

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.13/10
6 November 1958

Limited Distribution

CONTRACTING PARTIES
Thirteenth Session

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SUMMARY RECORD OF THE TENTH MEETING

Held at the Palais des Nations, Geneva, on
Tuesday, 28 October 1958 at 2.30 p.m.

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

- Subjects discussed:
1. Status of Protocols. Extension of date for signature
 2. Trade in Primary Commodities (continued)
 - Report by the CONTRACTING PARTIES' nominee as Chairman of ICCICA
 - ECOSOC Resolutions concerning the Commission on International Commodity Trade
 3. Disposal of Commodity Surpluses

1. Status of Protocols

The CHAIRMAN recalled that at the Twelfth Session the CONTRACTING PARTIES had extended until two weeks after the opening of the Thirteenth Session the closing date for signature of the Protocol Amending Part I and Articles XXIX and XXX, the Protocol Amending the Preamble and Parts II and III, the Protocol of Organizational Amendments, and the Protocol of Rectification to the French text of the Agreement. It was the desire of some delegations to defer until later in the Session the discussion of any substantive questions relating to these Protocols. Therefore, the only question before the CONTRACTING PARTIES was to take a decision that the closing date for signature of these Protocols be extended until the close of the Session and that the question of any further extension be discussed at a later meeting when other matters arising under this item had been dealt with.

The CONTRACTING PARTIES agreed to extend the closing date for signature of these Protocols until the end of the Session.

2. Trade in Primary Commodities (continued)

Mr. BELL (Federation of Rhodesia and Nyasaland) referred to the instruction to the Panel of Experts to take into account three particular considerations in their review of trends in international trade, namely, the failure of the trade of less developed countries to develop as rapidly as that of industrialized countries, the excessive short-term fluctuations in the prices of primary products, and the widespread resort to agricultural protection. The experts had borne these considerations in mind and had produced a Report which threw light on the effects of governmental policies. They had indicated that a reconsideration of these policies might help to reverse the present trends in trade, which resulted in under-developed countries continuing to receive an inadequate return from their exports of primary products and in a further widening of the gap between the standards of living of industrialized countries and non-industrialized countries. In order to put the subject in perspective, the experts had in addition shown how other policies besides agricultural policies might affect these trends and had referred to the need in industrialized countries for adequate domestic measures to prevent business recession and to the necessity of greater international liquidity. They had in particular dealt with the industrial development policies of under-developed countries and in this connexion had recognized the need for such industrial development. According to the experts, industries in such countries might require special measures to promote their development in their early stages. References were made in the Report to unwise and excessive industrial protection in under-developed countries and to the harm such protection could cause both to countries practising them and to international trade. The experts had concluded with the sound fundamental doctrine that a country gained by exporting the products it was relatively best fitted to produce and by importing those products which it was least fitted to produce.

In the view of Mr. Bell, a discussion of the Report with particular reference to commodity problems, simply because the greater volume of the material related to agricultural questions and primary commodities, could lead to the impression that there were two distinct categories of countries, namely industrialized countries importing primary products and non-industrialized countries exporting primary products. This could lead to a further impression that non-industrialized countries exporting primary products were always going to bear both those characters, and would and should not become industrialized. It was important to bear in mind that the experts held the opinion that primary producers should remain non-industrialized. Therefore when drawing up the terms of reference of the Committee of the Whole which was to consider the three chapters mentioned, i.e. tariff concessions, agricultural protectionism and the position of under-developed countries, the CONTRACTING PARTIES should avoid conveying the impression that rational industrialization in under-developed countries was not expected and was not to be encouraged. One of the methods of developing industry in under-developed countries, and which - provided it was reasonably used - conformed to the classic rules quoted by the experts, was that of processing raw materials produced locally.

