take place on a multilateral basis. It might be possible during the forthcoming trade negotiations, for steps to be taken to deal with the different problems bearing in mind the variety of interests. The Argentine delegation supported the proposal that the item be retained on the agenda.

Mr. DE SILVA (Ceylon) said that Ceylon was interested in the disposal of agricultural surpluses and the disposal of synthetic rubber. In the case of agricultural surpluses his country was particularly interested in matters connected with oils and oil seeds. While it was recognized that there had been improvements in consultation machinery, these did not adequately meet the problems raised with regard to surplus disposals. The new disposals of soyabean oil, for example, could lead to a change in consumer preferences in countries receiving supplies of soyabean oil under Public Law 480 and could adversely affect Ceylon's traditional exports to these markets. The problem of accumulating large surpluses could be solved by bringing attention more to factors other than surplus disposal techniques and consultations. One reason for surplus production was the protection given by the use of barriers and price support arrangements. The delegation of Ceylon therefore urged moderation in the prevailing high level of agricultural protection in some of the highly industrialized countries.

Referring to the disposals of flour by Australia mentioned in document L/2152, Mr. de Silva said that flour had been donated to countries in which Ceylon had a substantial interest. On the question of rubber, it was well known that the development of synthetics had caused a very serious situation for producers of natural rubber. According to the latest projections, by 1970 there would be a surplus of natural rubber of at least 400,000 tons. This was a very serious situation for natural rubber-producing countries and Ceylon would wish that this question were looked into very carefully. While Ceylon appreciated the various machinery adopted by the United States and other countries, it hoped that any disposals of surplus rubber would be made to the countries using synthetic rubber rather than in the open market. This would to a large extent insulate the natural rubber producers from severe fluctuations in the rubber market.

Mr. LACARTE (Uruguay) also considered that in view of its importance the item under consideration should be maintained on the agenda for future sessions. Commenting on the present system of consultations for the marketing of surplus, he felt that the system did not always operate satisfactorily. While he supported the continuation of surplus disposals for humanitarian reasons, he wished to voice objections of principle when these operations were allowed to have an impact on normal operations. The type of interferences he had in mind were usually the consequence of various categories of subsidies.

Finally, there was the question of régimes dealing with surpluses which at first are considered transitional but in fact are continued for several years. This could be a dangerous element in certain cases and could have a deleterious effect on a whole series of projects and plans which might be drawn up in the context of the GATT for improving conditions governing international trade.

Mr. GARCIA OLDINI (Chile) recalled that in 1955, when the CONTRACTING PARTIES adopted the recommendation on surplus disposals, the delegation of Chile had tried to introduce a new Article on the subject into the General Agreement. This had not been possible at the time and he wondered whether at the present moment the CONTRACTING PARTIES might not try to achieve what had not been possible in 1955. With regard to the present system of consultations he felt that the consultation procedures did not provide for sufficient notice in advance. In his view, as the matter had now been considered more carefully the time had come for the CONTRACTING PARTIES to revise the Recommendation of 1955, taking into account the observations which had been made by several contracting parties and the various mechanisms adopted by other organizations such as FAO. In considering the different aspects and problems of surplus disposals, the objective of these operations should be reviewed. In addition, consideration should be given to the desirability of giving considerable publicity to the technique used by countries in disposing of their surpluses. Of course this kind of publicity should not be confused with that relating to decisions on disposals of stocks. The latter type of publicity should only be given after the countries concerned had come to an agreement.

U TIN MAUNG (Burma) said that he did not object to disposal of certain products on humanitarian grounds. However, Burma, which was a less-developed country, was particularly dependent on exports of rice and was therefore affected by surplus disposals of this product. At a time when his country was struggling to improve its international trading situation a disruption of the market would impede the progress it was trying to achieve. His delegation therefore advocated the orderly disposal of stocks after due consultation and in ways which would not disrupt the world market.

Mr. DUBEY (India) supported those statements which had stressed that programmes of commodity disposals should be in the interest of the less-developed countries. From the experience of his country, surpluses had been of considerable help in enabling the release of funds for importing capital goods which were urgently required for economic development. His delegation was aware that there were many difficulties involved in dealing with commodity problems, and that it was an area which had not been tackled satisfactorily within the GATT. It hoped that some way would be found of solving these problems giving satisfaction to producing countries and consuming countries alike. His Government would be prepared to co-operate in finding such a solution.

