

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES
Twenty-first Session

DISPOSAL OF COMMODITY SURPLUSES

Activities of Other International Agencies

Note by the Secretariat

1. At their twentieth session the CONTRACTING PARTIES instructed the secretariat to continue to follow action taken by other international agencies in the field of disposal of commodity surpluses, liquidation of strategic stocks, and disposal of stocks otherwise held by government agencies, and to report to the twenty-first session (SR.20/2).

2. The present note is accordingly intended to bring up to date the information given in document L/1831; it is divided into four parts as follows:

- I. World Food Programme
- II. FAO Consultative Sub-Committee on Surplus Disposal
- III. Interim Co-ordinating Committee for International Commodity Arrangements
- IV. Organisation for Economic Co-operation and Development

I. World Food Programme

3. The FAO conference, at its twelfth session (November-December 1963) approved the recommendation by the Council of the FAO that the membership of the United Nations/FAO Intergovernmental Committee should be raised from twenty to twenty-four. In addition, with a view to raising the funds available for the Programme to the target originally fixed (\$100 million) the conference adopted a resolution (Resolution No. 3/63) in which it also invites governments to adjust their obligations so that at least one third of total contributions is made available in cash. By the end of 1963, pledged contributions had reached a total of approximately \$90 million, subdivided as follows: \$66 million in commodities, \$6 million in services and \$18 million in cash.

4. It is recalled that under its general regulations, the World Food Programme is authorized to provide food-aid for three main purposes: to meet emergency food needs, to assist in pre-school and school feeding and to implement pilot projects using food as an aid to economic and social development.

5. Assistance to meet emergency food needs is limited to unforeseen emergencies, and such aid has already been extended on several occasions at the request of the governments concerned. It has been decided to reserve not more than 25 per cent of the Programme's commodity resources for emergency aid in 1964 and 1965.
6. Special food-aid programmes, including pre-school and school feeding, with the object of overcoming nutritional deficiencies, although not directly contributing to the economic development of a country, undoubtedly represent an investment which, in the long run, has an important bearing on the growth of its economy. It has been agreed that initially the Programme will concentrate on selected self-contained projects designed to evaluate such factors as the influence of food-aid on school attendance, the health of school children and effects of their receptivity and scholastic achievement. It will also endeavour to explore the scope of expanding educational and training projects by the provision of food to trainees and teachers.
7. Economic and social development projects are designed to determine to what extent and in what form outside food supplies provided on a multilateral basis can assist a country's economic and social development and in what manner such aid should be developed. Such projects are thus the very core of the Programme. Most of the projects at present under consideration relate to agriculture. It is believed, however, that as the scope and character of the Programme come to be better understood, requests for assistance in other fields of interest will be forthcoming.
8. Procedures have been drawn up for the preparation and adoption of economic and social development projects. The experience so far gained has already indicated certain problems in the use of food-aid in economic development. One of these problems arises from the fact that even when human labour is a predominant element and the projects are well suited for the utilization of food aid, there are other costs which must be met. It has therefore been agreed that in order to overcome the difficulties encountered by recipient countries in meeting such additional expenses which often require funds in foreign currency, the Programme might act as an intermediary in locating sources of external aid, including the Freedom from Hunger Campaign, to cover the non-food costs of a project. In other cases recipient countries may, for internal reasons, wish to sell the commodities provided under the Programme rather than distribute them directly in kind, in order to finance development projects. It has been recognized that projects involving such sales shall be exceptional to the general rule and that the Executive Director of the Programme must be guided by the FAO principles for surplus disposal, and consult with the governments concerned. The United Nations/FAO Intergovernmental Committee has authorized the Executive Director of the Programme to undertake price stabilization projects on a limited scale as an aid to economic and social development.

9. According to information available, by 29 November last the Executive Director of the Programme had received twenty requests relating to special food-aid programmes and eighty-seven requests relating to economic and social development projects, from forty-six countries. The distribution of the projects by region was as follows: Africa 32, Latin America 21, Asia 38 and Europe 16.

