8 March 1957

INTERNATIONAL TRADE – 1956

A Report by the Secretariat on Trade, Trade Barriers
and the Activities of the CONTRACTING PARTIES

"International Trade – 1956" is in the course of preparation by the
secretariat and, prior to publication, copies of the drafts of various
sections will be distributed to contracting parties on their completion.

The drafts of Sections C and D of Part II, dealing with Bilateral
Trade Agreements and Export Promotion are attached hereto. Any contract-
ing party wishing to make suggestions is requested to do so not later than
15 April 1957.
BILATERAL TRADE AGREEMENTS

1. In the early postwar years, when the entire trade of many countries was subject to licensing control and severe restriction, bilateral negotiation constituted the only effective means of reopening the channels of commerce and, consequently, the bilateral trade agreements concluded in those days could be considered as necessary, or even beneficial, to international exchange. But in recent years, the emergence of freer arrangements for payments, the extensive liberalization of trade and the introduction of global quotas for imports subject to restriction have considerably reduced the scope for the negotiation of agreements involving the exchange of specially favourable treatment. Most agreements of this nature now in existence provide for quotas on an extremely limited number of products, and even where a lengthy quota schedule is included the quotas may have no effect on trade as they frequently include items which are no longer subject to restriction; such quotas serve merely to give an assurance of a market in the event of the restrictions being reimposed. Further flexibility derives from the fact that the quotas are minima rather than maxima, and in some cases from the inclusion of an "improvement clause" expressly providing for the upward revision of quotas during the agreement's validity and when warranted by the requirements of the importing market and when permitted by the financial situation. The diminishing scope of bilateral trade agreements of this type, and the fact that their provisions are becoming less and less rigid, however, should not be taken as a sign that they will soon be discarded; probably they will remain in existence so long as discriminatory restrictions are retained.

2. Bilateral agreements of a second type, which has been gaining ground in certain parts of the world, provide only for simple indicative lists of goods which the partner countries are prepared to import and export, with no specification of quantity or volume for each product. Normally, the commodity lists can be altered or supplemented by mutual consent and trade is not limited to the items listed. These list agreements are in the nature of goodwill understandings in which the partners express their willingness to establish and expand trade relations as much as possible. Generally, they manifest the desire of under-developed countries to find new markets for their staple exports and to diversify their trade relations by establishing direct commercial contacts with countries with which trade in the past has been channelled through entrepôt centres.

3. A third type of trade agreement is principally concerned with broadening the scope of trade and with the balancing of payments between the partner countries, rather than the promotion of specific exports or the securing of specific imports, although a commodity or quota list is almost invariably included. The commodity lists provide a basis on which estimates of the imports
and exports of each partner are made, and the final aim is to achieve a balanced trade or an agreed imbalance to work off outstanding debts, payments arrears, nationalization claims, etc. Excessive balance has to be settled within a specified period by additional shipments of goods, and failing that by payments in a transferable currency such as sterling.

4. In the following paragraphs agreements of all three types concluded or modified in 1956 - and these include agreements between free-trading and state-trading countries - will be discussed, but for the sake of convenience they are dealt with by geographical area rather than by type of agreement.

Europe

5. In the trade among the West European countries only a small proportion of imports is now covered by bilateral quota commitments, although a fairly complete network of quota agreements is still in existence. Some of these countries are more inclined than others to retain import restrictions on certain commodities as a bargaining weapon in trade negotiations. In some cases restrictions on intra-European imports are maintained because of bilateral commitments to other, including non-European, countries, e.g. the restrictions on citrus fruit applied by several European countries in order to give effect to their import commitments to Israel and Spain.

6. In the past year there was little change in this network of intra-European agreements, most countries merely renewing or extending their existing agreements while adapting the quota lists to the liberalization measures introduced since the previous negotiations. Among the goods under bilateral quotas the following figure prominently: vegetables, fruit, fish, coal, coke, certain chemicals, pharmaceuticals, motor-cars and a miscellaneous range of luxury items such as wines, jewellery and sports articles.