Mr. DJAJADININGRAT (Indonesia) recalled that the ICCICA Report referred to the importance of the stability of primary commodity prices to both primary producers and industrialized countries. The Report showed that the price index for primary commodities had declined further in the second quarter of 1958. Due to the American recession and to a slackening in economic activity in Europe, the price of rubber, which accounted for about 46 per cent of Indonesia's exports, had fallen by 15 per cent in the first quarter of 1958, as compared with a year earlier. Such severe price fluctuations caused losses in foreign exchange earnings, often exceeding economic assistance from international and bilateral sources, and resulted in reduced imports of capital goods necessary for the maintenance and increase of the standard of living. At the same time, exchange surcharges to prevent a decline in monetary reserves and Government loans to compensate for the reduction in foreign trade caused an increase in monetary circulation and resulted in the danger of inflation. These problems were of vital importance to industrial countries for, in order to ensure a market for their goods especially if their trade were to develop, it was necessary to synchronize their production capacity with the purchasing power of the less developed countries. An increase in this purchasing power would provide a solution to possible employment problems in the industrial countries.

The Indonesian Government was of the opinion that there were too many organizations concerned with commodity problems, and felt that these should be entrusted to two bodies, one dealing with production and the other with trade. Mr. Djajadiningrat concluded by expressing the hope of his delegation that the GATT would participate in the forthcoming session of the Commission on International Commodity Trade and that positive results would be forthcoming.

Mr. SUJAK BIN RAHIMAN (Federation of Malaya) said that the report of the Chairman of ICCICA appropriately called attention to the pressing and serious problem of price fluctuations and to the responsibilities of the CONTRACTING PARTIES in this field. The conclusions of the Report pointed to the fact that the difficulties arising in the trade in primary commodities affected not only the primary producers but indirectly the industrial countries as well. Indeed, the reduction in export receipts, consequent upon a fall in commodity prices, affected the export markets of the industrial countries thereby initiating a series of contractive repercussions, which showed quite clearly the interdependence of the economies of the industrial and primary producing countries. Economic stability could not be achieved and maintained except on a world-wide basis.

It was evident that the CONTRACTING PARTIES must accept the invitation to be represented at the forthcoming meeting of the Commission on International Commodity Trade. The CONTRACTING PARTIES had succeeded in establishing a code of conduct in trade relations; they had reduced barriers to trade and had solved numerous problems relating to commercial policy. This success was to a large extent due to the flexibility which they had shown in dealing with the difficulties they were confronted with, and because they had succeeded in avoiding politics. This latter point was of particular importance. In the opinion of Mr. Sujak the CONTRACTING PARTIES should propose at the meeting of the Commission that commodity problems should be dealt with by GATT, where

they could be considered realistically in an atmosphere free of politics. There was an additional important reason for adopting this course. Several delegations, sharing the views of the Panel of Experts, had expressed the belief - or rather the recognition by all the contracting parties - that the rules of the General Agreement, as they applied at present, showed a lack of balance unfavourable to primary producing countries. If, as suggested, the CONTRACTING PARTIES decided to take remedial action in the field of commodity problems, they would be well advised to agree on a code of conduct or on a set of principles to govern their trade relations in this field, thereby availing themselves of this opportunity to restore the balance of obligations and advantages between the industrial and primary producing contracting parties. In concluding, Mr. Sujak said that in formulating his proposals he had weighed the advantages and the disadvantages in trying to solve commodity problems in a forum with limited representation.

Mr. TENNEKOON (Ceylon) stated that his delegation was of the opinion that, since appropriate material was available in the ICCICA and the Haberler Reports, positive action should be taken during the present Session concerning the problem of primary commodity prices. He felt that the CONTRACTING PARTIES should establish machinery for close co-operation with the ICCICA since the Commission on International Commodity Trade did not have powers to initiate action, and its recommendations would not be available until the end of 1959. This would facilitate the study of those commodities most in need of stabilization schemes and enable ICCICA, subject to the CONTRACTING PARTIES' approval, to recommend the Secretary-General of the United Nations to convene international conferences on the commodities concerned. The broader scope of the United Nations covered the participation of important trading nations which were not members of GATT. This line of action was not intended to duplicate the work of other international agencies interested in commodity problems but to translate their experience into action.

Since most of these organizations were not in a position to obtain rapid results, Mr. Tennokoon felt that there should be close co-operation between ICCICA and GATT by means of a small working party with the Executive Secretary as chairman. This working party should furnish a report on the commodities which most urgently needed the support of price stabilization schemes and giving broad indications of the type of stabilization scheme considered most suitable in the case of each of the selected commodities. The CONTRACTING PARTIES would then be able to decide on action.

