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WORLD FOOD FINANCING FUND

Memorandum by the Government of Argentina

The following communication dated 13 March 1964 has been received from the Argentine delegation:

"On the instruction of my Government, I have the honour to transmit to you herewith a memorandum entitled: World Food Financing Fund.

"I would be grateful if you would kindly arrange for this text to be distributed to the contracting parties to GATT so that they may be informed of Argentina's position in this regard; that position has been set forth in the Alta Garcia charter in paragraph 12 of the opening statement and in section (b)2 (export commodities of Latin America: temperate-zone agricultural products) of the conclusions, in the following terms:

'12. The protective and incentive measures granted by certain industrialized countries encourage anti-economic agricultural undertakings to produce surpluses, thus causing serious damage to the economy of efficient producing countries in the process of development.

'Having regard to the fact that one of the most serious problems of development is low consumption levels for foodstuffs, so long as such surpluses exist it is desirable for a fund to be in operation to facilitate disposal on a world-wide scale and financial aid to enable such surpluses to be purchased by needy nations.

'(b)2. The disposing of agricultural surpluses on special terms should not be effected at the expense of the export opportunities and intra-regional trade of the developing countries or of the agricultural development prospects of the countries receiving such surpluses.

'International co-operation on surpluses should, in fact, be replaced by financial assistance so as to increase the purchasing power of the recipient countries so that they can buy their agricultural supplies where it best suits them. This will give the disposal of surpluses a more

multilateral character which, in conjunction with the elimination of subsidies, will contribute to a better distribution of world agricultural production, through a World Fund free from the limitations of existing programmes which would be administered with the participation of the countries concerned in each programme as well as the traditional supplier countries.

'Pending achievement of the foregoing solution and so long as surpluses are available for international co-operation programmes, they could be disposed of on a transitional basis in the existing manner, so as not adversely to affect countries at present receiving them.'

Memorandum

The special supplement to the report by the United Nations Food and Agriculture Organization (FAO) entitled "Commodity Review 1962" concerning projections for 1970 on agricultural commodities clearly indicates:

- (i) that the balance of wheat requirements and availabilities in the Far East (excluding Japan), Africa (excluding South Africa), and Latin America (excluding Argentina and Uruguay) would reach a deficit of 20 million cubic metres on the low assumption of production and consumption, and 19 million cubic metres on the high assumption;
- (ii) that this balance would amount to 31 and 4 million cubic metres, respectively, taking all grains together;
- (iii) that by 1970 the low-income countries would suffer from an acute shortage of animal proteins.

Within these margins there is broad scope for international assistance. In 1960-61, concessional sales to countries in the three regions mentioned amounted to 12 million tons; wheat output in the developed countries could more than cover the estimated deficit of 20 million tons in 1970. It should be noted that surplus commodities distributed on concessional terms represent only a very small percentage of total world consumption of foodstuffs.

The food-deficient countries nevertheless attach great value to food-aid programmes. For that reason, an attempt has been made at international level to establish a multilateral aid system to channel part of this food aid on a multilateral basis: the General Assembly adopted Resolution 1496 (XV) for the provision of food surpluses to food-deficient peoples through the United Nations system and Resolution 1714 (XVI) establishing the World Food Programme as a temporary and experimental measure.

Although the objective is beyond dispute, since it would satisfy one of the most urgent needs of an immense section of mankind, the methods selected and applied so far, however, whether on a bilateral and multilateral basis, are not adequate for they do not take account of all the factors involved in the complex problem of the production, marketing and consumption of foodstuffs on the world scale.

First of all, the fundamental origin of food-aid programmes clearly lies in surplus production which had developed under the artificial stimulus of subsidies in the developed countries.

Secondly, it is beyond dispute that the disposal of such surpluses by means of donations, deferred payment sales or on special terms distorts normal flows of international trade and affects the interests of efficient producing countries by depressing prices and discouraging production.

Thirdly, another fact beyond all discussion is that although this type of aid is a valuable contribution for needy countries, it disturbs markets and at the same time has a depressive effect on the agricultural development required for balanced economic growth of the recipient countries, because any agriculture in the process of technological transformation would have difficulty in competing with subsidized imports sold under long-term arrangements.

All these factors must be taken into account when envisaging the reconstruction of international markets on a more equitable basis.

Under the principle of equity, it is logical that preferential attention should be paid to the situation of the food-deficient peoples in the world, who constitute two thirds of its total population. It seems paradoxical indeed that such a situation should exist while a minority produces more than enough to meet its own consumption needs, and while there are efficient areas which have not yet reached their maximum output level.

As recognized in the economic programme prepared for the Atlantic Institute, however, food aid, urgent though it may be, cannot be effective unless it is part of a comprehensive programme.

Such a programme cannot be limited merely to the physical transfer of agricultural products, but must help to establish the requisite infrastructure in the recipient countries to raise the standard of living of their population.

¹This is stated in the document "Latin America and the United Nations Conference on Trade and Development" discussed at the recent meeting of government experts convened by ECLA, Brasilia, January 1964.

As an extension of the multilateral principle, the Argentine Government has given thought to the need to direct international co-operation towards the creation of a multilateral fund which could operate in the United Nations framework.

In this problem, there must be no differences between the developing countries, whether they are foodstuff producers or recipients under food-aid programmes. Solutions can be found which bring the reciprocal interests into harmony.

Accordingly differences must exist with the developed countries. Within the new concepts which should govern international trade, the developed countries must be prepared to take on their responsibilities, which imply that they must reduce and eventually eliminate their subsidized production and must refrain from using such production to interfere with international trade flows. There are also solutions which would enable due account to be taken of the interests of these countries and would facilitate rather than restrain the valuable contribution which they can make to food-aid programmes.

Increasing attention is being given to these solutions as the preparatory work for the Trade and Development Conference is nearing an end.

Having regard to the suggestions made in the present memorandum and the recommendations referred to, the Argentine Government has given careful attention to the most suitable methods of organizing multilateral programmes for financing food aid on a stable basis.

If we cannot conceive a world in which the gap is continually widening between rich countries and poor ones, we can conceive still less a world in which the difference between well-nourished and under-nourished countries is increasing.

The programme envisaged by the Argentine Government would enable food aid to be maintained and raised to appropriate levels without affecting the other fundamental objectives of international trade regarding freedom of access and stability of prices. Briefly, the programme would consist of the creation of a world food financing fund which could function within the framework of the United Nations.

The fund would replace all existing multilateral and bilateral programmes and would be administered on a proportional basis by supplier, contributory and recipient countries.

Its fundamental objective would be to replace present aid in kind by direct financial assistance to increase the purchasing capacity of the countries now receiving such aid.

Its operations would consist of long-term loans to enable the recipient countries to acquire foodstuffs in the country of their choice.

The Argentine Government is firmly convinced that acceptance of a proposal of this kind would be an important step towards the solution of one of the most serious problems which will have to be considered at the Trade and Development Conference. With this conviction, it submits this memorandum for consideration by the Latin American Special Co-ordinating Committee with a view to establishing unified criteria for common action at the United Nations Conference.