

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SR.15/13

17 November 1959

Limited Distribution

CONTRACTING PARTIES
Fifteenth Session

Pages 90/91

SUMMARY RECORD OF THE THIRTEENTH MEETING

Held at the Sankei Kaikan, Tokyo; on Tuesday,
10 November at 2.30 p.m.

Chairman: Mr. F. GARCIA OLDINI (Chile)

Subjects discussed:

1. Item 3: Balance-of-payments import restrictions
 - (a) Report on consultation with Italy
 - (b) Annual Report under Article XIV:1(g)
 - (c) Arrangements for consultations in 1960
 - (d) Review of paragraph A:1 of the "hard-core" Decision
2. Item 5: Belgian import restrictions
3. Item 23: Disposal of commodity surpluses

1. Balance-of-payments import restrictions

- (a) Report on consultation with Italy (L/1088)

The CHAIRMAN referring to the report of the Committee on Balance-of-Payments Restrictions on the question of a consultation with Italy, invited the representative of Italy to make a statement.

Mr. PARBONI (Italy) stated that at the conclusion of the consultation between the International Monetary Fund and Italy, the Fund had adopted the Decision that in view of the improvement in the balance-of-payments and monetary reserves situation in Italy, the maintenance by Italy of import restrictions was no longer justified for balance-of-payments reasons. The International Monetary Fund had consequently stated that Italy was in a position to proceed quickly towards the elimination of restrictions, particularly discriminatory restrictions. Consequently, during the consultation with Italy under Article XII of the General Agreement, the Italian delegation had stated that it did not intend to resume the discussion and that the Italian Government would draw the consequences from the Fund's Decision. The Italian delegation was now authorized to add that the Italian Government would inform the CONTRACTING PARTIES at the latest by the sixteenth session of the measures adopted and the programme for the removing of residual restrictions in accordance with the rules and procedures of the General Agreement.

Mr. BEALE (United States) stated that the report of the Balance-of-Payments Committee on Italy reflected the steady and substantial improvement in Italy's trade and payments position. He congratulated Italy on the success achieved and on the fact that Italy was no longer obliged for balance-of-payments reasons to restrict imports. The basic changes were reflected in the Fund's Decision of 7 October 1959 and in the report of the Committee on Balance-of-Payments Import Restrictions. Mr. Beale believed that the present situation required that Italy dismantle its system of import restrictions under which discriminatory restrictions were maintained on a large number of commodities. He realized that the decisions of the International Monetary Fund and of the Committee on Balance-of-Payments Restrictions were very recent but he wished to emphasize that undue delay in the dismantling of the restrictive system would pose very serious problems. While he recognized that there may be special problems applying to a small residue of restrictions, he stressed that progress in the removal of restrictions before the sixteenth session should be so complete as to permit attention at that session to be concentrated solely on plans for dealing with the few remaining special problems, if any.

Mr. KAWASAKI (Japan) congratulated the Italian Government on the remarkable improvement achieved in their balance-of-payments position. He welcomed the statement made by the Italian representative at the Balance-of-Payments Committee that the Italian Government had taken due note of the Decision of the International Monetary Fund and that the Italian representative had no intention of resuming the discussion on the balance-of-payments position. He also appreciated the assurance of the Italian representative that the Government would proceed with the progressive relaxation of import restrictions and discrimination and report to the CONTRACTING PARTIES not later than the sixteenth session. He pointed out that the General Agreement strictly prohibited any contracting party from imposing import restrictions when not in balance-of-payments difficulties. It was therefore quite reasonable for the CONTRACTING PARTIES to expect that Italy would move quickly towards liberalization.

Mr. Kawasaki referred to paragraph 26 of the report and noted that it was the consensus of opinion of the Balance-of-Payments Committee that remaining discrimination applied under Article XIV of the General Agreement should be quickly eliminated. This consensus of opinion clearly indicated that there was no justification for a contracting party without balance-of-payments difficulties to continue discrimination and that such a contracting party should be expected to proceed with the elimination of discrimination at a much faster rate than contracting parties which were in balance-of-payments difficulties. He drew the attention of the Italian delegation to the degree of discrimination applied by Italy against Japanese products, many of which were subject to much less favourable treatment than imports from dollar and OEEC countries. He urged most strongly that the Italian Government eliminate all discrimination.

Mr. REISMAN (Canada) joined in congratulating Italy on its success in overcoming its external financial difficulties and in achieving a position where it was no longer in balance-of-payments difficulties. He welcomed the Decision of the International Monetary Fund which clearly stated that Italy was no longer justified in maintaining restrictions for balance-of-payments reasons. He also welcomed the assurances given by the representative of Italy

that his Government intended to proceed with the progressive elimination of restrictions and discrimination and would indicate to the CONTRACTING PARTIES at the next session the programme it intended to pursue in the complete elimination of restrictions and discrimination.