Mr. THEBAUD (Haiti) considered that the general participation in the discussion was evidence of the importance of commodity problems for both the industrial and the primary producing countries. It must be admitted that if no satisfactory solution had been found so far, it was partly due to certain governmental measures and partly to an excessive flexibility of the General Agreement. The publications of the CONTRACTING PARTIES - International Trade 1956, Commercial Policy in 1957 and the Experts Report - which deserved the utmost attention, described the issues quite clearly. Now that the CONTRACTING PARTIES had before them the concrete suggestions of the experts, it would be disappointing if no progress could be made in stabilizing the prices of primary commodities and if the industrial countries could make no headway with the liberalization of trade in agricultural products.

Mr. SPREUTELS (Belgium) thought that the CONTRACTING PARTIES should not confine themselves to reviewing the developments which had taken place during the last twelve months in the field of commodity trade but should be prepared to assume new responsibilities with a view to solving jointly the problems caused by price fluctuations and variations in the volume of trade. That the Belgian Government were aware of their responsibilities in this field and would be prepared to contribute to this task, could be seen in the fact that Belgium participated in all the inter-governmental arrangements which had been negotiated so far, and had been a member of the Commission on International Commodity Trade from its very inception. It had to be borne in mind, however, that the activities of the Commission were subject to numerous limitations. The Commission could in fact only deal with general problems; it was in charge of collecting documentation, organizing studies, analyzing the world situation in primary commodities and co-ordinating international activities in the commodity field. Its role was consultative and, whatever its composition, the Commission could not be expected to possess sufficient effective means for stabilizing the markets of primary commodities. The CONTRACTING PARTIES should take account of these limitations and consider what action they could take with a view to finding concrete solutions to the problems which the Commission did not seem in a position to solve. His delegation shared the view of several other delegations that the Executive Secretary should be given precise instructions when attending the meeting of the Commission and believed that it was likely that at the meeting of the Commission in March 1959 a particular field of action would be reserved for the GATT. It was prepared to recommend to the Belgian Government that it give instructions to its representative at the Commission with a view to entrusting the GATT with new tasks in the field of commodity problems. His delegation was of the opinion that it was in the GATT forum that the views of the producing and consuming countries could appropriately and most usefully be confronted and proposed therefore that fuller use should be made of the techniques of negotiation of the GATT. He would be prepared to join with other delegations in drafting a resolution on these lines.

Mr. SANDERS (United Kingdom) said that commodity problems had been much discussed internationally over the last year, and believed that there was now a growing measure of agreement on what it was reasonable to try to do and how. The Panel of Experts had described the problem fully and authoritatively in their Report and had concluded that the most important contribution which the industrialized countries could make was to maintain a high and rising level of economic activity. There was no disagreement on this. But the experts had also suggested that it might be desirable to supplement these general measures by measures to help to moderate excessive fluctuations in particular commodity markets, if suitable ways and means could be found. Their full analysis of the methods which might be used and the problems involved, and in particular their views on what might or might not be done by way of national stabilization arrangements, were very interesting. Mr. Sanders wondered whether this latter aspect was not one which tended to receive less attention than it deserved in much international discussion of these problems. Regarding international action to even out excessive short-term fluctuations in the prices of individual commodities, his Minister had expressed the feeling that the experts had under-estimated the difficulties. Their analysis did indeed confirm the views often expressed about the

limitations and dangers inherent in the lines of approach to the problem which had so far been tried out in practice. His delegation certainly shared the view of those who questioned the practicability of a multi-commodity approach. Apart from the serious technical difficulties recorded by the experts, it was difficult to find any groups of commodities where such an approach would in fact be likely to facilitate the conclusion of more commodity agreements. His Government's approach was reflected in the report of the Montreal Conference. The United Kingdom continued to be ready to examine, commodity by commodity, the possibility of international arrangements to moderate excessive short-term price fluctuations. It was, however, important that any measures taken to this end should have regard to long-term trends in prices and should not put a brake upon the expansion of efficient production. Regional efforts to isolate price levels from the longer-term factors determining prices in the world at large must involve restriction of, and discrimination against, the trade of others.