7. In 1956 the Benelux countries for the first time negotiated commercial agreements jointly. Agreements were signed with Denmark, Portugal and the United Kingdom and similar agreements were contemplated with several other OEEC countries. In the agreement with the United Kingdom, separate quotas for the BLEU and the Netherlands were established only for the import into the United Kingdom of flower bulbs. Reflecting the diminishing scope of bilateral quota arrangements, the agreements which Sweden renewed with Austria and Finland no longer contained quota lists of imports into Sweden on account of the limited number of products under restriction. With the extension of liberalization treatment to Finland, the Netherlands deleted its quota list from its agreement with that country.

8. On the Finnish side, the introduction in 1955 of the automatic licensing procedure had also reduced the field of trade that could be covered by bilateral commitment agreements. Further, by agreement with certain OEEC countries all or part of the proceeds of Finnish export earnings to these countries were made transferable into other EPU currencies. Where no such facilities exist, bilateral balancing is still sometimes considered desirable. For example, in
the first postwar trade agreement between Finland and Spain concluded last year a balanced trade was aimed at. Spain continued to have quota agreements with all OEEC countries. Following the re-establishment of diplomatic relations with Austria, a new agreement was signed which ended a trade interregnum of ten years. Spain, however, encountered difficulties in the renewal of bilateral agreements on account of the heavy frost in early 1956, which severely affected citrus fruit and other agricultural production. The situation was met with increases in swing credits, reductions in export quotas for agricultural products and increases in the quotas for minerals, dried fruit and cork.

9. Between the countries in Western Europe and those in Eastern Europe there is a fairly complete network of bilateral trade agreements; in fact, with the exception of Ireland and Spain, all Western European countries have agreements in force with most countries in Eastern Europe. As at the end of September 1956 there were some 110 such agreements in force. Most of these agreements were inter-governmental, but in the case of East Germany the agreements governing its trade with Western European countries, with the exception of Finland, Greece and Portugal, were concluded with trade organizations, such as Chambers of Commerce, on the Western side. The trade arrangements concluded in 1956 by Portugal with Czechoslovakia, East Germany, Hungary and Poland took the form of global compensation agreements with quota lists, signed by the Bank of Portugal, which superseded the previous arrangements for barter based on private compensation.

10. The volumes of trade covered by the agreements signed in 1956 were mostly higher than those of the previous periods. However, past experience has shown that the Eastern partners are likely to fail to fulfill their import obligations. The general tendency, consequently, has been to use more flexible forms of arrangements relying on global compensation supplemented by swing credit provisions, rather than strict barter. The new arrangements made by Portugal, mentioned above, were a case in point. Other instances included the agreements entered into between trade organizations in East Germany and Denmark. Under a supplementary agreement, signed in December 1956, a part of Danish exports of poultry were to be paid in transferable currencies.

Latin America

11. In Latin America the evolution which started in 1955 towards more liberal economic and commercial policies, has continued to foster departures from bilateral trade and payments arrangements. Certain important trading nations in this region fundamentally revised their foreign exchange systems and relinquished the product-by-product control of imports, quantitative restrictions being retained only for certain specified products. The effect of these measures on the scope of bilateral trade was not dissimilar to that of the liberalization measures taken by the countries in Western Europe. Further, bilateral balancing of trade, which was once vital to the solvency of some Latin American countries, has become less necessary as a result of the multilateral payments arrangements which have been developed in the last two years.
As has been mentioned in the preceding chapter, Argentina and Brazil entered into multilateral arrangements with a number of countries in Western Europe whereby their export earnings in any of the European currencies concerned were made transferable for payment of imports from the other European countries. As deficits with individual countries ceased to be of concern, bilateral trade agreements were either withdrawn or progressively modified to accord with the freer payments arrangements. For example, in some of the agreements which Brazil renewed with West European countries quotas for imports into Brazil were no longer established. The new trade and payments agreements which Chile signed with West Germany contained no quota schedules or lists of commodities; it provided for settlement in convertible currencies, and on the German side for the extension of dollar liberalization treatment to Chilean products. The same effects may be seen in the abolition of quantitative restrictions following exchange reform in Uruguay, Paraguay, and Bolivia.

