GENERAL AGREEMENT ON
TARIFFS AND TRADE

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SUMMARY RECORD OF THE FOURTEENTH MEETING

Held at the Palais des Nations, Geneva,
on Wednesday, 13 November 1957, at 2.30 p.m.

Chairman: Mr. L.K. JHA (India)

Subjects discussed: 1. Restrictive Business Practices
2. Franco-German Treaty on the Saar
3. Brazilian Internal Taxes
4. Disposal of Commodity Surpluses (continued)

1. Restrictive Business Practices (L/551, L/653)

The CHAIRMAN recalled that at the Eleventh Session the proposals submitted by the Governments of Norway and Germany on the question of restrictive business practices were referred to the Intersessional Committee and in July 1957 the Norwegian Government had submitted a new proposal, including a draft agreement to supplement the GATT. The Committee had reported on its action on this question in its report to the CONTRACTING PARTIES (L/708) and here it was recorded that some members of the Committee thought that a working party should be appointed at the Twelfth Session while some others thought the question should be left over for consideration by the CONTRACTING PARTIES at their Thirteenth Session. The Norwegian delegation had submitted a draft Resolution providing for the establishment of a working party (Spec/161/57).

Mr. THAGAARD (Norway) said that it was generally recognized that the activities of cartels and trusts exerted a constantly increasing influence in international trade which in many instances was detrimental to the attainment of the objectives of the General Agreement. Their resort to unfair practices to restrain competition hampered both the economic development of individual countries and the expansion of world trade generally. Countries which suffered damage from the operation of foreign cartels and trusts could not take remedial action on these enterprises which were outside their jurisdiction and the countries where such enterprises were domiciled could not be expected to take action against harmful practices which affected outside countries unless other countries similarly situated to them were willing to undertake corresponding obligations. Further, the activities of most cartels and trusts which operate in international trade extended to several countries. Restrictive business practices in international trade, therefore, could be effectively counteracted only through comprehensive international co-operation based on the principle of reciprocity.

The United States had first drawn attention to the need for international co-operation in this field and the Havana Charter laid down provisions for such control. The Charter, however, had not been ratified and the Economic and Social Council in 1951 had taken a new initiative with the appointment of an ad hoc committee which had prepared a separate proposal on the control of restrictive business practices. The CONTRACTING PARTIES had on several occasions discussed the question of undertaking such control and at the Eleventh Session had considered proposals by the German delegation providing for consultations between individual contracting parties (L/551) and by the Norwegian delegation recommending the appointment of an Intersessional Working Party to study the problems involved (L/568).

Although it was generally accepted that the GATT was competent to deal with this matter, ther was a difference of opinion as to whether the time was ripe for the establishment of control. The CONTRACTING PARTIES, therefore, had referred both proposals to the Intersessional Committee with instructions to report to the Twelfth Session. The Committee at its April meeting had invited the contracting parties to submit specific proposals on the control of restrictive business practices and accordingly the Norwegian Government had submitted a memorandum and a draft agreement (L/653). It was expressly stated in the draft that it contained only preliminary suggestions as a contribution to further preparatory work and was not to be considered as a formal proposal.

The CONTRACTING PARTIES were now on the threshold of the establishment of the European Economic Community and perhaps of a European free-trade area. Such extensive schemes for integration could weaken some national cartels and trusts, but on the other hand they could promote more powerful restrictive arrangements between enterprises within the integrated market. Aware of this, the Member States had inserted provisions in the Rome Treaty against those restrictive practices likely to affect trade between the Member States. These provisions, however, would not apply to their operations affecting outside countries. Moreover, it was to be assumed that the free-trade area, if it materialized, would also provide for control only of those practices which might have harmful effects on the trade between Member States. There was a probability, therefore, that these developments could lead to the formation of stronger cartels and trusts operating in trade with outside countries and this underlined the need for the CONTRACTING PARTIES to provide for remedial action. This action, however, should not be confined to controlling harmful practices of enterprises within the European integration schemes since the Member States themselves would need protection from the activities of the many trusts and cartels domiciled elsewhere.

Mr. Thagaard reiterated, therefore, that the only satisfactory solution would be to establish an international control through the GATT which imposed the same obligations on all contracting parties. The difficulties of establishing such control were evident and certain conflicting interests and differences would have to be reconciled. His delegation proposed, therefore, that the CONTRACTING PARTIES appoint a working party to study in detail the complex problems likely to arise in connexion with the control of restrictive business practices through the GATT and make recommendations as to how such control should be carried out.

