DISPOSAL OF COMMODITY SURPLUSES

Activities of Other Intergovernmental Agencies

Note by the Secretariat

At their twenty-second session the CONTRACTING PARTIES instructed the secretariat to continue to follow action taken by other intergovernmental 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-third session of the CONTRACTING PARTIES (SR.22/2).

The present note is accordingly intended to provide background information on activities of other intergovernmental agencies in these fields and brings up to date the information contained in document L/2346 and earlier documents. It is divided into five parts as follows:

1. Consultative Sub-Committee on Surplus Disposal of the Committee on Commodity Problems of the Food and Agriculture Organization.
2. Committee on Commodity Problems of FAO.
3. World Food Program.
4. Interim Co-ordinating Committee for International Commodity Arrangements.

I. FAO Consultative Sub-Committee on Surplus Disposal

The FAO Consultative Sub-Committee on Surplus Disposal of the Committee on Commodity Problems has continued to provide a forum for regular exchange of information and intergovernmental consultation on bilateral and multilateral surplus utilization programmes. It has continued to keep under review amendments to and agreements under Public Law 480 and projects under the World Food Program. It has continued to study certain problems relating to surplus disposal and utilization. The Sub-Committee is presently composed of thirty-two members and twenty-six observers, while forty-nine adhere to the FAO Principles of Surplus Disposal.
In its report to the thirty-eighth session (June 1965), of the Committee on Commodity Problems (CCP), the Sub-Committee noted that in the two years since it presented its report entitled "Changing Attitudes toward Agricultural Surpluses" a mixed picture appeared to be emerging. On the one side, the United States was, according to recent official statements, putting more emphasis on the "hardening" of the terms and conditions of its concessional offerings. It was believed that this may reflect, in part, a possible reduction in availabilities of surpluses of certain commodities which are utilized in food aid programmes by the United States and, in part, a response to the legislative intent of recent amendments to the Public Law 480. On the other side, attention was being given to the possibility of agricultural surpluses emerging in other parts of the world, e.g., in the European Economic Community.

The Sub-Committee also noted that questions relating to surpluses and surplus disposal would be taken up in the Kennedy Round and pointed out that there was a continued interest being shown in food aid problems and policies, not only by governments but also by producer organizations and individuals.

The Sub-Committee recognized that well-established and effective machinery for consultations was essential in order to prevent misunderstandings and to minimize the possible adverse effects on international trade of concessional transactions involving agricultural surpluses, particularly if such transactions should continue to grow in volume and diversity. Although the existing procedures had ensured adequate consultations in most cases, the Sub-Committee noted that a comparatively small proportion of bilateral consultations had not been carried out to the satisfaction of some third countries. Concern also continued to be expressed by a number of countries as to the use of the "tied usuals" provision in Public Law 480 agreements.

The Sub-Committee noted that, while projects under the World Food Program were subject to prior consultation, no such procedures applied to similar types of projects under the bilateral programmes of individual countries involving grants for economic development as provided under Title II of Public Law 480 or commodity grants under the Colombo Plan. The ad hoc group which had been appointed to study this matter pointed out that certain safeguards regarding the Title II programme were written into the legislation to meet the concept of "additionality" and to protect normal patterns of trade. The group furthermore indicated that all the programmes were relatively small. The Sub-Committee agreed with the group's conclusions that there was at present no need to alter the existing arrangements, whereby details of any bilateral grants likely to affect commercial markets are reported to the Sub-Committee, and that members had the opportunity to question any phase of such programmes either bilaterally or in the Sub-Committee.
An interim report of the ad hoc Panel on the "Grey Area", which had been established by the Sub-Committee in July 1963 at the request of the Committee on Commodity Problems, was presented to the CCP as a supplement to the Sub-Committee's Report. It contained a review of the conclusions reached with regard to certain matters of principle, the difficulties encountered, and suggestions for more precise terms of reference. The Sub-Committee was of the opinion that while progress had been relatively slow in distinguishing the "Grey Area" transactions (concessional transactions with commercial features and commercial transactions including concessional elements), the Panel had gained a better insight into the structure of the "Grey Area" and also had agreed on a number of relevant aspects. There was a question whether work in this area should be continued, but the Sub-Committee believed worthwhile results might accrue from further study.

In the Report of the Working Group on Public Law 480 Consultation Period, which was adopted by the Sub-Committee at its 12 October 1965 meeting, the Group found acceptable the relevant United States procedure but suggested that the Sub-Committee should periodically review the effects of the procedure.

II. F.I.O Committee on Commodity Problems

The F.I.O Committee on Commodity Problems, at its thirty-eighth session (June 1965), noted with approval the activities of its Consultative Sub-Committee on Surplus Disposal and stressed the need for their continuation. The Committee stressed that all transactions involving surpluses should be made with strict adherence to the F.I.O Principles of Surplus Disposal and seek to avoid interference with commercial trade. It was agreed that the appearance of new elements in aid programmes, such as the extension of long terms of credit, together with the continuation of certain features of past programmes, such as tied sales, continued to make it necessary for the Sub-Committee to examine all aspects of surplus disposal and food aid programmes. The Committee was pleased to note that current consultation procedures carried out under the auspices of the Sub-Committee were generally working satisfactorily.