Mr. Reisman stated that his delegation would have hoped that with the progressive improvement in Italy's balance-of-payments position over the past few years, there would have been a progressive reduction of restrictions and discrimination in keeping with the improvement in the external financial position. It would have been preferable if the Italian representative could have made a clear statement on measures to be taken immediately to bring its import policy into line with the realities of its external financial position; nonetheless, he expressed the hope that the CONTRACTING PARTIES would be informed as early as possible of substantial measures being taken so that it would not be necessary for this item to appear on the agenda of the next session of the CONTRACTING PARTIES. He assured the delegate of Italy that his Government would view with sympathy any of the few remaining problems which Italy may have in the field of import control when the bulk of restrictions and discrimination had been removed.

Mr. PHILLIPS (Australia) associated himself with previous speakers who had congratulated Italy on the improvement in its balance-of-payments situation and on the fact that it no longer imposed import restrictions under Article XII. He said that although this improvement had been assisted by external factors the Italian Government deserved credit for the recent favourable development in its internal and external economic situation. Commenting on the statement by the Italian representative in the Balance-of-Payments Restrictions Committee he said that his delegation was particularly gratified to note that the Italian Government was prepared to draw the required conclusion from the IMF Decision and was ready to carry out its international commitments in accordance with the procedures laid down by GATT. The statement which had just been made by the Italian representative was an additional indication of the Italian Government's intention in this matter. He very much welcomed these statements and expressed the hope that Italy would be able to effect the early and complete removal of import restrictions. In particular it was hoped that by the sixteenth session Italy would be able to report that the process of eliminating import restrictions had been substantially completed.

Mr. HUGHES (United Kingdom) joined with previous speakers in congratulating the Italian Government on its emergence from balance-of-payments difficulties. He said that he was also glad to hear that the Italian Government would draw the necessary conclusion from the IMF report. His delegation realized that time was sometimes needed to enable adjustments to be made to new circumstances and that the Fund's Decision had been taken very recently. His delegation had therefore noted carefully the undertaking of the Italian delegation to report to the CONTRACTING PARTIES as soon as possible, and not later than the sixteenth session, on measures taken and on the programme proposed for the gradual elimination of the remaining restrictions. He agreed with the representative of Canada, that it was important for the CONTRACTING PARTIES that the Italian Government should press ahead with its measures of liberalization with all possible speed so that the restrictions remaining by

the time of the sixteenth session would really be insignificant. He said that although the United Kingdom did not have the same and immediate interest in the remaining import restrictions as, for example, the dollar area, he would want to urge Italy, as the United Kingdom was itself doing now, to open its doors to those who had patiently borne restrictions during more difficult times and to give the Italian economy, without delay, the benefit of free and healthy overseas competition.

Mr. POPOVIC (Yugoslavia) congratulated Italy on the improvement of its international balance-of-payments position. He said that he had been encouraged by the attitude which the Italian Government had taken concerning the elimination of import restrictions during the last three or four years. He felt however, that Italy's estimate of its own economic progress might be too cautious and he asked the Italian Government in the interest of world trade to move fast towards the elimination of remaining restrictions.

Mr. PARBONI (Italy) assured the CONTRACTING PARTIES that he would bring the views expressed during the discussion to the attention of his Government.

The CHAIRMAN invited the CONTRACTING PARTIES to approve the report of the Committee on Balance-of-Payments Restrictions on the question of a consultation with Italy (L/1088).

This was agreed.

The Chairman then called attention to the undertaking which the Italian representative had given on behalf of his Government to submit to the CONTRACTING PARTIES, as soon as possible, and not later than the sixteenth session, a report on the measures taken and the programme proposed for the progressive elimination, in accordance with the procedures and provisions of the General Agreement, of the remaining restrictions.

(b) Annual Report under Article XIV:1(g)

The CHAIRMAN recalled that the CONTRACTING PARTIES had instructed the Committee on Balance-of-Payments Restrictions to examine and complete the text for the Tenth Annual Report under Article XIV:1(g) on the Discriminatory Application of Import Restrictions, and to make recommendations on arrangements and procedures for consultations to be held in 1960 under Article XII:4(b) and Article XVIII:12(b).

The Chairman called on Mr. Naegeli (Denmark), in the absence of the Chairman of the Committee on Balance-of-Payments Restrictions, to present the Discrimination Report (L/1096).

Mr. NAEGELI stated that the Committee had very carefully examined the draft in W.15/1/Rev.1 and had, as specifically requested by the CONTRACTING PARTIES, prepared the concluding paragraphs. The report briefly analysed the evolution of the world balance-of-payments situation and described the most important changes in discriminatory import restrictions. In the concluding paragraphs, attention was drawn to the Decision taken by the International Monetary Fund on 23 October on the subject of discriminatory restrictions.

He expressed the hope that the report faithfully reflected the situation when it stated in paragraph 25 that the Fund's Decision was welcomed and had received the most careful attention at this session. The last two paragraphs of the report were intended to reflect the general views of the CONTRACTING PARTIES.