The Working Party would need sufficient time to perform its task and in this connexion he referred to the draft Resolution that had been submitted by his delegation (Spec/161/57) which requested the Working Party to submit its report and recommendations not later than 1 April 1959 for the consideration of the CONTRACTING PARTIES at their Fourteenth Session. If this Resolution were adopted, it would not imply any obligation for any contracting party with regard to the question as to whether and in which way the CONTRACTING PARTIES should carry out control of restrictive business practices in international trade; it merely provided a basis for future consideration of this important issue by the CONTRACTING PARTIES.

During the discussion which ensued many speakers expressed appreciation of the great interest which the Norwegian Government had taken in this important question and of its initiative in submitting for consideration detailed proposals including a draft agreement.

Mr. CHRISTENSEN (Denmark) said that the trade rules of the General Agreement could not be considered complete until provisions for the control of restrictive practices in international trade had been elaborated. His delegation was grateful for the exhaustive groundwork on this subject that had been prepared by the Norwegian delegation and would support their proposal for the establishment of a working party.

Mr. KLEIN (Federal Republic of Germany) said that while his delegation was aware of the importance of preventing the benefits of the reduction of barriers to trade being offset by restrictive business practices, it was also aware of the difficulties presented in instituting controls due to the elusiveness of the cartels themselves. Experience in Germany had shown that a very detailed examination of their operations would be necessary before any agreement which would inhibit their harmful practices could be drafted; this had prompted the proposals by his delegation (L/551). The establishment of the European Economic Community would not lead to any ramification of cartels. Indeed, on the contrary, special provisions had been inserted in the Rome Treaty to restrict their activities and presumably a treaty establishing a European free-trade area would contain similar provisions. In the light of these considerations he thought it would be premature to establish a working party and consideration of this item should be postponed to the Thirteenth Session. Meanwhile, the secretariat could be instructed to compile relevant background information.

Mr. ORRO (Sweden) recalled the support that had been given by his delegation to previous efforts to bring about international co-operation in this field. The Swedish delegation considered GATT the appropriate forum for the examination of this question, and although it had suggested in the Intersessional Committee that it might be preferable to await the outcome of the negotiations for a free-trade area, it now supported the Norwegian proposal since it appeared to make it possible to advance this work in GATT concurrently with that being done in other organizations.

Mr. CHRISTIE (Union of South Africa) supported the underlying principles of the Norwegian proposal but wondered whether it would be appropriate to establish a working party at this Session. The CONTRACTING PARTIES were already confronted with many complex issues and it might not be advisable to encumber their present tasks with this question which would also require very detailed attention. Furthermore, it might be difficult to convene a working party composed of such experts as the complexity of the subject warranted.

Mr. BERTRAM (Federation of Rhodesia and Nyasaland) supported the Norwegian proposal and stated that there was little point in further deferment of the examination of this question. He thought, however, that it would be preferable to set up a group of expoerts rather than a working party as usually constituted.

Mr. GARCIA-OLDINI (Chile) said that in view of the complexities and difficulties of the problem it seemed essential to establish some machinery that would facilitate its eventual examination by the CONTRACTING PARTIES. He thought that the Norwegian proposal and the suggestion by the German delegation that the secretariat be instructed to compile relevant background documentation were not incompatible. The establishment of a working party would stimulate work in this field and in those instances where the working party itself could not collect the necessary documentation it could give appropriate directives to the secretariat.

Mr. MACHADO (Brazil) said the study of the effects of restrictive business practices on international trade was well within the ambit of the General Agreement and accordingly he would support the Norwegian proposal. Although aware of the complications of such a study, he thought it should be sufficiently wide to encompass the problems arising from all restrictive commercial practices. Particular attention should be given, for example, to those restrictive practices in the field of maritime transport rates since they had direct and important effects on the balance-of-payments situation of many contracting parties.