Mr. ONYIA (Nigeria) endorsed the statements made by previous speakers. Nigeria's problems in relation to the subject under discussion pertained particularly to tin and rubber. He wondered whether the GATT should not now

consider a new type of procedure on these matters. It was appreciated that the balance of payments and purchasing capacity of some less-developed countries were assisted by surplus disposals. On the other hand, if by such disposals other less-developed countries were deprived of sales of the products which they were certain to earn foreign exchange, the CONTRACTING PARTIES should consider reviewing the present procedures at the next session. In this connexion the Council might be instructed to consider whether it might be appropriate to work out the percentage of potential imports of products of interest to less-developed exporters which were being inhibited by surplus disposals operations. It happened in certain instances that trade lost to a less-developed country by surplus disposals went indirectly to a country which was much better off. His delegation hoped that the points made on this problem during the present discussion would be given serious thought by the countries principally concerned and that in due course procedures would be evolved which would give satisfaction to all parties.

Mr. EVANS (United States) thanked those speakers who had recognized explicitly that the United States had made a genuine effort both in the field of agricultural surpluses and in the field of strategic stockpile disposals to prevent injury to other countries. In the field of agricultural surpluses, the delegate of Canada had drawn attention to the emerging philosophy that surpluses might be planned for the purpose of disposing of them to needy countries. The United States had done its best to see that the surpluses which had arisen as a result of its domestic agricultural policy, had been put to the specific use of helping less-developed countries. He agreed with comment made by the Canadian delegate that the planned production of surpluses for this purpose was a dangerous course to pursue, but in his view, given the present tremendous improvements in agricultural technology and the resultant almost explosive increase in agricultural production it was not necessary to plan surpluses, on the contrary the problem really was how to contain the surpluses. He considered that where for economic or social reasons a government found it necessary to pursue a domestic agricultural policy which gave rise to surplus production, in the sense that the product concerned could not be sold at an equilibrium price, it was very important that restrictions should be applied on acreage or production.

Mr. Evans continued that his delegation appreciated the remarks made by the delegate of Malaysia concerning the criteria which had been adopted by the United States Government in its effort to prevent any adverse effects on world markets by releases from stockpiles. Suggestions had been made by some speakers that the criteria in the GATT itself should be reviewed. The delegate of Malaysia had also suggested that further approaches to the problem were necessary either bilaterally, in the specialized commodity study groups, or in multilateral international organizations. The United States, as in the past, would continue to co-operate with the specialized groups or with such bodies as the Tin Council, in an effort to prevent its disposal operations from interfering with the efforts of these groups and with the interests of exporting countries. If, however, there was a general feeling that something of a more general nature and not limited to single commodities, for example, action involving criteria or procedures, then the question could be further explored in the GATT. The delegate of Chile had

suggested that there be renewed consideration of the possibility of a new chapter or a new provision in the GATT on surplus disposals. He would refer this to his Government for consideration. If there were a desire to pursue the possibility of amending the provisions dealing with the present GATT criteria perhaps the question should be referred to a working party for consideration before the next session of the CONTRACTING PARTIES. In comments on the United States lead and zinc policy it was suggested that before releases were made from the United States stockpiles the restrictions under the present escape clause action should be rescinded. The United States delegation was not in a position to make any predictions as to what the United States Government would do in this connexion but the Tariff Commission had been instructed by the President of the United States to investigate the situation in lead and zinc and to prepare a report on that situation. This of course was a prerequisite before the administration could give consideration to the removal or modification of the present restrictions.

Summing up, the CHAIRMAN said that there had been a serious, interesting and wide-range discussion. The problems involved were very complex ones in which the interest of the countries concerned by no means coincided. Some of the recipient developing countries which had benefited from surplus disposals had paid tribute to their value from the point of view of their balance of payments. Other developing countries which were producers, while recognizing the advantages which the availability of these supplies could have for certain contracting parties, had drawn attention, as they had in the past, to the dangers which these procedures, unless very carefully circumscribed by criteria, might have for their own production and export earnings and for the stability of world markets. In the agricultural area, tribute had been paid both by recipient countries and by those in a position to give food aid to the valuable rôle of food aid in assisting the humanitarian needs of nourishment and of development. On the other hand, certain contracting parties had warned against assuming that the developing areas of the world were automatically available to receive any surpluses which might be thrown up by the policies of producing countries. In the metals field great delicacy attended the world market, and several speakers had drawn the attention of holders of strategic stockpiles to the very important effect these stocks could have on such markets and on export earnings.