12. In spite of these encouraging developments a significant part of the trade of Latin American countries has continued to be governed by quota agreements or deals involving barter or compensation. The reluctance of some of the countries to relinquish the use of bilateral agreements may be explained by the persistent shortage in foreign exchange reserves and by their desire to expand intra-regional trade, especially in industrial products. For this reason several intra-Latin American agreements provided for free importation of certain manufactured goods and other commodities which are of particular interest to the partner countries. In cases where payments relations were not affected by the multilateral payments arrangements trade agreements still provide for bilateral balancing or barter. For example, the agreements between Argentina on the one hand and Bolivia and Paraguay aimed at an equalization of imports and exports. The agreement between Brazil and Bolivia involved compensation and the exchange of Bolivian minerals for manufactured goods. Colombia concluded new agreements with Denmark and Italy setting up special accounts maintained in accounting dollar units; no quota lists were involved and the trade balances at the expiry of these agreements will be used entirely for imports from the debtor partners.

13. In 1956 Uruguay concluded an important agreement with the USSR with a view to developing its exports of wool, particularly wool tops, hides and skins and meat. Trade conducted under the agreements previously signed with Czechoslovakia, Eastern Germany and Poland has generally resulted in substantial surpluses, principally owing to insufficient deliveries from the East European partners. Brazil has concluded quota agreements with Czechoslovakia, Hungary and Poland involving bilateral balancing. In January 1956, the licensing of exports to these three countries with which Brazil had accumulated excessive surpluses was temporarily suspended. A trade and payments agreement is in force between Chile and Czechoslovakia. In the past year Chile concluded a barter agreement with Eastern Germany whereby nitrates are exchanged for miscellaneous capital goods. Argentina maintains trade agreements and clearing arrangements with the USSR, Czechoslovakia, Poland and certain other East European countries. Paraguay has a trade and payments agreement with Poland, and Peru one with Czechoslovakia.
Asia and the Middle East

14. In the Far East, Japan has continued to reduce the proportion of its trade which is conducted under bilateral arrangements. Until 1955 all Japanese agreements with countries outside the dollar and sterling areas aimed at a balanced trade and involved the settlement of payments through clearing ("open") accounts. During 1956, the steady improvement in the competitive position of its exports and the substantial increase in its foreign exchange reserves permitted Japan to abolish such bilateral arrangements with a number of countries, including Argentina, Italy, Sweden and Thailand, in favour of settlement in convertible or transferable currencies. Japan has also been negotiating with Brazil with a view to participating in the "limited transferability" arrangements. In its trade agreement concluded with Sweden, Japan agreed to accord the same treatment to Swedish products as to goods originating in sterling area countries, and reciprocally Sweden extended its OEEC liberalization measures to Japanese products. The quota agreement between Japan and the United Kingdom which expired in September 1956 was renewed after protracted negotiations. Under the new arrangements the United Kingdom relaxed somewhat its restrictions on Japanese products while Japan gave additional facilities for United Kingdom trade. The agreement concluded in 1956 with the Federal Republic of Germany providing for the mutual liberalization of imports and for the liquidation of outstanding Japanese deficits under the open account arrangements, was terminated early in 1957. Negotiations with Italy for the renewal of the existing trade agreement have so far been unsuccessful. The difficulties in the renegotiation of these agreements arise mainly from Japan's request for less discriminatory treatment of its exports.

15. In 1956 India concluded agreements with Burma and Chile. These agreements contained no quota provisions but a list of commodities to be traded. Several other agreements were extended and the commodity lists of some long-term agreements revised. In 1956, Pakistan concluded its first agreements with Australia, Poland, Syria and the USSR. Towards the end of 1956, Pakistan had some sixteen trade agreements in force, most of which were of the indicative list type with validity periods of one year and provision for automatic extension. Under the agreement signed with France, Pakistan undertakes to issue single country licences for imports of specified non-essential goods when the French purchases of cotton exceed a specified level. Similar agreements have been entered into with Western Germany and Italy.