For most of the commodities important in world trade there was already machinery in existence for considering problems which might arise. There was also provision, under ICCICA or through FAO, for arranging for international study, where necessary, of the problems of other commodities; and finally, under the Resolution of the Eleventh Session, the CONTRACTING PARTIES could make arrangements for inter-governmental meetings to consider problems in the field of commodity trade which other international institutions were not dealing with. As regards the suggestion made by the Ceylon delegation, Mr. Sanders doubted if the CONTRACTING PARTIES could set up machinery to deal effectively with these problems with the expertise that was required. If they attempted to do so, they would find themselves duplicating what other specialized commodity organizations were doing, and perhaps dealing less effectively with the problems. For example, it seemed to him that it was for the experts in the International Rubber Study Group to consider whether or not anything should be done to stabilize rubber prices.

If the task of examining, commodity by commodity, the need for and practicability of arrangements to reduce excessive short-term fluctuations rested with the specialist commodity bodies, this did not mean that the CONTRACTING PARTIES did not have a continuing interest in these problems. First, since excessive short-term fluctuations in the prices of primary products might mean violent fluctuations in the total export earnings of primary producing countries, which might in turn give rise to fluctuations in the flow of international trade, the CONTRACTING PARTIES had a general interest in the efforts which could be made to devise suitable means of alleviating such excessive short-term fluctuations. Indeed, the interest of the CONTRACTING PARTIES was demonstrated by the fact that the report that the CONTRACTING PARTIES commissioned the Panel to write dealt so thoroughly and in so much detail with these problems. Secondly, to the extent that excessive protection of primary products, and especially recourse to restrictive measures inconsistent with the Agreement, might accentuate tendencies to excessive short-term fluctuations, the CONTRACTING PARTIES had the prime responsibility internationally to grapple with this aspect of the problem. Thirdly, since arrangements aimed at alleviating excessive short-term fluctuations might involve recourse to restrictions on international trade, in derogation of obligations under the General Agreement, the

CONTRACTING PARTIES had under Article XX the responsibility for being satisfied that such arrangements were fairly and reasonably conceived, and were in the best interests of all. Fourthly, there might be some general aspects of the problem which were of special interest to the CONTRACTING PARTIES. For example, the rôle of the futures markets in helping to stabilize prices, a subject on which the International Chamber of Commerce had presented some interesting papers.

In the view of the United Kingdom delegation, therefore, the CONTRACTING PARTIES should continue their practice of reviewing each year what had been happening to trade in commodities and what was being done to deal with any problems that had arisen, on the basis of the valuable reports by the Chairman of ICCICA and other relevant documentation. The arrangements for this, based on the Resolution of the Eleventh Session, would seem to provide fully for following up our general interest in these problems. If problems requiring the attention of the CONTRACTING PARTIES arose between sessions, they could be taken up intersessionally under these procedures, and no new procedures seemed necessary as regards the Commission on International Commodity Trade. The CONTRACTING PARTIES should, therefore, authorize the Executive Secretary, in accepting the invitation to them to take part in the work of the next session of the Commission to indicate their continuing interest and responsibilities in this field.

The EXECUTIVE SECRETARY pointed out that in his relationships with other organizations which had responsibilities in the field of trade in primary commodities, he had found it increasingly difficult to sustain and describe the rôle and scope of the activities of the CONTRACTING PARTIES owing to the fact that they, themselves, had been feeling their way towards the rôle that the GATT might be eventually called upon to play in this field. He was encouraged, therefore, by suggestions made during the debate to the effect that, should the CONTRACTING PARTIES accept the invitation extended by the Economic and Social Council to be represented at the next meeting of the CICT, then their representatives should be suitably instructed as to the position they should take in relation to their participation at that meeting.