Mr. SWAMINATHAN (India) said that although his country did not have many enterprises which could indulge in restrictive business practices it had nevertheless experienced the impact of such practices by organizations domiciled overseas; hence his delegation's interest in this matter. He felt nevertheless that further preparatory work might be needed before this question was examined by the CONTRACTING PARTIES and in this connexion it would be useful if the secretariat could assemble the relevant documentation. Those contracting parties which had domestic legislation in this field, such as the United Kingdom and the United States, could make a positive contribution to such preliminary work. He would support the appointment of a group of experts if that should be the general desire. Such a group, however, should be small and representative of those countries which had domestic legislation on this subject.

Mr. PORTOCARRERO (Nicaragua) supported the Norwegian proposal and associated himself with the views expressed by the representative of Chile.

Mr. CUHRUK (Turkey) recorded his Government's interest in an effective international control over restrictive practices of trusts and cartels in international trade, the consequences of which had been felt on both the import and export trade of Turkey. He supported the Norwegian proposal in principle but in view of the complexities of the problem he thought it would be better to defer examination of this subject until the Thirteenth Session; in the interim, the secretariat could prepare the appropriate documentation.

Mr. COELHO (Uruguay) associated himself with the remarks of the representatives of Chile and Brazil.

Mr. McCLINTOCK (Australia) agreed that it was within the province of the CONTRACTING PARTIES to study the effects of restrictive business practices in international trade and the discussion had indicated that there was much useful work that could be done. He supported the Norwegian proposal for the establishment of a working party at this Session even though Australia had reservations regarding some of the points in the Norwegian draft Resolution. He agreed with the representative of Germany that it was difficult to collect full information on the activities of cartels in international trade and in this regard all contracting parties should co-operate with the secretariat and the working party.

Mr. OSMAN ALI (Pakistan) said that his delegation was aware of the damage caused by restrictive business practices, particularly to the trade of under-developed countries. Proposals for European economic integration might further stimulate such practices. This question had been before the CONTRACTING PARTIES since their Ninth Session and the only conclusion they had arrived at was that the GATT was the appropriate forum for the consideration of these problems. He felt that the time was now opportune for a thorough examination of the matter and accordingly he supported the Norwegian proposal.

Mr. STONE (Canada) said that his Government was well aware of the importance of both national and international control of restrictive business practices and had participated in discussions that had taken place on this subject both at Havana and in the Economic and Social Council. Canada had domestic legislation on the control of restrictive business practices and his delegation would be prepared to furnish information on this to the CONTRACTING PARTIES if that should be deemed useful. He thought, however, that the discussion had shown that there was insufficient agreement among contracting parties as to the best method of proceeding in the field of international control. In view of these circumstances he thought the CONTRACTING PARTIES should be careful not to prejudice the objectives in mind by embarking prematurely on the establishment of a working party to deal with the matter.

Mr. ADAIR (United States) recalled that at the September meeting of the Intersessional Committee his delegation had indicated that it preferred consideration of this matter to be deferred. The United States had on that occasion noted with satisfaction the major developments during the previous year towards the control of restrictive business practices. Surely some experience could be gained from the more limited arrangements which were now being formulated in the context of European integration. His delegation agreed with the Canadian representative that there was no consensus of opinion on how, and on how fast, to proceed, and he suggested that it might therefore be better to defer further consideration of this item until the Thirteenth Session.

Mr. STUYCK (Belgium) said that since the Havana discussions his delegation had always stressed its serious concern at the prejudicial effects of these practices and appreciated therefore the efforts of the Norwegian delegation. He felt, however, that if the CONTRACTING PARTIES were unduly hurried they might reach incomplete and perhaps premature conclusions on the necessity for control. For reasons outlined by previous speakers, it seemed preferable to postpone the setting up of a working party until the Thirteenth Session to see the outcome of the studies now being conducted elsewhere.

Mr. PEREZ-CISNEROS (Cuba) thought that the time was ripe for the CONTRACTING PARTIES to take a firm decision in this field. Notwithstanding the reiterated recognition of the harmful restraints to international trade resulting from these practices the CONTRACTING PARTIES had so far taken no steps. In the light of the views expressed by previous speakers it appeared advisable to ask the secretariat to compile the available information and also to appoint a group of experts which, on the basis of such information and in the light of the debates which had taken place in GATT and in other international organizations, could submit recommendations to the CONTRACTING PARTIES at their Thirteenth Session.