16. Indonesia has recently been moving in the direction of limiting the use of barter, and a similar trend can be noticed in Burma and Ceylon. The agreements which Indonesia renewed or concluded in the past year were of the trade list type. Indonesia's trade and payments relations with Japan have continued to be complicated by the unresolved reparations question. Ceylon has bilateral trade agreements with several countries in Western Europe and a few countries in the Middle and Far East. A long-term bulk purchase contract for rice imports is in force with Burma. Most of these bilateral arrangements are in the form of list agreements aiming at bilateral balancing and establishing clearing accounts conducted in sterling.
17. Except for Israel, the Middle Eastern countries usually resort to list agreements whereby the partners agree to exchange commodities for minimum total amounts. In the agreements concluded between member states of the Arab League arrangements are often made for barter deals with payments to be settled through clearing accounts supplemented by swing credits. The objective of achieving bilateral balancing, however, is not always fulfilled.

**Eastern Europe and Mainland China**

18. In recent years the energetic efforts made by Eastern European countries, the USSR and Mainland China to develop trade with countries in Asia and Latin America have resulted in a widening network of trade and payments agreements. In the negotiations conducted in the past year for the extension or renewal of agreements, the East European countries generally showed a greater readiness to import substantial amounts of consumer goods. In some cases increased quotas for such commodities were agreed upon. Towards the end of 1956, the USSR had some thirty trade agreements in force with countries in the Western world and Asia. During 1956, the USSR concluded its first agreements with Indonesia, Pakistan and the Yemen.

19. Among the other Eastern European countries, Czechoslovakia and Poland have developed the most complete system of bilateral agreements, having each some thirty-five to forty in force. During the past year, Czechoslovakia signed its first postwar agreements with Australia, India and the Yemen, and Poland with Afghanistan, Australia, Japan and Pakistan. The agreement between Czechoslovakia and Pakistan, as well as that between Hungary and the latter, were renewed.

20. The USSR and Finland are partners in tripartite agreements with Czechoslovakia, Eastern Germany and Poland. The import surplus of the USSR with Finland is to be offset by export surpluses of the latter countries to Finland. Recently, however, Poland has demanded payments in Western currencies for its coal exports and proposed a revision of the triangular arrangements.

21. The agreements which the USSR and the other East European countries had signed with Yugoslavia by the end of 1954 and in 1955 when they resumed trade relations, were renewed in 1956. Although actual trade in 1955 had fallen short of their envisaged targets, quotas for 1956/57 were raised in many instances. The agreements also involved a series of long-term arrangements covering commercial and financial debts, compensation for losses incurred through the interruption of deliveries in 1948 and various types of credits and investments.
22. Mainland China renewed or extended trade and payments agreements with all countries in Eastern Europe except Albania, with which no agreement is in force, and with Finland, Indonesia and Japan. The agreement with Ceylon is essentially a long-term barter arrangement whereby annually determined quantities of rubber are exchanged against agreed quantities of rice at prices which are determined periodically. New agreements were concluded with the Lebanon, the Sudan, Syria in the Middle East, with Cambodia, North Korea, Viet Nam and Outer Mongolia in Asia, and with Yugoslavia and Uruguay. These agreements mostly provided for bilateral balancing of trade and for settlement in transferable currencies such as sterling. Trade with Burma, Ceylon, Egypt, India and Indonesia is conducted under agreements previously signed.
abolished export subsidies on coke, certain qualities of coal, most types of iron and steel products and some wines, and reduced the export subsidy for super-phosphates and potassium products from 5 per cent to 2 1/2 per cent. It was announced on 8 November 1956 that the United States would pay no export subsidy on the 1956/57 crop of oranges and grapefruit; in 1955/56 payments had totalled $3.3 million. From 1 August 1956 exports of cotton textiles have been granted a subsidy in the form of an equalization payment based on the difference between the domestic and export price of the raw cotton content of the goods exported; this was designed to protect the competitive position of the domestic cotton textile industry against cotton products manufactured abroad from United States raw cotton purchased at the lower export price. In September 1956 the United States granted a subsidy on exports of poultry meat to the Federal Republic of Germany.\footnote{Turkey introduced an export subsidy on raw cotton for the 1956/57 export season designed to cover the difference between domestic and world market prices and on 15 August 1956 increased the subsidy granted for exports of dried figs to countries with which clearing agreements were in operation.}

11. As regards countries not contracting parties to the GATT it has been observed that Mexico extended through 1956 the operation of its export subsidies on bananas, chicle and candelilla wax, and Paraguay increased the subsidy granted for exports of quebracho extract and instituted subsidies on the export of bananas, pineapples and grapes.