While there was general satisfaction that, through the GATT and otherwise, procedures were available to permit consultations between countries disposing of surpluses and other producing countries, some felt that the procedures, and particularly the period of notice, provided for in the 1955 Resolution should be reviewed. This question was at present being studied by ICCICA and when recommendations were received from ICCICA the matter could be examined in the light of the various suggestions which had been made during the present discussion. Possibly some contracting parties would have further proposals to submit for consideration. The Chairman proposed, therefore, that the Executive Secretary be asked to present all relevant information to the Council at the appropriate time and that the Council could then, if it thought appropriate, appoint a working party to study the question and to prepare recommendations for transmission to the CONTRACTING PARTIES.

This was agreed.

2. Article XVIII - Request by Ceylon (W.21/6)

The CHAIRMAN recalled that the CONTRACTING PARTIES had agreed at the third meeting to a five-year extension of the Ceylon release under Section C of Article XVIII. A draft decision prepared by the Executive Secretary had been distributed in document W.21/6.

Mr. DUBEY (India) said that India was one of the countries principally affected, but it recognized that the waiver requested by Ceylon was necessary for the diversification of its economy. India was therefore happy to support the request of the Government of Ceylon and had every confidence that any problem that might arise would be settled satisfactorily in bilateral discussions. The Indian delegation hoped that, in working out policies for products not covered by the Industrial Products Act, the Government of Ceylon would be able to ensure that the impact of this release on trade flows between Ceylon and less-developed countries of the GATT would be fully taken into account.

The Decision was adopted.

3. Uruguayan import surcharges (W.21/8)

The CHAIRMAN said that, as requested by the CONTRACTING PARTIES at an earlier meeting, the Executive Secretary had prepared a draft text for a decision to extend the validity of the Decision of 8 May 1961 until 31 March 1965.

The text proposed in document W.21/C was approved for submission to a vote under paragraph 5 of Article XXV.

4. Application of Article XXXV to Japan

Mr. AOKI (Japan) recalled that he had reported, at a meeting of the Council in April/May 1963 (C/M/15), on the progress of the bilateral negotiations which had taken place since the twentieth session of the CONTRACTING PARTIES on the disinvocation of Article XXXV against Japan. Since then France and Rhodesia-Nyasaland had notified their disinvocation. Bilateral negotiations with Benelux countries and Australia had come to a successful conclusion, and these four countries would enter into full and normal GATT relationship with Japan upon completion of domestic procedures by their respective governments. Accordingly, the Japanese Government considered that, as far as major trading countries were concerned, the problem of Article XXXV had, by and large, been settled.

However, there was a tendency for those countries acceding under Article XXVI, paragraph 5(c) to inherit their former metropolitan governments' invocation of Article XXXV vis-à-vis Japan, and apparently all the countries which had so acceded since the last session had claimed inheritance of this invocation. Should that be the case, it would mean that nearly half the contracting parties were invoking Article XXXV against Japan. The widespread invocation of Article XXXV by the newly acceding countries besides posing a serious problem for the administration of the General Agreement itself, was

giving rise to serious concern in Japan where it was feared that the invocation of Article XXXV by many newly acceding countries would have serious implications in the context of the forthcoming Kennedy round negotiations. This matter in that important context was not the concern of Japan alone but of all contracting parties. In the view of the Japanese Government it might prove difficult, in reducing trade barriers on items of interest to the less-developed countries within the framework of the Kennedy round and the Action Programme, to generalize the benefits to include the less-developed countries maintaining discriminatory practices against Japan in terms of Article XXXV. Mr. Aoki emphasized that his Government had no desire to solve the issue in such a negative manner but looked forward to a positive and constructive solution.

It was gratifying to note that some of the less-developed countries which had inherited the invocation of Article XXXV had agreed to enter into contractual GATT relationships with Japan after bilateral discussions. He would urge these countries to take the necessary procedural steps as early as possible to formalize their undertakings. It was also appreciated that some of the newly acceded countries were not applying any discriminatory practices against Japan and it would seem that these countries would have no difficulties in normalizing their trade relationships with Japan. Mr. Aoki concluded by appealing to contracting parties to co-operate in bringing to an early end the practice, injurious to Japan's trade, of applying Article XXXV against Japan.