Mr. PHILIP (France) distinguished two aspects of the issue under consideration. Concerning the repercussions of restrictive business practices on international trade, he was inclined to agree with the delegate of Brazil that they were well known. A study by a working party of these effects would add little to the knowledge of the contracting parties. Another aspect of the issue was to determine the international action that

could be taken to control these practices. For a commencement, it might be valuable to assemble and analyse information on the various national legislations and on the experience that had been gained in this field. This task might be entrusted to the secretariat. Some work was in preparation; restrictive business practices had been discussed at some length during the negotiations which preceded the signature of the Rome Treaty, and Article 87 of the Treaty instructed the institutions of the Common Market to draft detailed regulations or directives to control these practices. Similar discussions were taking place in connexion with the negotiations concerning the formation of a free-trade area. It was likely that new documentation in this field would be forthcoming which it would be interesting for the CONTRACTING PARTIES to possess. Accordingly, Mr. Philip proposed that, after the rules and regulations provided by the Rome Treaty had been established and the documentation resulting from the free-trade area negotiations had become available, the Intersessional Committee should decide whether to convene a group of experts. Such a group could then conduct a comparative study and report to the Thirteenth Session, concerning the creation of a final working party.

Mr. TREU (Austria) said that his delegation, for reasons which had been outlined by the French representative, would prefer that the Intersessional Committee be left to decide on the procedures. A definite decision could then be taken at the Thirteenth Session. If the Intersessional Committee decided to set up a group of experts, his Government would be happy to participate.

Miss LOUGH (United Kingdom) supported the suggestion by the representative of Germany not to set up a working party immediately and to defer consideration of this item until the Thirteenth Session. At the Intersessional Committee meeting of September her delegation had said that the forebodings expressed concerning the damage which restrictive business practices caused, or could cause, to international trade seemed exaggerated, and that the suggestion to draft an international agreement to control such practices was not timely. This was still the view of her Government. She recalled that after the drafting of the international agreement of the Economic and Social Council, which had given the committee of experts an immense amount of work, governments had felt that in view of the magnitude of the variations in the development of national policies and experiences it was not timely to embark on attempts to deal with these problems on an international basis. It seemed that this reason was still valid and her delegation therefore thought that it would be misplaced time and energy at this stage to cover the same ground again and to attempt to draft an agreement. The United Kingdom was in the early stages of testing its own legislation, which was perhaps as far, or further, advanced than that of most other countries. It might become appropriate to examine what action could be taken after more experience had been gained in this field. In her opinion this time was still distant. The United Kingdom delegation entertained serious doubts about the Norwegian draft Resolution, although it fully appreciated the motive that had lead to its formulation. The draft Resolution seemed to be tendentious in some respects and to beg the question it set for examination.

Mr. PRESS (New Zealand) said that although there was general agreement on the competence of the GATT to deal with restrictive business practices, the CONTRACTING PARTIES had for several years shirked the task. If contracting parties were sincere in their concern about the harmful effects of these practices, they should adopt the Norwegian proposal to set up a working party with a view to identifying the issues. Such action would involve no commitment to agree with the conclusions which the working party might reach, nor indeed with the Norwegian draft agreement.

Mr. THAGAARD (Norway), referring to the statement by the representative of Germany, said that the provisions of the Treaty of Rome dealing with restrictive business practices applied to the harmful effects of such practices inside the Community and had no bearing on trade with outside countries. Furthermore, the institution of the Common Market would, in his view, undoubtedly facilitate the operation of cartels and trusts not only inside but also outside the Community.

Replying to the representatives who had stated that the time was not ripe to take international action to control restrictive business practices, he pointed out that at the Havana Conference no country had deemed that it was not timely to take up this problem. The United States had twice taken the initiative in this field, first at Havana and afterwards in the Economic and Social Council where their delegation had proposed to create a special committee to draft an international agreement. The argument that it was premature to consider this problem was based on the reasoning that countries did not have a sufficiently common economic philosophy with respect to controls of such practices on their national markets and did not have comparable legislation. Mr. Thagaard thought that postponing international action for this reason was tantamount to postponing it forever. Indeed the need for controls of internal practices depended on the degree of economic development the individual countries had attained and on the existence of trusts and cartels. Even where such legislation existed it did not control the operation of cartels and trusts in the international sphere. Clearly, legislation to protect the interests of other countries would only be enacted after the adoption of an appropriate international agreement imposing obligations on the parties thereto. It was the task of the CONTRACTING PARTIES to draft an agreement which would lay down the scope of the controls, the obligations of the parties and the functions of GATT in this field.