Export incentives

12. In addition to subsidy payments, there are many and varied measures being applied by governments which have the effect of stimulating their export trade without involving any direct payment by the government to exporters. Although their effect on trade may be similar to actual export subsidies it is more convenient to group these measures under the heading of export incentives. It is difficult, however, to estimate the effects such measures have on the terms of competition.

13. It will be recalled that in January 1955 the Council of the OEEC adopted a Decision requiring members to discontinue, by the end of 1955, certain legislative measures and administrative actions which afford artificial aid to exporters. The measures covered by this Decision include currency retention schemes which involve a bonus on exports, direct subsidies, the remission of direct taxes or social welfare charges on industrial or commercial enterprises, the charging of premiums under export credit guarantee schemes at rates lower than those appropriate and deliveries of imported raw materials below world prices.

14. Although most members of the Organization had reported by April 1956 that their practices were in compliance with the Decision there were a few exceptions. France, the special position of which has been recognized by the OEEC Council, still maintains an export subsidies system and other export aids although in the case of certain types of iron and steel products and most types of wines the reimbursement of fiscal and social charges was discontinued during 1956 (in addition to the action on subsidies mentioned in\footnote{A complaint to the CONTRACTING PARTIES concerning this subsidy is mentioned in Part III.})
the previous section) while export aids on some textile goods and other commodities were reduced. Denmark still operates a dollar export incentive scheme but on 1 January 1957 the premium, which is in the form of special import entitlements, was reduced from 10 per cent to 7.5 per cent of dollar exchange earned. Greece and Turkey, owing to special conditions in those countries, have been exempted from full compliance with the OEEC Decision.

15. During 1956 the OEEC made further progress towards the abolition of artificial aids to exports. In May the Ministerial Committee for Agriculture and Food adopted a Resolution calling on members to reduce gradually the extent of the aids to exports of agricultural and food products. With a view to strengthening the Decision of January 1955, proposals were made to extend its provisions to cover the abolition of additional export aids, not expressly referred to in the Decision, through the adoption of such measures as the abolition of any financial support which has the effect of stimulating exports and the prohibition of subsidies at any stage of production or distribution. In July the Council of the OEEC decided that the operation of the provisions of the Decision of January 1955 would be extended for a year with effect from 1 October 1956. At the same time a study was undertaken to review the progress made by the member countries in the reduction of artificial aids to exporters. This study will take into account the work of the agricultural committees and the proposals mentioned above; a report is to be submitted to the Council before 30 June 1957 with recommendations for completing and strengthening the provisions of the Decision of January 1955.

16. The need to provide for longer credit arrangements than normal, particularly in order to promote trade in capital goods with the underdeveloped countries, has led to special efforts being undertaken by many governments to assist exporters to offer favourable terms of payment extending over a long period. Larger and longer-term credit to exporters than is usually available is provided at a low rate of interest through government agencies and acts as an inducement to exporters to expand their business and secure markets.

17. Furthermore, the trend towards the increased use of export credit guarantee schemes has continued. These schemes cover the exporter against risks (such as insolvency, default, restrictions on the transfer of payments and political and war risks) which are not normally accepted by commercial insurance companies. At the beginning of 1956 export credit guarantee schemes were in force in most European countries, the United States, Canada and Japan. During 1956 new schemes were brought into operation in Australia and Finland and plans have been drawn up for their introduction by India and Ireland. In addition, Austria increased the amount of funds available for export guarantees and the United Kingdom reduced premiums for transactions in certain markets. On the other hand, the Federal Republic of Germany, faced with an excessive payments surplus, increased the share of the risks to be borne by exporters.