As a matter of clarification, Mr. Naegeli stated that what was stated in the concluding paragraphs of the report did not entail any change in the rights and obligations as between contracting parties under the General Agreement with respect to their trade with non-contracting parties.

Mr. JHA (India) observed that while it was correct and natural to congratulate Italy on overcoming great balance-of-payments difficulties, the CONTRACTING PARTIES could not congratulate themselves on the fact that one more contracting party was in the position of applying restrictions which had ceased to have the legal backing of the General Agreement. He realized that in the Italian case there was a very forthcoming statement that it was the intention of the Italian Government to move immediately towards liberalization and to make a report at a very early date. Mr. Jha referred to the provisions of paragraphs 4(c) and 4(d) of Article XII which were especially incorporated at the review session having regard to the fact that in due course countries would start emerging from balance-of-payments difficulties. Under these provisions the CONTRACTING PARTIES, on finding that certain restrictions were no longer justified for balance-of-payments reasons could, if they so wished, make recommendations to the contracting party concerned, although so far these provisions had not been made use of in balance-of-payments consultations. This aspect was even more important in the case of discrimination which according to the report of the Committee continued in a way in which there appeared to be no justification under the provisions of GATT. The CONTRACTING PARTIES should consider the matter under Article XII:4(c) where they could deal with it collectively. As the area of discrimination narrowed and attention was concentrated on particular countries, there was the danger that not only the country applying the restrictions but other countries would find it to their advantage that discriminatory treatment be maintained. In this situation the effectiveness of collective consideration of the problem was liable to be undermined and non-discriminatory measures which had been so widely supported in the past might be weakened. Only if the collective approach could be retained could the problem be solved in a multilateral way.

He considered that paragraph 26 of the report of the Committee which stated that there was a consensus of opinion that the remaining discrimination should quickly be eliminated, was an extraordinarily weak statement in view of the weight given by the CONTRACTING PARTIES to this point.

Mr. PHILIP (France) expressed interest in the suggestion which had been made by the representative of India. He said that the suggestion to examine certain problems, not on a case-by-case basis, but on the basis of general rules which could usefully be established on the basis of Article XII:4(c), should be given careful and thorough consideration.

Mr. STEYN (South Africa) said that the representative of India had pointed to a problem of vital concern for the General Agreement. He suggested that in the light of that statement the CONTRACTING PARTIES should look again at the wording of the last paragraph of document L/1096. He felt that the paragraph did not reflect the very urgent and earnest pleas which had been received at this session from all sides about the need for a more speedy removal of the discriminatory aspects of import restrictions.

Mr. TREU (Austria) said that while his delegation supported the present report he wanted to reserve his Government's position concerning the wording of paragraphs 25, 26 and 27, as these paragraphs went beyond the instructions of his delegation.

Mr. BEALE (United States) said that he had listened with interest and that he had been encouraged by the statements of the representatives of India and South Africa. He went on to say that the report before the CONTRACTING PARTIES and especially its concluding paragraphs had been unanimously adopted by the Committee on Balance-of-Payments Restrictions after receiving close study and careful consideration. His delegation felt that in the light of the new situation in world trade and payments the CONTRACTING PARTIES must come forward with language that was not only appropriate but forthcoming. He felt that such action would help to assure public appreciation and support for the GATT. He asked for acceptance of the report as submitted.

The CHAIRMAN said that note would be taken of the reservation made by the representative of Austria and also of the suggestions which had been submitted by the representatives of India and France. He proposed that these suggestions should be taken up and studied at the next session. He invited the CONTRACTING PARTIES to adopt the report by the Working Group.

This was agreed.

(c) Arrangements for Consultations in 1960

Mr. NAEGELI (Denmark) speaking on behalf of the Committee on Balance-of-Payments stated that the Committee had been asked to consider arrangements and procedures for carrying out consultations on balance-of-payments restrictions in 1960. In performing this task, the Committee had the benefit of the experience of the past year and thought that it could do no better than to start with a review of the arrangements and procedures that were adopted for the present consultations. It found that these arrangements and procedures had been effective and had functioned satisfactorily. In the report L/1097 before the CONTRACTING PARTIES, the principal recommendation was that these arrangements and procedures should be continued.

The report listed the contracting parties which were at present invoking provisions of the General Agreement that would require them to consult. It was understood however, that it was possible that some of the countries may cease to apply the provisions in question which could result in fewer consultations next year than anticipated in the report.

In accordance with the suggestion made by the Chairman of the CONTRACTING PARTIES, the Committee had not recommended a definite time-table for the consultations but had left the matter for consideration by the CONTRACTING PARTIES themselves in the light of the general programme which they would no doubt formulate during the present session.

Mr. Naegeli pointed out that the report stressed that contracting parties applying restrictions were most earnestly and urgently requested to keep the secretariat informed of all changes in their import restrictions. He also emphasized that the Committee placed great stock on its members being represented by delegates with experience and on the maximum amount of continuity.