A working party or group of experts would require considerable time to clarify the complex issues involved. If the matter were left to the Intersessional Committee the CONTRACTING PARTIES might not find themselves in a position to take adequate action at the Thirteenth or even at the Fourteenth Session. If a working party were set up it could, with the assistance of the secretariat, collect information on cartels and trusts operating in the international field and on the various national laws. It could also clarify alternative approaches to the problem.

The CHAIRMAN, in summing up, said that although some delegations had expressed the view that because of certain current developments consideration of this matter should not be unduly hurried, the debate appeared to have revealed fairly wide agreement that early action was called for. However, there seemed no consensus of opinion on how to proceed. He proposed that the secretariat be instructed to collect and analyse documentation on the subject and submit it to the next meeting of the Intersessional Committee. The collection of such background material by the secretariat was expected not to be a time-consuming operation as considerable information was already available in the documentation of the Economic and Social Council. The Intersessional Committee should then decide whether to establish a working party or a group of experts. If, however, after examination of the available material the Committee should find that further immediate progress was not possible, it could refer the matter to the CONTRACTING PARTIES at the Thirteenth Session with suitable recommendations.

2. Franco-German Treaty on the Saar (L/638)

The CHAIRMAN recalled that at a previous meeting (SR.12/6, page 40) he had invited delegations which considered that their countries' interests might be affected by the waiver requested by the Governments of France and the Federal Republic of Germany to enter into consultation with the delegations of the two countries. He invited the French and German representatives to present their request and to report on any consultations in which they might have engaged.

Mr. PHILIP (France) referred to the letter and the memorandum which his Government and the Government of the Federal Republic of Germany had addressed to the CONTRACTING PARTIES. This document, which reproduced the provisions of the Treaty of Luxemburg relating to the trade of the Saar, contained a request for a waiver from the obligations of Article I of the General Agreement, insofar as required by some of the provisions of the Treaty. The guiding principles of the special regime to be established under the Treaty followed logically from the situation of the Saar and were perfectly simple. The regime comprised two principles: (1) after the political union of the Saar with the Federal Republic there would be a transitional period to prepare the economic integration; and (2) after that transitional period, when the monetary and customs union between the Saar and France would be dissolved, the maintenance of a high level of trade would be facilitated by all possible means.

In discussing the first principle, Mr. Philip recalled that during the transitional period which would not last beyond 1 January 1960 the Saar, though under the basic law of the Federal Republic, would remain in a monetary and customs union with France. This principle had been incorporated in the Treaty with a view to facilitating the progressive adaptation of the Saar economy to the German market without suddenly disrupting the numerous economic links that presently existed between France and the Saar. The purpose of the first two points in the proposed waiver was to give the Saar producers an opportunity during the transitional period to expand, by means of duty exemptions, their sales in the Federal Republic and to increase purchases of capital goods from that country. The third and fourth points related to

trade between France and the Saar after the transitional period with a view to maintaining that trade at the highest possible level. The special regime would consist in the reciprocal opening of tariff quotas of an amount equivalent to that of imports on both sides in 1955. Mr. Philip thought that the CONTRACTING PARTIES would admit the use of these quotas if he could convince them of the importance of a sustained high level of trade with France. Because of its geographical position, the franc area was to-day by far the main supplier and at the same time the first customer of the Saar. From 1918 until 1935 the Saar economy had been incorporated in the French economy. Close, long-standing trade relationships had recently been reinforced by ten years of monetary and customs union. The franc area was the main if not the exclusive market for most transformation industries of the Saar. Some of these industries had been specially established or built to cater for the French market. In France, and particularly in the eastern departments, there were a number of factories and agricultural exploitations which found in the Saar a traditional and principal outlet for their products. This trade could be expected to decline somewhat after the dissolution of the Franco-Saar monetary and customs union on account of the formalities inherent in foreign trade and, for as long as they were maintained, because of quantitative restrictions. What the Treaty intended to avoid was a sudden forced reconversion of large sectors of the Saar economy as would have been the case if, in addition to the obstacles created to Saar trade with France by the change of monetary area, a customs barrier had been established. The institution of the European Economic Community furthermore would, in the absence of the special regime, render arbitrary the raising of a customs barrier subsequently to be dismantled by the setting-up of the Common Market.