Mr. CARMODY (Australia) said that the Australian Government had completed the procedures relative to the disinvocation of Article XXXV and now appropriate legislative action by Japan was awaited. The Australian Government experienced considerable pleasure in disinvoking Article XXXV and enjoyed cordial and mutually beneficial trade relations with Japan.

Mr. ONYIA (Nigeria) said that his country had inherited the invocation of Article XXXV against Japan at the time of its accession. The Japanese Government would be aware of the problems confronting Nigeria which had up to now necessitated the continuation of the invocation. However, it had to be pointed out that this invocation was of a legal rather than a substantive nature since Japan at present enjoyed better treatment in the Nigerian market than Nigeria enjoyed in Japan. He expressed the hope of his Government that it would soon be possible to resolve the matter to the satisfaction of both countries.

Mr. STONER (Canada) said that it was a source of pleasure to the Canadian Government that many countries had recently disinvoked Article XXXV against Japan. He pointed out in this connexion that Canada had accorded Japan full GATT treatment since the time of the latter country's accession to the GATT. It would seem that to all intents and purposes the industrialized countries had now ceased to invoke Article XXXV, but that a number of developing countries had invoked the Article. It was the hope of the Canadian Government that these countries would be able to take remedial action in this regard. The recent developments as regards Article XXXV had meant that Japan was now assuming its rightful place in the international trading community and it was to be hoped that Japan was now in a position to make progress in liberalizing imports, including the removal of residual restrictions and administrative impediments.

Mr. EVANS (United States) stressed that his Government attached great importance to providing Japan with the full benefit of membership of the GATT and ensuring that other contracting parties benefited from the Japanese membership. The failure of Japan to achieve complete membership was a source of weakness to the GATT and was detrimental to the long-term interests of all contracting parties. The United States was pleased to hear that certain countries had recently disinvoked Article XXXV and that Iceland had announced its intention not to invoke Article XXXV on accession. In his view, those less-developed countries which invoked or inherited Article XXXV on accession were taking unnecessary action since the GATT already provided facilities for the full protection of local industry by less-developed countries which would seem to obviate the need to resort to special devices against Japan. He recalled that the representative of Japan had intimated that countries continuing the invocation of Article XXXV might be excluded from the scope of concessions made by Japan in the course of the forthcoming "Kennedy round". He noted that the continued invocation of Article XXXV was sometimes the result of legal difficulties inherent in disinvocation. He would request that representatives of such countries urge their governments to disinvoke Article XXXV at the earliest possible date.

Mr. OGAYA (Uganda) said that his country had inherited the invocation of Article XXXV. The question of disinvocation had been under active consideration by the Uganda Government and discussions had been instituted with the Japanese Government. He pointed out, however, that Uganda had a severe adverse trade balance with Japan which was causing some concern. It was the hope of the Uganda Government that once this matter had been satisfactorily resolved there would be no delay in the formalization of reciprocal most-favoured-nation relations between the two countries.

Mr. LEECH (Kenya) said that his country had also inherited the invocation of Article XXXV against Japan but for all practical purposes Japan was accorded most-favoured-nation treatment. It was the feeling of the Government of Kenya that, as Kenya was a developing country, it was up to the Japanese Government to make the first move to develop trade between the two countries. Kenya had an adverse balance of trade with Japan and it would help in considering disinvocation if Japan were to introduce liberalization measures vis-à-vis exports from Kenya.

The CHAIRMAN, in summing up, noted that the Government of Japan had renewed the plea that governments still invoking Article XXXV should cease to do so. Some progress had been made in this direction but a number of newly acceded less-developed countries continued to invoke the Article. In his view the Japanese Government could take some encouragement from the statements that had been made by representatives of certain of the invoking countries.