The Executive Secretary then referred to the United Nations Administrative Committee on Co-ordination which consisted of the chief executive officers of United Nations specialized agencies, presided over by the Secretary-General, meetings of which he had attended by invitation in his capacity as chief Executive Officer of the CONTRACTING PARTIES. He thought the occasion was now appropriate to report the adoption by the Committee of a suggestion made on his initiative for the establishment of a sub-committee on commodity problems, composed of representatives of the Secretary-General of the United Nations, the Director-General of the Food and Agriculture Organization and the Executive Secretary of the CONTRACTING PARTIES. Although only in its initial stages, he felt that the sub-committee would contribute towards a better degree of co-ordination of the activities of the various agencies concerned. He had also made, although somewhat tentatively, suggestions to his colleagues on the Administrative Committee that at some future stage it might be advantageous to enlarge the sub-committee to include managers of various commodity arrangements actually in operation and chairmen of study groups considering the possibility of such action. These representatives could pool their practical experience, provide useful expert information on technical aspects of agreements

actually in operation and report to governments and agencies concerned with these problems on the basis of practical expert experience in the field of the operation of commodity agreements, stabilization arrangements and other forms of international action. It would be helpful if the CONTRACTING PARTIES could give him some indication as to the utility of this suggestion and perhaps consideration might be given to it by the working party which it was proposed to establish to examine questions raised during the debate. Should it be so desired, he would raise the suggestion either in the sub-committee or with the Secretary-General of the United Nations with whom such an initiative would presumably lie.

The CHAIRMAN considered it would be difficult to crystallize any definite view-point from the debate although there had been unanimity regarding the seriousness of the commodity problem and the advisability of action. There had also been concurrence of opinion that the CONTRACTING PARTIES had a valuable part to play since they could discuss these problems in the broad context of world trade. They were committed not to apply any measures arising out of commodity arrangements which might be in conflict with the articles of the General Agreement unless these were measures of which the CONTRACTING PARTIES did not disapprove. During the debate the serious effect of commercial policy upon commodity problems had been underlined. Co-ordination between the different international agencies concerned in this matter was necessary since many contracting parties were members of other organizations where similar matters were discussed. The Chairman was conscious of the fact that there had not been a sufficiently clear indication of the position to be adopted by the Executive Secretary when participating in the next meeting of the CICT. He suggested, therefore, that this question together with that of future activities of the CONTRACTING PARTIES in the field of primary commodities should be referred to a working party for examination in the light of the debate that had taken place.

The CONTRACTING PARTIES thereupon agreed to refer these matters to a Working Party which it established with the following membership and terms of reference:

Chairman: Dr. W.P.H. van Oorschot (Netherlands)

<u>Members:</u>	Belgium	Finland	Japan
	Brazil	France	New Zealand
	Ceylon	Fed. Rep. of Germany	Rhodesia and Nyasaland
	Chile	Haiti	United Kingdom
	Czechoslovakia	Indonesia	United States

Terms of reference:

On the basis of the discussions on Item 8 of the Agenda -

1. to consider and make recommendations concerning the future activities of the CONTRACTING PARTIES pursuant to the Resolution of 17 November 1956 on the special difficulties arising in the trade in primary commodities; and
2. to make recommendations as to the position to be adopted by the Executive Secretary in participating in the next session of the Commission on International Commodity Trade on behalf of the CONTRACTING PARTIES in response to the invitation of the Economic and Social Council.

3. Disposal of Commodity Surpluses (L/874)

The CHAIRMAN recalled that the experiences of contracting parties under the Resolution of 4 March 1955 had been discussed at the Tenth, Eleventh and Twelfth Sessions and it had been agreed that the situation would again be reviewed at this Session. In this connexion the secretariat had prepared a statement on the activities of the Food and Agricultural Organization in this field (L/874).

Mr. BEALE (United States) reported on activities under the United States agricultural disposal programmes in the fiscal year ended 30 June 1958. He first referred to measures continued during that period to limit the accumulation of surpluses such as the Soil Bank, acreage and marketing controls on major export crops and donations of surplus commodities, valued at \$187 million at CCC cost, to school children and needy persons in the United States and abroad.

Agreements under Title I of Public Law 480 (Sales for Local Currency) were signed with twenty-three countries in fiscal year 1958 and totalled \$749 million (including \$76 million for ocean transportation) at world market prices. The principal commodities included: 143 million bushels of wheat and flour, 86 million bushels of feed grains, 4 million hundredweight of rice, 814,000 bales of cotton, 44 million pounds of tobacco, 107 million pounds of dairy products, 1.4 million pounds of poultry and 85 million pounds of fruits and vegetables. Mr. Beale pointed to his Government's continued endeavours to avoid any disruption of normal commercial trade as a result of these agreements. They were concluded only after a careful analysis of their possible effects on the commercial markets of other exporting countries, with which consultations were held prior to the signing of an agreement. He detailed the latter consultative procedures and underlined the earnest attempts of his Government to make them meaningful. At the last session of Congress, Public Law 480 was extended to 31 December 1959 and the authority under Title I increased by \$2,250 million at CCC cost. It was not anticipated that this would result in any sharp change in the level of Title I exports.