18. In Asia currency retention schemes have continued to play an important role in export promotion techniques. From 1 September 1955 Taiwan permitted exporters to retain 80 per cent of foreign exchange earned to finance imports of required raw materials. Pakistan extended the operation of its import entitlement scheme until 30 September 1957 and introduced minor modifications.
to the lists of export products under which entitlements are granted; under this arrangement exporters of specified commodities are granted additional import licences, over and above normal licensing arrangements, on the basis of a certain percentage of their exports. On 6 August 1956 Indonesia replaced the system of paying export bonuses in rupiahs by payments in foreign exchange; the foreign exchange is made available in the form of freely negotiable certificates which may be used to finance imports or sold on the open market. The export bonuses range from 3 to 20 per cent according to the competitive "strength" of the commodity as an export item. Viet Nam also introduced an import entitlement scheme in 1956 whereby exporters are permitted to use up to 15 per cent of their sales proceeds to import goods specified on a list of over fifty luxury and semi-luxury items.

19. In this region further attention has also been given to the indirect methods of export promotion, already widely employed by governments of leading commercial countries, such as the interchange of commercial information, market research, the establishment of export promotion agencies or councils and participation in international trade fairs. In 1956, Afghanistan established new export promotion committees for wool and carpets, and Burma instituted an Export Co-ordination and Development Committee to obtain market intelligence and recommend policies for promoting exports. India set up seven more export promotion councils (plastic manufactures, engineering goods, tobacco, pepper, hides and skins, mica and shellacs). With a view to developing new export markets in the Middle East and Latin America, Japan limited barter trade primarily to commercial transactions with those countries for the period April - September 1956.

20. In Latin America many countries maintain multiple currency arrangements which provide rates more favourable for the conversion of the foreign currency proceeds of some exports than of others. In April 1956 Chile introduced fundamental changes in its exchange system including the abolition of different exchange rates for various categories of exports. These and other multiple exchange practices were described by the International Monetary Fund in the Seventh Annual Report on Exchange Restrictions 1956. Since that report was issued it was announced on 17 May 1956 that Brazil had changed the classification of products for export bonuses and all commodities except coffee, cotton, cocoa and hides received higher bonuses from that date. On 4 August 1956 Uruguay revised its system of exchange rates designed to stimulate trade in the principal export commodities with particularly favourable rates for frozen meat and other competitively "weak" products. With effect from 13 November 1956 Nicaragua increased the rate of conversion for proceeds from exports of cotton above the standard level applicable to all other exports. The special conversion rate for cotton is to operate on a sliding scale basis and will decrease as export prices rise.

Disposal of surpluses

21. The continued accumulation of large surpluses of basic commodities, resulting principally from internal price support policies, has led to greater difficulties in finding outlets for them on world markets without causing undue interference to normal commercial transactions. There are also
indications that surpluses of agricultural products have developed in some countries which are normally net importers of the product concerned. The arrangements for the disposal of surpluses in 1956, described in this section, formed a distinct feature in international trading relations for that year.

22. In Canada during the period under review there continued to be substantial carry-overs of wheat for which the Government maintains a support price, and efforts were made to find markets for some of the surplus in Eastern Europe. In February 1956 a three-year agreement was concluded with the Soviet Union providing for the purchase of 44,000,000 bushels of Canadian wheat at prevailing world market prices. An arrangement was also made with Czechoslovakia for the sale of wheat and barley - 25 per cent to be paid in cash and the remainder over a twelve-month period. In addition over 9,000,000 bushels were sold to Hungary and Poland.

23. There was no change in the system in force in France, described in last year’s report, which provides for the subsidized export of surplus wheat, sugar, meat, butter and wine. There was a marked fall in wheat exports, however, as a result of the bad harvest. In order to assist the sale of 90,000 bales of surplus cotton Brazil reduced the export price to a level 12 per cent below New York cotton future quotations. Finland exported agricultural surpluses below the domestic price; these sales included 12,400 tons of cheese, 11,400 tons of butter and 2,200 tons of eggs. Norway sold quantities of surplus beef to several European countries.