The two Governments believed that they had created for the Saar a liberal regime which would be favourable to the expansion of trade, and did in no way prejudice the economic and commercial interests of third countries. Mr. Philip, in concluding, hoped that the CONTRACTING PARTIES would, in considering the Treaty, bear in mind that it constituted one element of the vast settlement between France and the Federal Republic of Germany and solved a problem which had for long been a cause of difficulties between the two countries.

Mr. METZEN (Federal Republic of Germany) indicated that his delegation fully shared the views expressed by the representative of France. He only wished to stress that the Treaty of Luxemburg constituted a final settlement of a long-standing and painful issue between their two countries.

Mr. MACHADO (Brazil) said that legally it was not possible to dissociate the extension of tariff preferences as envisaged by the Treaty of Rome from that created by the Treaty of Luxemburg. His Government, however, considered that in the case of the Saar, unlike that of the European Economic Community, no risk was involved of disrupting the balance of rights and advantages under the General Agreement, and would therefore not oppose the request. The agreement by his Government to this extension of preferences could in no way be considered as constituting a precedent.

The CHAIRMAN said that the requirements of the first paragraphs of the procedures for the granting of waivers to Part I of the Agreement had been complied with. He requested the Executive Secretary to prepare for consideration at a later meeting a draft Decision which would meet the conditions set forth in paragraphs (d) and (e) of the procedures.

3. Brazilian internal Taxes (L/729)

Mr. MACHADO (Brazil), referring to the memorandum contained in document L/729, said that the tax discrimination between domestic and foreign products had been abolished in August, and every possibility for new discrimination had been ruled out. Administrative steps had now been taken to implement fully the Decision taken by the Congress. He invited contracting parties to bring to his attention any case of discrimination that might remain so that the necessary measures could be taken.

Mr. PHILIP (France) and Mr. KAWASAKI (Japan) thanked the representative of Brazil for his information and assurances that there would henceforth be no discrimination. Their countries had a substantial export trade to Brazil.

The CONTRACTING PARTIES noted with gratification the satisfactory settlement of this long-standing complaint.

4. Disposal of Commodity Surpluses (continued)

Mr. PRESS (New Zealand) recalled previous occasions on which his delegation had pointed to the problems which confronted agricultural exporting countries in their attempts to market the competitive products of their efficient primary industries. Not the least of these problems was the unrealistic national support policies by which many countries, particularly industrial countries, sheltered uneconomic agricultural production. This, however, was just one aspect of the major problem of agricultural protectionism and its effects on primary producing countries.

The surplus disposal problem now under discussion could only be effectively dealt with through the national policies which gave rise to it. When production was stimulated by artificial inducements unrelated to market prices, supply would exceed effective demand at those prices and surpluses would inevitably be accumulated. These surpluses led to import controls, export dumping and other undesirable practices. The resultant closure of markets, together with exports of the surpluses at cut rates, tended to depress world prices to the disadvantage of normal exporters. Moreover, it had an adverse effect on the balance-of-payments position of efficient producing countries and denied consumers in the high-cost countries the benefits of lower price products. His delegation emphasized therefore the need for appropriate adjustments in internal policies in order to increase consumption or reduce production.

New Zealand was particularly concerned with the procedures by which surpluses were disposed of. The GATT Resolution of 4 March 1955 exhorted contracting parties making such disposals to comply with a set of rules, including a rule that there should be consultations with interested contracting parties. The New Zealand delegation stressed once more that prior consultation with exporting countries likely to be affected should be regarded as an absolute essential. The cardinal rule for the disposal of surpluses was that they should be effected in the manner least harmful to the trade of the normal exporter of the produce concerned. His delegation realized the great merits of programmes designed for bona fide relief purposes or for the raising of living standards in under-developed countries; indeed, within the limits of its ability, New Zealand itself was a contributor to such schemes. What was of concern, however, were the periodic disposals at dumped or subsized prices in normal markets which in no sense qualified under the latter categories. He urged that such practices be discontinued.