5. Trade in Cotton Textiles (L/2135)

The CHAIRMAN recalled that, at their nineteenth session, the CONTRACTING PARTIES had appointed a committee to seek a long-term solution for the problems of international trade in cotton textiles. This Committee had provided a forum for the negotiation of an arrangement to replace the short-term arrangement previously in force. The Long-Term (five-year) Arrangement Regarding International Trade in Cotton Textiles had entered into force on 1 October 1962. The Cotton Textiles Committee, which was responsible for the administration of the Arrangement, was composed of representatives of all the countries which were parties to the Arrangement. The Committee was required to review the operation of the Arrangement annually and to report to the CONTRACTING PARTIES. The Committee had met in December 1963 and had reviewed the operation of the Arrangement. Its report on this first review was contained in document L/2135.

The EXECUTIVE SECRETARY, as Chairman of the Cotton Textiles Committee, in presenting the report on the first review, emphasized the great importance of both the review itself and the discussion of the report by the CONTRACTING PARTIES. He wished to draw to the attention of the CONTRACTING PARTIES the very serious anxieties which had pervaded the discussion of the operation of the Arrangement. As was recorded in the report, many participating countries, and in particular less-developed countries, had very serious misgivings about the manner in which the Long-Term Arrangement was, in a number of cases, being interpreted and implemented. The reasons for these misgivings were described in the record of the discussion.

The Executive Secretary stressed that the Cotton Textiles Arrangement presented a very serious and direct challenge to the CONTRACTING PARTIES in the context of the acute problems of expanding the export earnings of the less-developed countries. Everyone was aware of the political, social and economic difficulties that arose in this field, and for this reason, the review had to be seen not only in the light of the seriousness of the problem of cotton textiles, but also in the broader context of the problem of expanding the export earnings of the less-developed countries.

The Committee, on the completion of the review, had attempted to formulate conclusions on points which had been raised in the discussion with the aim of facilitating the administration of the Arrangement and above all of ensuring that the Arrangement would, in future, be implemented with due regard to the objectives set out in the preamble of the Arrangement. The most significant conclusions related to the establishment of procedures for fuller consultation about market disruption or apprehended market disruption; the request for a review by importing countries of action already taken under the Arrangement, where it was the view of exporting countries that all the necessary elements and criteria had not been taken into account; and the request that importing countries look into their arrangements with respect to the administration of quotas maintained and to consult with the exporting countries concerned with a view to improving the market opportunities for these countries.

The Executive Secretary expressed disappointment at the fact that, although there had been some discussion of the matter, comparatively slight attention had been given to the question of structural changes and adjustments in developed

importing countries. In this connexion he pointed out that the Arrangement had never been intended as a "Charter for Restriction", but was meant to be an arrangement whereby certain restraints would be exercised by the parties concerned either as exporters or importers, whilst the necessary structural adjustments could be made so that cotton textiles, particularly from the newly emerging and newly industrialized countries, would find a steady and eventually open market. Thus, in his view, an examination of trends in consumption, production and productive capacity, the possibilities and problems of adjustments, and prospects for the expansion of the trade were as important, if not more important, than the manner in which the restrictions were administered. It was possible, however, that the rather timid approach to this aspect of its work by the Cotton Textiles Committee at its first review could be attributed to the fact that sufficient time had not elapsed for the necessary preparations for this difficult and important work. The Committee had agreed that material should be collected under all these various headings and this would enable a more thorough-going study of the problem at future meetings.

The Cotton Textiles Committee had decided that for its first report to the CONTRACTING PARTIES, it should limit itself to a number of practical recommendations and conclusions which related to the implementation or the administration of the Long-Term Arrangement, and that it was not necessary to prepare a full and detailed report. On the other hand, it had also been decided that the statements made in the course of the review were of such importance that the best course would be to place before the CONTRACTING PARTIES a complete and detailed account of the discussions which had taken place and this had been included in an Annex to the report.