Programmes under Title II of Public Law 480 which provided for donations of surplus commodities abroad to meet famine and other emergency conditions involved thirteen countries in the fiscal year 1958 and amounted to \$92 million at CCC cost. The commodities concerned were principally bread and coarse grains and to a lesser extent dairy products and rice.

The programme under Title III of Public Law 480 for donations of surplus foods for domestic use and for free distribution abroad through voluntary relief agencies and inter-governmental organizations encompassed eighty-five countries in fiscal year 1958 and commodities thus distributed were valued at \$272 million being mainly wheat, corn, rice, non-fat dried milk and cheese. Transactions carried out under Title III for the barter of surpluses principally in exchange for strategic materials totalled \$65.1 million in fiscal year 1958

as compared with \$272.5 million in the previous year. The main commodities concerned were wheat, corn, grain sorghums, barley rice, cotton, tobacco and dairy products. The initiative for these transactions lay with private traders.

Section 402 of the Mutual Security Act required that a portion of the aid given to foreign countries be provided in the form of surplus agricultural products. In practice, the products were sold, principally in the aid-receiving countries, and the proceeds were allocated to a variety of purposes including economic development. In the fiscal year 1958 Section 402 programmes totalled \$205 million including \$51 million for triangular transactions. The commodities involved were bread grains, coarse grains, rice, cotton, fats and oils and tobacco.

In conclusion Mr. Beale assured contracting parties that the United States was fully cognizant of its responsibilities in the matter of surplus disposals and had every intention of adhering to the principles of the GATT Resolution and of FAO in this respect.¹

Mr. RATTIGAN (Australia) pointed out that while the consultation procedures had improved in the period since the adoption of the Resolution of 4 March 1955 no real progress had been made in reducing the accumulation of surplus stocks. The existence of such stocks was of increasing concern because of their depressing influence on world prices and the serious effects their disposal had on the trade of competing countries. High price supports in the United States and other countries had encouraged production far in excess of domestic requirements and normal or traditional exports. Moreover, the situation had now emerged where certain traditional importing countries were competing with Australia in some of its long-established export markets.

Recently, the United States Congress extended Public Law 480 to 31 December 1959 and increased the authority under Title I by \$2,250 million making a total allocation of \$6,250 million since 1954. Notwithstanding the provision of such huge sums and in spite of efforts to limit production and expand consumption of agricultural products, surplus stocks were still excessively large in relation to normal world trade. Under the stimulus of special governmental assistance, United States exports of primary products had increased rapidly in post-war years and in 1956-57 about 42 per cent of total United States agricultural export trade was transacted under such special programmes. In the circumstances, therefore, Australia was concerned that the continuation of high price support levels and the increase in governmental funds for special aid programmes would lead to a chronic perpetuation of the surplus disposals problem. There was already a growing disposition to accept surpluses and their disposal on concessional terms as a permanent feature of international trade and a tendency for surplus disposal transactions to become "built into" the pattern of trade.

¹ The full text of Mr. Beale's statement has been reproduced in Press Release GATT/423.

His delegation held the view that recipients of surplus disposals were shifting part of their balance-of-payments problems to traditional commercial exporters, like Australia, which were also in balance-of-payments difficulties. In the long run, this could only lead to a reduction in the overall level of world trade and the problem, therefore, was one of real concern to all contracting parties. The Australian delegation appreciated the desire of the United States to assist less developed countries, but regarded it as incumbent on the United States to see that the disposal of surpluses resulted in an overall increase in consumption and did not cause a disruption of normal patterns of commercial trade. It was significant that only one-fifth of the counterpart funds in local currencies from Public Law 480 Agreements was earmarked for the economic development of the recipient countries; this underlined the fact that these countries were primarily interested in obtaining agricultural surpluses solely because of the concessional non-commercial terms of sale.