10. The value of expert studies to supplement the experience gained in experimental projects has been recognized by the United Nations General Assembly and the FAO Conference. The United Nations/FAO Intergovernmental Committee has recommended that the studies should concentrate on the use of food to aid the economic and social development of the less-developed countries and this recommendation has been approved by the United Nations Economic and Social Council and by the FAO Council. At the request of the Intergovernmental Committee, the Executive Director has entered into consultations with the United Nations, FAO, GATT, the European Economic Community, OECD and a number of individual experts, with a view to presenting recommendations concerning the scope of the studies to be undertaken and to organize the co-operation of all the agencies concerned in the study programme.

II. FAO Consultative Sub-Committee on Surplus Disposal

11. In accordance with the established procedures, the FAO Consultative Sub-Committee on Surplus Disposal has been informed in each case in advance of impending agreements under United States Public Law 480. The Sub-Committee has also considered in particular United States surplus disposal policies, legislation and programmes. A procedure has also been adopted for consultations on projects of the World Food Programme.

12. In October 1962 the Sub-Committee had appointed an ad hoc group to retrace developments in agricultural surpluses and their disposal, to assess the implications of current developments, and to submit conclusions and recommendations to the FAO Committee on Commodity Problems. The report on Changing Attitudes Towards Agricultural Surpluses noted that recent developments and statements made in intergovernmental forums indicated that attitudes towards surpluses and surplus disposals were undergoing substantial changes. When the FAO principles of surplus disposal had been drafted in 1954, agricultural surpluses had been considered as the unintentional result of several causes. The report noted that there were now signs of an emerging philosophy that a fuller utilization of food and agricultural producing capacity was to be deliberately sought to meet world non-commercial needs both on humanitarian grounds and to assist the economic development of developing nations. The report considered the implications of such changing attitudes on agricultural production, on the use and the techniques of surplus disposal and on inter-governmental consultation, and stressed that in certain cases it had become increasingly difficult to make a distinction between commercial and concessional transactions in international trade, and within these to identify those constituting surplus disposal.

13. The Committee on Commodity Problems took note of this report at its thirty-sixth session but was unable to discuss it in detail because some governments had not received the study in time to brief their delegates. Since the Sub-Committee had pointed out that in order to arrive at a better understanding of the problems arising from changing attitudes towards surplus production and disposal, more detailed analyses would be necessary, the Committee on Commodity Problems invited the Sub-Committee to study the practicability of the latter carrying out, with the co-operation of FAC member nations, some representative factual case studies to establish whether international commercial trade had been appreciably affected by concessional transactions undertaken by various countries. Such studies would not exclude, where relevant, consideration of marginal cases between commercial and aid transactions, and efforts would be made to take into account the benefits conferred on recipient countries. During the same session, the Committee on Commodity Problems expressed satisfaction with the work accomplished by the Sub-Committee, and several delegates indicated that their governments continued to attach great importance to its activities. These delegates stressed the considerable benefits deriving from surplus disposal programmes. Other delegates expressed concern about certain developments in surplus utilization policies.

III. Interim Co-ordinating Committee for International Commodity Arrangements

14. In its report for 1963 on international commodity problems, and more particularly the liquidation of strategic stocks, (document E/3731), presented to the thirty-sixth session of the United Nations Economic and Social Council, the Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA) noted with satisfaction that its 1962 report had been examined by the CONTRACTING PARTIES at their twentieth session. It seemed to the Committee that not only should the length of time of notification be extended, but also that where possible the appropriate intergovernmental groups should be consulted. The Committee indicated its intention of discussing this subject further in a later report. Lastly, the Committee reviewed the discussions on disposal of commodity stocks which had taken place in certain commodity councils or study groups, in particular in the International Tin Council.

IV. Organisation for Economic Co-operation and Development

15. At their annual meeting in November 1962, the Ministers of Agriculture of the OECD member countries approved a report on the rôle of food in economic development and adopted a declaration regarding the desirability of making adjustments to agricultural production; of taking account of responsibilities with respect to international trade; of avoiding any encouragement to anti-economic production; and of stabilizing international markets. The report emphasized the contribution which food-aid could make to the developing countries; the risks which may be involved in aid of this kind (level of internal production, and third countries); and lastly the necessity of co-ordinating food programmes with other aid programmes. Particular attention was given to the fact that food-aid might encourage the donor countries to be less concerned about making desirable adjustments in their own agriculture.