The Report on Arrangements for 1960 (L/1097) was adopted.

The CHAIRMAN stated that the secretariat would submit at a later stage a detailed time-table for the consultations which were to take place in 1960, and informed the CONTRACTING PARTIES that he would propose at a later meeting the composition for the Committee on Balance-of-Payments Restrictions which would conduct the consultations in accordance with the arrangements and procedures just approved. He congratulated the Chairman of the Committee, Mr. van Blankenstein, and Mr. Naegeli, as well as members of the Committee and the International Monetary Fund for a magnificent task.

(d) Review of paragraph A:1 of the "hard-core" Decision

The CHAIRMAN explained that the Decision of 5 March 1955 on "the problems raised for contracting parties in eliminating import restrictions maintained during a period of balance-of-payments difficulties" provided that requests for concurrence of the CONTRACTING PARTIES pursuant to that Decision, had to be submitted not later than a specified date. That date, as specified in the Decision was 31 December 1957, but the time-limit had, by Decisions of 1 November 1957 and 5 November 1958, been extended until 31 December 1959. Representatives of the contracting parties were invited to comment on the desirability and possibility of further extending that time-limit.

Mr. BEALE (United States) stated that the marked improvement in the balance-of-payments and monetary reserve positions of industrialized countries was bringing to a close the period in which these countries could resort to Article XII. He was of the view that, as contemplated in the so-called "hard-core" Decision, governments should arrange for the dismantlement of their restrictive systems in advance of the date of the formal finding that a balance-of-payments justification for quantitative restrictions no longer existed. In order to continue the existence of the mechanism for facilitating the adjustments which the removal of quantitative restrictions may in some instances entail, he was in favour of extending the Decision in its present terms in order that applications may be filed through 31 December 1960.

Mr. KASTOFT (Denmark) felt that the review of paragraph A:1 of the "hard-core" Decision was about to become one of the traditional items on the agenda. The Danish delegation at previous sessions had expressed concern about this development and had only reluctantly accepted the prolongations. Recent

developments in the balance-of-payments situation of a number of contracting parties made it still more doubtful whether a further extension of the time-limit would serve the purpose and aims of the General Agreement. It was the intention that the "hard-core" procedure should provide the framework within which countries which could no longer maintain their restrictions for balance-of-payments reasons would get some time to adjust to the new conditions. The time which had elapsed since the Decision was taken should in itself, have given sufficient opportunities for such an adjustment. Countries which in future had to abolish balance-of-payments restrictions should therefore not need recourse to the "hard-core" Decision. He stated that it would not be acceptable to his delegation if the question became more or less routine. He would prefer to see the expiry of the Decision by the end of this year.

Mr. REISMAN (Canada) stated that his delegation had a great deal of sympathy for the statement made by the delegate for Denmark. There was an unfortunate inclination on the part of some contracting parties who had come to regard the Decision as a more or less permanent provision of the GATT. It was made clear at the time of the Decision that it was no more than a temporary procedure, and one which was designed essentially not to permit countries to maintain restrictions but to help countries remove them. His delegation did not propose to object to a further extension, but would like to stress that there was an assumption in the Decision which was basically fallacious, namely that a country suddenly emerged from balance-of-payments difficulties, and that therefore some special arrangements had to be made to permit that country to adjust. In the ordinary course of events a country would have considerable notice and indications of the direction of its internal and external position, and should, in accordance with the provisions of the General Agreement, progressively bring its import control system into conformity with the realities of its internal and external financial position. Mr. Reisman felt that if such a procedure was pursued there would be fewer "hard-core" applications.

Referring to the statement by the delegate of India, Mr. Reisman stated that the maintenance of a substantive core of restrictions after balance-of-payments difficulties disappeared, was an indication that something was amiss in the progressive adjustment of a country's position. He felt that the suggestion that more use ought to be made of Article XII:4(c) was a good one and related to the very subject now being discussed. He was of the opinion that if Article XII:4(c) was used in the manner intended, the need for the "hard-core" Decision, or pressure for its continuation into the future, would be accordingly reduced.

Mr. McFARLANE (Federation of Rhodesia and Nyasaland) supported the proposal made for the extension of the time-limit. The Federation had consulted during this year and had liberalized certain imports during the last few months. Further liberalization measures were envisaged for the beginning of 1960. His delegation felt therefore that an extension was required even though his Government did not at this stage expect to avail itself of this Decision.

Mr. JHA (India) associated his delegation with the proposal for an extension of the time-limit. He recalled the discussions on the importance of the time factor at the time when the Decision was first taken. He felt that in a realistic appraisal it would be difficult to say that countries which emerged from balance-of-payments difficulties were always in a position immediately to dismantle all their import restrictions. What should be emphasized was not so much the date of application, but whether the country requesting the application of the "hard-core" Decision, in the terms of paragraph 2 of that Decision, could satisfy the CONTRACTING PARTIES that conditions existed which justified the application.