Mr. Rattigan therefore urged both disposing and recipient countries to apply the FAO principles and expressed the hope that more effective use would be made of the FAO Consultative Sub-Committee on Surplus Disposals.

The Australian delegation appreciated the domestic problems inherent in attempts to modify price support systems for agricultural products, but would urge the United States to tackle energetically the problem of surpluses and to make whatever adjustments were necessary to prevent the constant accumulation of fresh surpluses. While his delegation did not wish to stifle the generosity of those countries, able and willing to give commodity aid, nor to stand in the way of needy countries obtaining this aid, it wished to have it recognized that where traditional patterns of commodity trade had been established and where resources existed the countries receiving surplus commodities should continue to purchase these commodities on a commercial basis. Supply of surplus commodities should not be given or sought in lieu of normal commercial supplies. When a surplus disposal transaction appeared to involve any risk of disruption of normal trade, consultations between all interested parties should be held before the transaction was arranged.

In conclusion he requested that this item be included on the Agenda for the Fourteenth Session.

Mr. SCHWARZMANN (Canada) stated that his delegation was particularly interested in measures designed to slow down the accumulation of surpluses and hoped that the United States would continue its efforts to achieve this end. A closely related problem was that of agricultural protectionism in which field the United States had an important responsibility. The surplus disposal programme had seriously cut into Canada's market, particularly so far as wheat was concerned, although the recent modifications had lessened the extent of injury. Damage was not limited to exporters but, in the long run, importers were affected as a result of changes in pattern of world trade.

In previous years Canada had found the barter arrangements in United States legislation particularly damaging, but the changes had restored wheat to a normal competitive cash market. Similarly, under Public Law 480, sales had been conducted with greater regard than in the past for the interests of

third countries, largely as the result of a greater measure of consultation. There was still room, however, for improvement in greater selectivity in markets. His Government hoped that when surpluses occurred these would be disposed of without disturbing the normal pattern of trade. He endorsed the principle that surpluses should be made available to meet emergency situations and, particularly, to provide for new consumption in connexion with the economic development of under-developed countries. It was his delegation's conviction that in the interests of both exporting and importing nations such programmes should be directed to the increase of consumption of the commodity by adding the amount of the surplus to normal commodity sales. He hoped that the question of surplus disposals would remain on the agenda and be considered by the committee dealing with the questions raised in the Experts' Report.

Mr. GUNDELACH (Denmark) expressed his Government's hope that in accordance with the Resolution of 4 March 1955 the United States Government would continue to consult interested countries before disposing of surplus agricultural commodities. There were still cases where effective consultations had not been undertaken before surpluses were exported and the result had been a disturbance of the market to the detriment of normal exporters. Such a case had occurred this year when the marketing of surplus butter had caused prices to drop to a level only slightly above that of pre-war.

His delegation felt that most of the harmful effects of disposals could be avoided if the countries concerned were able to ascertain the views of the traditional exporters. Furthermore, it was the opinion that greater efforts could be made to dispose of agricultural surpluses by means of increased domestic consumption of these commodities, particularly if they were offered at the same price as when exported. He was disappointed to note that little progress had been made in finding a solution for the underlying problem which was that of the agricultural support policies of many countries. Such policies encouraged the increased production of goods for which the demand was decreasing and the inevitable result was a surplus production. Hence the only real solution was to bring about a balance between production and consumption.

Mr. VAN OORSCHOT (Netherlands) referred to the secretariat note (L/874) on the activities of the Food and Agriculture Organization. The second paragraph gave the impression that the problem of surpluses was to be considered as a permanent feature of the world agricultural economy. This view had been expressed also by the Chairman of the Inter-Agency Committee on Agricultural Surplus Disposal in a letter to the President of the United States in which he had said that "barring eventualities not to be anticipated, the probability is that our surpluses will continue to be substantially above any normal or desirable carry-over for at least the next five years, even if Public Law 480 operations continue at the current rate for that period". Mr. van Oorschot thought it was essential that the problem should be carefully considered because the trade of countries like the Netherlands had been damaged by the competition of even small quantities of disposals in their traditional markets.