New Zealand was at present particularly concerned with the recent heavy increase in uncommitted surplus stocks of butter held by the Commodity Credit Corporation, since United States disposals of surplus butter had already resulted in the loss of sales of New Zealand butter to countries which could certainly not qualify under the heading of relief or of the raising of low living standards. He strongly urged, therefore, that the United States manage the disposal of these stocks in such a way as to cause the least possible disturbance to normal trade and that New Zealand, as one of the world's principal exporters of dairy products, should be consulted before such disposals were undertaken.

In conclusion Mr. Press stated that he had confined his remarks to surplus disposal activities of the United States since New Zealand's main concern continued to be with the surplus dairy products situation brought about by the domestic price support policies of that country. His delegation viewed with concern, however, tendencies in other countries in North America and Europe to embark on and pursue similar policies and his remarks in relation to the United States therefore applied equally to the situation as it developed elsewhere.

Mr. REISMAN (Canada) said that his remarks would be mainly concerned with the United States programmes for the disposal of surpluses; however, where appropriate, they would also apply to other contracting parties with activities in this field. The Canadian delegation was grateful for the comprehensive statement of the United States delegation, and was especially pleased to note the measures adopted by the United States Government designed to deal with the problem of surpluses in a fundamental manner. He referred in particular to steps taken with a view to reducing the accumulation of surpluses through the Production Adjustment programme supplemented by the Soil Bank programme, and stated that his delegation would like to see further steps taken in this direction.

Several contracting parties had drawn attention to the increased magnitude of United States surplus disposal programmes of the past few years, and the adverse affects of this on their commercial interests. Canada was similarly situated; during the year under review stepped-up disposal programmes of the United States had had a serious and increasingly damaging impact on Canada's legitimate trading interests. Although United States disposal activities had affected a number of Canadian exports, by far the most serious injury was caused by disposals of wheat and wheat flour, and this programme had become a matter of the most profound concern to Canada. Apart from the adverse impact of United States activities on its own trade, Canada was also concerned with their disruptive effect on world trade generally. His delegation stressed, therefore, that unless the United States conducted its surplus disposal programmes with the most careful regard for the interests of other contracting parties, it would make it increasingly more difficult to develop and maintain orderly trade relations in accordance with GATT principles.

Mr. Reisman pointed out that his delegation did not object to genuine United States aid programmes and the extension of help to needy countries; indeed, within the limits of its capabilities Canada had also extended aid of this kind. Further, in more general terms his delegation had no objection to United States disposal programmes which had the effect of increasing consumption of the commodity in question by the amount of the disposal. The main objection was that, by a variety of techniques such as export subsidization, sales for local currencies, barter deals and tied-sales, the United States was promoting exports of wheat and flour with such determination and in such volume that it caused great damage to Canada's normal commercial marketing of these products. This was evidenced in export statistics from the United States and Canada, in 1955-56 and 1956-57; while United States exports rose from 347 million bushels to 547, in the same period Canada's exports fell from 309 to 261.

Reference had been made to the consultations procedures established by the United States and the United States representative had stated that the present procedures were adequate to safeguard the interests of exporting countries. In this regard the real question was whether the consultations had, in fact, safeguarded these interests. His delegation had no complaint against the consultation procedures as such, but rather with the results of the consultations, and in this connexion Canada was far from satisfied. Apart from consultations on a technical level relating to individual programmes, there had been high level discussions between Canadian and United States Ministers concerning the general direction and overall impact of the United States disposal policies. In the course of these discussions, assurances had been given by the United States administration that in all surplus disposal activities it was the intention to avoid, as far as possible, any interference with the normal commercial marketing of Canada and other friendly countries. His delegation hoped and expected that this undertaking would mean that Canada and other contracting parties adversely affected would have less, or no, cause for complaint next year.

It was recognized that given the United States price-support policy, some subsidies would have to be paid if exports were to be effected; in some cases it might be appropriate to employ other techniques. In this regard his delegation would like some restraint and moderation extended over the whole range of disposal techniques. The barter programme had been particularly damaging, and his delegation had noted with appreciation the recent decision to modify this programme. The Canadian delegation would like to see an end to tied-sales arrangements which involved discrimination in commercial markets. In conclusion Mr. Reisman stated that his delegation wished to see United States disposal activities modified, tempered and moderated in such a way as not to interfere with the normal commercial marketings of Canada and other contracting parties.

The CHAIRMAN said that discussion of this subject would be resumed at the next meeting.

The meeting adjourned at 5.30 p.m.