The CHAIRMAN suggested that the secretariat establish a draft decision for adoption by the CONTRACTING PARTIES which would extend the time-limit for application to 31 December 1960.

This was agreed.

2. Belgian Import Restrictions (L/1057)

The CHAIRMAN recalled that this matter had first been considered by the CONTRACTING PARTIES at their meeting on 4 November (SR.15/9), when several delegations had commented on the report submitted by the Belgian Government.

Mr. LONNOY (Belgium) said that, in the absence of new instructions from his Government, his comments would be made on a personal basis. While there was no doubt that the lack of progress in the elimination of Belgian import restrictions was, in principle, very much to be regretted, it should be borne in mind that the restrictions were not based on balance-of-payments considerations but on considerations of a social nature; these, as had been demonstrated in the case of a number of other countries by the work of Committee II, arose from the artificial factors and conditions which affected world trade in agricultural products. While the removal of the Belgian restrictions would, in fact, only have a very small effect on the exports of agricultural exporting countries, such a removal could have a serious effect on Belgian agricultural producers. Mr. Lonnoy went on to refer to the lack of uniformity in the terms of agricultural waivers granted by the CONTRACTING PARTIES in the past. He also pointed to the unfortunate effects arising from the non-ratification of the OTC Agreement; because of this, the General Agreement was deprived of the juridical strength which it should have. In practical terms, he had the feeling that the delegations which had spoken at the previous meeting did not have real grievances. In the case of Australian pears and apples, for example, these arrived in Belgium at a time of the year when they could be freely imported. Denmark's concern over Belgian exports of butter and eggs, the domestic production of which was protected in Belgium, would be reported to his Government. Mr. Lonnoy concluded by inviting other delegations to submit to him concrete examples of damage to their trade arising from the Belgian import restrictions; he would then convey these examples to the attention of his Government.

Mr. PHILLIPS (Australia) said that the situation revealed gave rise to serious doubts as to whether Belgium was complying, or intended to comply, with the waiver. His Government would certainly advise the Belgian Government of the difficulties it was experiencing in trade in certain products. However, from Australia's point of view, questions of principle, as well as of physical trade, arose. In the absence of further evidence, his delegation still maintained their earlier opinion that there would be no real work for a working party to do. His delegation hoped that Belgium would re-examine its position and they proposed that the CONTRACTING PARTIES might ask Belgium to inform them, at the latest before the end of February, of the steps it proposed to take to remedy the present situation. This information could be considered by the Intersessional Committee and the matter further discussed by the CONTRACTING PARTIES at the sixteenth session.

Mr. MORIARTY (New Zealand) said that, although he had suggested the possible establishment of a working party when this matter had been discussed at an earlier meeting, he was prepared to agree to any other appropriate procedure. The references made to social considerations by the Belgian representative had surprised his delegation; an examination of a country's internal social

problems would be contrary to normal GATT practice. He agreed with the representative of Australia that a question of principle was involved, as well as questions relating to the trade of agricultural exporting countries which had the right to seek and expect to be able to find new outlets for their exports; potential as well as present damage to trade had to be considered. He supported the Australian proposal that the Belgian Government should be invited to re-examine the position and advise the CONTRACTING PARTIES before the sixteenth session of the steps it proposed to take. The information provided by the Belgian Government could be examined by the Intersessional Committee and subsequently by the CONTRACTING PARTIES at the sixteenth session.

Mr. REISMAN (Canada), having expressed the disappointment of his delegation at the statement made by the Belgian representative, supported the proposal of the Australian representative regarding the procedures to be followed in dealing with this matter. He pointed out that the maintenance of quantitative restrictions in the circumstances existing in the Belgian case was not legitimate and, in terms of the waiver, the onus to make progress in this matter rested on Belgium. In view of the unhopeful prospect for the elimination of the restrictions, there must be doubt whether maintenance of the restrictions under the "hard-core" Decision could continue to be justified. The CONTRACTING PARTIES should bear in mind this aspect of the problem if there continued to be no progress in the removal of the restrictions.

Mr. KASTOFT (Denmark) said that Denmark could not accept the contention that quantitative restrictions could be justified for reasons of protectionism. Insofar as the uniformity of agricultural waivers was concerned, it was the view of his delegation that, each time a waiver was asked for, the case should be considered on its merits. His Government would be glad to indicate a number of commodities for which Denmark might have developed a market in Belgium if there had been free access for the commodities concerned. It was generally accepted that, when a market for agricultural products was closed, agricultural exporting countries must suffer damage. He supported the procedures suggested by the representative of Australia for dealing with this matter.

Mr. PHILIP (France) said that he likewise wished to raise certain points of principle. First, he hoped that the observation made by the Australian representative that there would be no work for a working party to do would be borne in mind when proposals were made for the establishment of working parties in the future. Further, the importance of social considerations, referred to by the representative of Belgium, had to be recognized and, in his view, the automatic application of the same rules to agriculture as to industry, when the problems affecting each were different, should not continue; this artificial application only led to difficulties. For this reason he could not entirely agree with the representative of Denmark that solutions should continue to be found through the medium of waivers.