Mr. CASTLE (New Zealand) also expressed his concern at the statement in the second paragraph of document L/874. In the view of his delegation, persistent surplus production was a consequence of agricultural policies which were out of harmony with basic market requirements. Referring to the GATT Resolution he said that the problem was not only one of carrying out full consultation prior to the disposal of surpluses but also of preventing the accumulation of stocks by modifying existing policies of agricultural protection as was recommended in the Experts' Report. He hoped, therefore, that in further discussions on agricultural protectionism the CONTRACTING PARTIES would not make the assumption that the problem of surpluses was permanent.

Mr. Castle expressed his appreciation of work being done to develop methods of disposal, in accordance with the principles developed by the FAO, in promoting additional consumption through economic development and famine relief.

As noted in the Experts' Report, United States agricultural exports under special programmes reached \$2,000 million in 1956-57, which represented over 40 per cent of total United States agricultural exports. According to the Report it was difficult to ensure that only "additional" demand was met and that the trade of other producers was not damaged. It was hoped that the agricultural surpluses which the United States disposed of under Public Law 480 for emergency and famine relief and for economic development would not be made the justification for the continuation of agricultural policies resulting in surpluses.

Mr. BAIG (Pakistan) said that Pakistan had greatly benefited from the disposal programmes in times of famine and hardship and as a measure of assistance in the implementation of plans for economic development. On the other hand, the disposal of cotton surpluses had caused his Government concern because it had resulted in lower foreign exchange earnings. As the underlying causes of these surpluses remained, the situation was likely to worsen. In 1958 Pakistan's sales of raw cotton had fallen considerably as compared to previous years - from about 13½ crores of rupees during the first quarter of 1957 to approximately 7½ crores in the corresponding period of 1958. Exports to one country, with which a bilateral arrangement had been concluded, had increased considerably although not sufficiently to offset the reduction of exports to other trading partners. His Government aimed at multilateralism in its trade relations, but in the circumstances it seemed that bilateralism could not altogether be avoided. While appreciating the attempts which the United States had made to solve the problem of surpluses without disrupting the normal patterns of trade, his delegation believed that further efforts were needed in order to remove the basic causes of the surpluses. As his Government attached great importance to this item, his delegation hoped that it would appear on the agenda of the Fourteenth Session.

Mr. SWAMINATHAN (India) expressed his Government's appreciation for what had been done in the disposal of surpluses to under-developed countries. He wished to draw attention to the fact that, as an under-developed country,

India was likely to continue to have balance-of-payments difficulties for some time. Consequently, it was often necessary to be selective so far as imports were concerned. Under normal circumstances the import of wheat rather than wool would result in unemployment in the wool industry, whereas both were necessary for the economic development of the country. Hence, an overall picture of international trade had to be borne in mind. The Government of India found it impossible to agree to rigid consultation. The delegation was convinced that their consultations had always been more detailed than was necessary under the procedures and that they had been carried out in good faith. His delegation agreed that this item should remain on the agenda and assured the CONTRACTING PARTIES of their co-operation.

Miss LOUGH (United Kingdom) stated that the United Kingdom was less directly interested in the problem than some other governments since it was neither a substantial exporter nor an importer of surpluses. The United Kingdom was concerned, however, that surplus disposals should not be made in such a way as to be detrimental to world trade. It had already been stated that the basic problem was one of agricultural protection. So long as the problem existed, the GATT Resolution and the FAO Principles would be, to some extent, a safeguard for the legitimate interests of third countries. The United Kingdom hoped that the countries concerned would fulfil their obligations so that the difficulties of the problem would be, as far as possible, mitigated.

The CHAIRMAN reminded the CONTRACTING PARTIES that the problem which had just been debated had received attention at great length in 1955, and that on 4 March 1955 a resolution had been adopted which had expressed the views of the CONTRACTING PARTIES on this subject. He felt that at this Session there had been a greater understanding of the common interests involved and that there had been an improvement in the procedural arrangements for disposals.

The Chairman proposed that the item should be retained on the agenda in order that the CONTRACTING PARTIES should have an opportunity to review the progress made whilst consultations continued on an individual commodity basis.

It was so agreed.

The meeting adjourned at 5 p.m.