Mr. WILLAGO (Brazil) said that in the past three years Brazil had exported small quantities of cotton textiles to the United States. In 1961 they had amounted to 181,950 yards, in 1962 nil, in the first half of 1963 nil, and in August and September 1963, 1,111,116 yards. Subsequently the United States Government had established an import quota of 250,000 yards. This quota represented about 0.1 per cent of the 1.6 billion yards of total imports in 1963 into the United States. In taking this action the United States had referred to the relevant provisions of the Long-Term Arrangement and had used the argument that imports from Brazil had had a disruptive effect on the United States market. Brazil was not a participant in the Long-Term Arrangement and he noted that in terms of Article I of the Arrangement, participating countries recognized "that the measures referred to above did not affect their ... obligations under the GATT". Moreover, as far as he was aware, although it had been the subject of discussion in the GATT and other international fora, the concept of market disruption had not been accepted by the CONTRACTING PARTIES. In raising this point, the Brazilian delegation only wished to draw attention to a question of principle which had not yet been fully resolved. It was the hope of the Brazilian Government that the position taken by the United States would be reviewed and that the measure which was detrimental to the exports of Brazil would soon be withdrawn without Brazil having to resort either to the General Agreement or to domestic legislation in order to institute compensatory action. In conclusion he asked that the representative of the United States convey to his Government the disappointment and concern of Brazil over the United States action.

Mr. COLLYMORE (Jamaica) said that in 1963 his country had entered into a bilateral Arrangement on trade in cotton textiles with the United States. In the terms of the Arrangement Jamaican exports in all categories of cotton textiles were limited to a total of eighteen and a half million square yards, with specific limitations for six categories and a maximum for all categories of 350,000 square yards per category. The terms of the Arrangement were, it had been claimed, the best that could be offered because of the alleged disruptive effect of Jamaican exports on the United States market, as a result of a sharp and substantial increase in Jamaican exports. This increase had been calculated by comparing exports during a period when most Jamaican factories were either in the pilot stage or had not commenced production at all with a period when some were just approaching an economic level of production and export. Jamaica was then restricted to a quota relating to a base period of twelve months commencing some fifteen months before and as a result the quota amounted to a little more than Jamaican exports during the formative period. This was most unrealistic and had resulted in a 40 per cent cutback in employment. Recently, Jamaica had tried to obtain some relaxation (other than in the case of the six specified categories) in the category maximum of 350,000 square yards, so as to provide for more flexibility without exceeding the overall ceiling of eighteen and a half million square yards. Even this, however, seemed to be presenting difficulty. It had to be concluded that, as had been stated at the meeting of the Cotton Textiles Committee, the Long-Term Arrangement was being used by some countries as a "Charter for Restriction", in a manner which was never intended.

Mr. Collymore expressed pessimism over the outcome of some of the conclusions reached in the review of the Arrangement. Referring specifically to paragraph (ii) under the heading "Market Disruption" of document L/2135 he expressed doubt as to whether imports of cotton textiles into the United States represented more than $7\frac{1}{2}$ per cent of their total domestic consumption, so that in fact the United States had reserved for itself $92\frac{1}{2}$ per cent of its home market, a fact to which, however, the United States had not paid much regard in discussion. Referring to paragraph (iii) under the same heading, he recalled that Jamaica had experienced great difficulty in obtaining from the United States a measure of flexibility within the overall ceiling of eighteen and a half million yards.

It was, he continued, pointless for industrialized countries to express the desire to see the export earnings of the less-developed countries increase whilst at the same time they imposed restrictions which had the opposite effect. The export opportunities of Jamaica had been seriously reduced by the United States action and it was evident that special arrangements under the GATT, such as the Long-Term Cotton Textiles Arrangement, should not permit one party to a discussion to have the unilateral right to decide what constituted market disruption. The protestations of goodwill towards less-developed countries could only have meaning if in such special measures restrictions were not imposed on exports of less-developed countries, particularly new entrants.

The Jamaican delegation felt therefore that, notwithstanding any existing arrangements under the Cotton Textile Arrangement, the CONTRACTING PARTIES should call upon all industrialized countries, restricting the import of cotton textiles from less-developed countries, to review these restrictions with a view to their elimination. If they could not be entirely eliminated, then the quotas should be substantially increased. The Long-Term Arrangement should be no more than a breathing spell for importing countries to make adjustments in the structure of their cotton textile industry. The Government of Jamaica would, therefore, be strongly opposed to any renewal of the Arrangement on its expiry in 1967.

Mr. AOKI (Japan) expressed the serious concern and apprehension of his Government with regard to the action envisaged by an important importing country to increase customs duties on cotton textile products in connexion with tariff reclassifications and with regard to the fact that increases in tariff rates on a wide range of cotton textile products seemed to be under consideration in another importing country. He reserved his right to bring the matter to the attention of the Cotton Textiles Committee, in due course, if necessary.

The meeting adjourned at 5.30 p.m.