Mr. JHA (India) said he agreed with the representative of Australia that a question of principle was involved.

Mr. POPOVIC (Yugoslavia) likewise expressed his disappointment at the statement made by the representative of Belgium. The present situation was detrimental to the trade of both Yugoslavia and Belgium. Further, he could not agree that social problems should be dealt with in a forum concerned with problems of international trade. He supported the procedures proposed by Australia for dealing with this matter.

Mr. HUGHES (United Kingdom) said that, while the United Kingdom had little trade interest in the products concerned, he agreed with other speakers that an important question of principle arose. The fact that a waiver was not being complied with could not be disregarded; the question concerned the enforcement of the existing rules and not their amendment. He therefore agreed with the procedures proposed by the representative of Australia.

The CHAIRMAN, in summing up the discussion, said that several delegations had expressed serious concern about the lack of progress towards the removal of restrictions during the past year. It had been proposed by certain contracting parties, and he understood that this was accepted by the Belgian delegation, that the Belgian Government should re-examine its position under the waiver and advise the CONTRACTING PARTIES as early as possible, and in any event, not later than the end of February 1960, of the steps it proposed to take. The matter would be examined at the sixteenth session, which would take place in May 1960. It was understood, however, that if requested a meeting of the Intersessional Committee could be called before the opening of the sixteenth session.

This was agreed.

3. Disposal of Commodity Surpluses (L/1042)

The CHAIRMAN recalled the Resolution of 4 March 1955, in which the contracting parties had expressed their intention to liquidate any agricultural surpluses they might hold in such a way as to avoid unduly provoking disturbances on the world market. After a discussion on the experience under this Resolution at the thirteenth session, the CONTRACTING PARTIES had decided that this item should appear again on the agenda at the present session.

Mr. BEALE (United States) said that he wanted to bring up to date the summary statements of United States actions relating to agricultural surpluses which his delegation had presented at the four previous sessions. He went on to say that, concurrent with measures to limit the accumulation of agricultural surpluses, including the soil bank and acreage and marketing controls on major export crops, the United States had continued to dispose of agricultural surpluses under the provisions of P.L. 480. In the fiscal year ending 30 June 1959, under Title I sales agreements with seventeen countries, \$770 million of surpluses, at world market prices, had been sold for local currencies. The recipients were mostly less-developed countries, where definite possibilities for increased consumption existed. Under Title II, some \$91 million worth of commodities (at CCC cost and including ocean freight) had been donated to other countries to meet famine or other emergency relief requirements. Under Title III, surplus food valued at \$199 million (at CCC cost) had been donated through voluntary relief agencies and inter-governmental organizations for free distribution to needy persons at home and abroad. Total donations in the year, under Titles II and III of P.L. 480 and other authorities, had come to approximately \$370 million. In addition, under the barter provisions of Title III of P.L. 480, agricultural commodities valued at about \$156 million had been exchanged for strategic materials.

Mr. Beale said it had been five years since the CONTRACTING PARTIES had, in the course of the review session, first discussed surplus disposals and had adopted their Resolution of 4 March 1955 to encourage consultations on surplus disposals and other safeguards for normal commercial trade. It might be appropriate and useful at this time to take stock of the surplus problem and to outline briefly the techniques of surplus disposal which had evolved since that time. The agricultural surplus problem in the United States and elsewhere had proved to be a more persistent one than it had been hoped it might be. His delegation did not agree with those who said it should now be recognized as a permanent problem, or who believed that special surplus disposal programmes were likely to become a permanent feature of international trade. The United States was continuing its efforts to bring

agricultural production into better balance with demand. Progress was being made, although more slowly than the United States would like. His Government hoped that other governments would exert similar efforts to adjust their agricultural policies and techniques along sounder and more sensible lines. It believed that the work of Committee II could prove helpful in this connexion by exposing to governments the magnitude of the problem of agricultural protectionism throughout the world, its high costs, and the barriers it created to normal growth of international trade.

If, five years ago what might be done to curb the accumulation of surpluses had been over-estimated, the possibilities of moving surpluses into consumption without undue disruption of normal commercial trade had also been under-estimated. In the discussions of surplus disposal at the review session, the emphasis had been upon consultation as the technique for protecting normal trade from injury from surplus disposals. The system of prior consultation on Title I agreements had evolved over the past five years along lines which protected the United States' need for freedom of action, yet met the desire of other exporters for advance information on all aspects of proposed Title I sales and for an opportunity to comment upon them. It was supplemented in the case of particularly important or sensitive products by arrangements for regular consultations with other exporters, on a bilateral or multilateral basis. Further, the FAO's Consultative Sub-Committee on Surplus Disposal, which met in Washington at regular intervals, was a clearing house for information and discussion of all aspects of United States disposal activities and those of other governments. In recent months, this Sub-Committee had reviewed the United States barter programme, the provisions of the amended P.L. 480 authority, and United States export policies on dairy products and cotton.