The Committee received with appreciation the interim report of the Sub-Committee's "Grey Area" Panel. It agreed that the Sub-Committee should continue its studies on "Grey Area" transactions and determined the terms of reference of its enquiry as follows:

"the work to be undertaken should in particular:

(i) finalize the classification and description of the various types of transactions in the "Grey Area", where it is difficult to establish how the standards of additionality and concessionality apply and how additionality might be safeguarded;
(ii) review commodities other than wheat, including dairy products, feed-grains, oils and oil-bearing materials; and

(iii) include reference to current developments in so far as they may lead to changes in types of transactions or in their relative volumes."

III. World Food Program

During the original three-year experimental period of the World Food Program (1963-1965), $94.6 million was contributed towards its $100 million target to stimulate economic and social development and to help governments meet natural and other disasters. By January 1966, all but for $1 million had been committed: $24.4 million for emergency feeding operations and $65.2 million for economic and social development ($4 million administrative costs).

Following discussion in the CCP and the Intergovernmental Committee of the World Food Program and recommendation by the Economic and Social Council (Resolution 1080 (XXXIX) of 30 July 1965) and by the FAO Council (Resolution 3/44), the United Nations General Assembly (Resolution 2095 (XX) of 20 December 1965) and the FAO Conference (Resolution 4/65) decided to extend the World Food Program on a continuing basis for as long as multilateral food aid is found feasible and desirable, on the understanding that the Program will be regularly reviewed before each pledging conference and that, if circumstances so require, it may be enlarged, curtailed or terminated at the end of any period for which resources have been pledged. For the three-year period 1966-1968 a target of $275 million for voluntary contributions was established, of which not less than 33 per cent should be in cash and services. At the 1966 United Nations Food and Agriculture Organization Pledging Conference on the World Food Program held on 18 January, $208.2 million was pledged. Of the total, $141.6 million was pledged in commodities, $33.6 million in services, $32.3 million in cash and $0.7 million was unspecified.

Recognizing that various proposals intended to make the World Food Program a more effective instrument of international cooperation, including the proposal to convert it into a world food fund, have given rise to a number of fundamental issues, the United Nations General Assembly (Resolution 2096 (XX) of 20 December 1965) requested the Secretary-General - in co-operation with the Director-General of the FAO and in consultation with the executive heads of other interested international organizations and programmes, and utilizing the total facilities of the United Nations - to examine the means and policies which would be required for large-scale international action of a multilateral character, under the auspices of the United Nations system, for combating hunger effectively.
IV. Interim Co-ordinating Committee for International Commodity Arrangements

At its twenty-third session (December 1964), the Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA) reviewed action taken in respect of government-held surplus stocks of strategic commodities. This review led the Committee to suggest that UNCTAD consider adopting the following, general principles which differ from the 1955 Resolution of GATT:

"(a) Any government intending to liquidate a substantial quantity of surplus stocks should give to UNCTAD at least sixty days' prior notice of such intention, except where an intergovernmental study group or commodity council requests disposal;

(b) Prior to the adoption of a definitive programme for disposal, consultations should be entered into with other interested governments, and with the appropriate study group or commodity council, where such exists; due consideration should be given by the government holding the stocks, in formulating its final programme for disposal, to any recommendation made by other interested governments, or by the appropriate study group or council, in the course of such consultations;

(c) In the case of a commodity in respect of which an international agreement exists, government-held surplus stocks should serve to supplement and not impair the effectiveness of that agreement;

(d) In arranging disposals, attention should be given to the condition of the market; in particular, disposals should take place in such a way as not to disrupt the market."

On the basis of Recommendation A.V.I. of the Final Act of UNCTAD, the United Nations General Assembly on 8 January 1965 adopted Resolution 1995 (XIX) which provided that the UNCTAD Board will establish a Committee on Commodities which, inter alia, will carry out the functions performed by the Commission on International Commodity Trade (CICT) and the Interim Co-ordinating Committee for International Commodity Arrangements. At the first session of the Trade and Development Board in March-April 1965 it was agreed to establish an Advisory Committee to the Trade and Development Board and to the Committee on Commodities to replace the Interim Co-ordinating Committee for International Commodity Arrangements.

V. United Nations Tin Conference

The United Nations Tin Conference, which met during March-April 1965, drafted a Third International Tin Agreement with a duration of five years, to enter into force provisionally or definitively on a date between 1 July 1965 and 1 July 1967 depending on the state of ratifications and any extension of the
Second Agreement. The Third Agreement contains an article on disposals from non-commercial stockpiles, a subject covered by an ancillary provision of the Second Agreement. Under the new Agreement, adequate notice of disposal plans must be given to the International Tin Council and publicly, and the Council must promptly enter into discussions with the country giving notice of disposals. The Council must also review from time to time the progress of disposals and may make recommendations to the country concerned. The disposals must be made with due regard to the protection of producers, processors and consumers against avoidable disruption of their usual markets. Account must also be taken of the consequences of disposals on investments of capital in exploration and development of new supplies and on the health and growth of tin mining in the producing countries. The quantities and periodicity of disposals must not interfere unduly with production and employment in tin in the producing countries and must avoid creating hardships to their economies.