Other important safeguards against disruption of normal commercial trade had been developed. The chief of these was the "usual marketing commitment". P.L. 480 had always required that reasonable precautions be taken to safeguard the usual marketings of the United States. In the beginning, the United States sought to carry out this requirement by including a United States "usual marketing commitment" in Title I agreements, that is, by requiring that recipient countries purchased their normal quantities of the commodities in question from the United States for dollars. Later it became United States policy to look at each case of a Title I sale to see if a global marketing commitment would not suffice to protect the usual marketings of the United States. The United States was presently using only global commitments in its Title I sales of wheat. Increasingly, global commitments, with or without a United States component, were also being used in Title I sales of other commodities. In consultations with other governments on proposed Title I arrangements, it was customary to consult on the nature and size of the proposed "normal marketing commitment".

The "normal marketing commitment" was a technique which tended to ensure that disposals would lead to increased consumption. In addition, as he had already noted, United States Title I sales were directed largely to the less-developed countries, where there was considerable latitude for increased consumption of agricultural products. The procedures for barter operations had also been developed along lines designed to assure "additionality" of consumption. As many contracting parties would know, at a "Food-for-Peace" Conference convened by the United States last Spring and attended at the Ministerial level by the major wheat exporting countries, the United States had invited others to join it in studying the possibilities for improving existing surplus disposal programmes. It emphasized that the United States initiative in proposing such a co-operative effort did not in any way imply a change in its policy of striving to reduce the incentives which resulted in overproduction and the accumulation of surpluses. It had been decided at that Conference to concentrate on wheat in view of the magnitude of the surplus problem in that commodity. The Conference established a Wheat Utilization Committee to act as a consultative body on surplus disposals. This Committee had developed guidelines regarding concessional sales of wheat, which stressed the development of commercial wheat markets and the protection of the interests of traditional wheat suppliers as a primary consideration in arranging concessional sales. It had drawn up plans for a joint survey of ways to use wheat surpluses to promote higher levels of nutrition and economic development, which were now before governments for consideration. It had undertaken studies of the foreign market development activities of the United States and the possibility of participation by other countries; also of the problems involved in establishing national food reserves.

In summary, Mr. Beale said he did not mean to suggest that there were no longer problems between the United States and other exporting countries. One of the two purposes of P.L. 480 was to move United States surpluses into consumption. Given this purpose, there were limits to how far the United States could go to accommodate the concerns or views of other governments in respect of particular transactions or the programme as a whole. But the problems were far fewer and less serious in nature than many people thought they might prove to be. Broadly speaking, the United States was disposing of its surplus stocks in accordance with policies and techniques which gave extensive protection to commercial trade, its own and that of other countries as well - and which resulted in additional consumption, developed new market outlets, and assisted the economic development of the less-developed countries in several important ways. The United States had been greatly assisted in developing these policies and techniques by the frequent exchange of views with other governments which had occurred in the GATT and elsewhere.

Mr. PHILLIPS (Australia) said that, while his comments would be largely directed to the situation existing in the United States, they would concern equally those other countries which engaged in policies of agricultural protectionism. Since Australia was dependent for 80 per cent of its export income on marketing opportunities for primary products, the existence of surpluses and the methods used to dispose of them was of vital concern to his Government. Yet, in a way, the situation was paradoxical. As the Indian Minister for Commerce had pointed out at the Ministerial meeting, the world on the whole was undernourished, and Australia had no wish to see embarrassing surpluses of food in some areas and starvation in others; it therefore fully supported the steps taken to alleviate this situation and welcomed particularly the emphasis placed on measures to increase consumption in areas of under-consumption. Mr. Phillips pointed out that it was, however, in the interest of the countries needing the food, as well as of countries like Australia, that the transactions should be carried out in an orderly manner. Australia had therefore welcomed the invitation to participate in the "Food-for-Peace" Conference to discuss means of making surplus food available to undernourished areas while at the same time protecting commercial marketings. His Government strongly supported the guidelines established by the Wheat Utilization Committee for the concessional sales of wheat. It was, however, concerned about the provision in the recent extension of Public Law 480 enabling the United States Government to engage in long-term credit sales. If used, this provision could create extremely difficult conditions for traditional exporters, principally because the credit terms offered by the United States could become the standard governing normal sales. He noted in this context that, notwithstanding the considerable budget allocations under P.L. 480 and the steady improvement in the consultation procedures on surplus disposal transactions, surpluses of agricultural stocks were still increasing. The improvement in the consultation procedures could, however, be taken as indicating that the United States sincerely wished to take into account the interests of third countries and to avoid, to the greatest possible extent, the disruption of normal patterns of trade. In view of the importance of this item, he suggested that it be placed on the agenda for the seventeenth session.

Mr. MACFARLANE (Rhodesia and Nyasaland) said that, despite the statement in GATT International Trade 1957-58 (page 51) that the importance of tobacco exports under Public Law 480 had diminished continuously, these exports still remained a matter of concern to the Federation's exporters. The Federal Government therefore hoped to consult with the United States Government on the problem of continuing P.L. 480 exports to certain markets, notably those which could not reasonably be regarded as under-developed countries in need of special forms of assistance.

Mr. KASTOFT (Denmark) said his Government appreciated the efforts made by the United States to solve the problem of disposing of agricultural surpluses. The existence of such surpluses had always been a matter of serious concern to Denmark; in this context he mentioned the damage which the disposal of surplus butter had caused during the last year to normal exports of this commodity. He regretted the fact that no move appeared to have been made towards a solution of the underlying causes of agricultural surpluses, and

he considered that, as long as agricultural support policies were maintained by many countries, the item should be retained on the agenda of the CONTRACTING PARTIES.

Mr. THET TUN (Burma) said that Burma had been one of the under-developed countries which had benefited from Title I sales, particularly with regard to raw cotton. He commented on the smooth functioning of the consultation procedures during the last year and said he had noted with interest the view expressed by the United States representative that the United States Government did not regard agricultural surpluses as a permanent feature of international trade. In this connexion, however, he would draw attention to the view expressed by the FAO Group on Grains (see L/1042) that national support policies, together with technological advances, would continue to stimulate an output of wheat and other grains which could not be absorbed by normal effective demand. In the opinion of his delegation the main problem was the policy of agricultural price support and agricultural protectionism maintained by certain countries. Although Burma's primary concern was rice, the disposal of wheat and other grain surpluses indirectly affected the rice market. In conclusion he pointed out that, while the aim was to increase consumption, it was, in practice, difficult to draw a line between normal effective demand and the so-called additional demand.

Mr. REISMAN (Canada) said that his delegation welcomed both the tone and the substance of the report by the United States delegate as it demonstrated the continued concern of the executive of that country to try to reduce the scope of the problem and to meet the legitimate needs of the exporting countries. He also noted with appreciation the success of prior consultations and the technique to protect normal marketings through "usual marketing global quotas" and the establishment of the Wheat Utilization Committee. On the other hand, surpluses of certain commodities continued to mount and it was feared that the pressure to dispose of these was mounting also. He said that increases in agricultural productivity due to improved technology would have to be given more prominence when devising measures to bring the supply of agricultural products into a better relationship with demand. He noted with concern that there had been increases in the United States barter exchanges and he suggested that the United States look very carefully at this programme.

Mr. Van OORSCHOT (Netherlands) said that countries, in the disposal of surpluses, should take the utmost care not to disturb the normal trade of other exporting countries. He joined with the other speakers who had expressed appreciation for the statement by the representative of the United States and for the assurance which he had given in this connexion that the interests of other exporting countries would be taken fully into account.

Mr. JHA (India) said that, speaking for one of those countries which had benefited from the import of surplus commodities on advantageous terms, there were large possibilities for increasing the consumption of foodstuffs. The crux of the problem was not lack of demand but insufficient purchasing power. He said that contracting parties should bear in mind that the provision of

surplus commodities on favourable terms, under credit arrangements or otherwise, enabled developing countries which found themselves in serious balance-of-payments difficulties to support a general level of imports substantially higher than would have been the case if those facilities were not available.

Mr. MORIARTY (New Zealand) said that his delegation was concerned about the view expressed in the note by the GATT secretariat (L/1042) that the existence of surpluses might well be considered a semi-permanent feature of the world agricultural economy. It seemed to him that this statement would only be tenable if one accepted the proposition that the agricultural policies of developed countries which were inconsistent with basic marketing requirements would be continued indefinitely. This proposition was opposed, however, to the basic philosophy of the GATT, and he was particularly pleased therefore that the representative of the United States did not share the opinion that the existence of surpluses should be recognized as a permanent problem. He felt that it would be prejudging the work of Committee III if it was assumed that solutions could not be found which would not only allow increased freedom in the trade of agricultural products but which would also lead to the avoidance of chronic surpluses of agricultural commodities. He agreed with other speakers who had commented on the smooth functioning of the consultation procedures during the last year. He said that his country had always adopted a reasonable and moderate view regarding the disposal of surpluses through donations to assist less-developed countries. Mr. Moriarty associated himself with other speakers who had suggested that the subject of the disposal of commodity surpluses should be included on the agenda of the seventeenth session.

Mr. POPOVIC (Yugoslavia) likewise considered that the item should again be considered by the CONTRACTING PARTIES at the seventeenth session.

The CHAIRMAN said that the discussion had shown that while considerable progress had been made, the problem of surplus disposal was far from being solved. For this reason and, at the request of several delegations, the item would be included on the agenda of the seventeenth session.

The meeting adjourned at 5.20 p.m.