24. In the United States the Commodity Credit Corporation at the end of the calendar year 1956 held stocks of various agricultural products acquired under the price support programme valued at approximately $7 billion as compared with $6 billion at the end of 1955. The fall in overall stocks held was mainly due to substantial reductions in stocks of cotton and butter; the stocks of wheat also decreased while there was an increase in holdings of corn. These values are in terms of CCC cost which represents the cost of the commodities to the Corporation including investment, processing, handling and other costs. Not all the Corporations holdings are true surpluses since a part represents normal carry-over and reserves against unforeseen emergencies. On the other hand some other commodities, not held in Corporation inventories, principally tobacco, lard and vegetable oils are also in surplus supply.

25. As a means of reducing agricultural surpluses, the United States Government has inaugurated a Soil Bank Programme. The measures, intended to restrict total acreage through the establishment of an acreage reserve and a conservation reserve, will have their first effects on the 1957 crop and it is anticipated that there will be a reduction in CCC stocks to more desirable levels as well as decreased production of other commodities in surplus.

26. The United States Government has several programmes for disposing of surpluses abroad as well as domestically. In the calendar year 1956 the Corporation arranged for the disposal of $5 worth of stocks domestically and for $5 abroad. In order to meet competition in international trade,
commodities for which special export programmes have been developed are sold abroad at their "export market value" which is less than the CCC cost of those commodities. Under the CCC special export cotton sales programme, instituted on 1 August 1956, cotton was sold for export at competitive world prices and by the end of the year over 6,000,000 bales had been sold for export under this programme at a price between 25 and 26 cents per pound. During 1956 special export programmes for other disposals abroad were primarily carried out under the two legislative acts providing for such disposal – the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) and Section 402 of the Mutual Security Act.

27. The programme under Title I of Public Law 480, which was inaugurated in September 1954, authorized a total expenditure over a period of three years of $1,500 million, in CCC cost, for the disposal of surpluses abroad against payment in foreign currencies. Transactions were to be carried on through private trade channels wherever possible, the proceeds in the currencies of the foreign countries being utilized locally under the terms of the respective agreements. By the end of 1955, agreements had been reached covering $666 million in CCC costs with an export value of $504 million. Beginning in the first half of 1956, however, there was a marked acceleration of the programme and agreements reached with nineteen importing countries in this period amounted to $801 million in CCC costs with an export value of $538 million. Expenditure under Title I had, by 30 June 1956, therefore, reached $1,467 million of the allocated $1,500 million in CCC cost, and in August 1956 the authority under Title I was supplemented by an additional $1,500 million. Since the additional authorization was granted the largest sales arrangements to date under this programme were made with India ($600 million CCC cost and $360 million export value) and Brazil ($222 million CCC cost and $119 million export value).

Shipments under Title I in 1956, delayed somewhat by shipping shortages, amounted to about 12 per cent of total agricultural exports which were valued at $1.7. By the end of 1956 seventy-eight agreements had been concluded with thirty countries since the inception of this programme with a total CCC cost of $2,826 million, the commodities covered being mainly wheat, cotton and rice and to a relatively lesser extent tobacco, food-grains and livestock products.

28. Titles II and III of Public Law 480 provide for donations of surplus commodities for emergency and relief purposes and in 1956 approximately $1.7 worth of commodities were exported under these arrangements. In 1956 Title II of the Act was amended to increase the authority for famine relief and other assistance from $300 million to $500 million and to permit the payment of ocean transport costs. Under Title II of Public Law 480 and other legislation the Corporation is authorized to trade its stocks for strategic and other materials required by Government agencies. Exports under such arrangements in 1956 totalled $1.7 in terms of CCC cost.
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29. Section 402 of the Mutual Security Act provides that a certain minimum amount of funds for economic aid authorized during a particular period should be in the form of surplus agricultural commodities; in the fiscal year 1955/56 the minimum was $300 million and for 1956/57 this figure was reduced by $50 million. In order to avoid decreasing the amount of aid to certain countries which would be unable to take agricultural products a system of triangular transactions has been devised. Under this scheme surplus agricultural commodities are sold to third countries mostly in Western Europe, on the condition that the local currency proceeds of these sales will be used for the delivery of goods and services by these countries to the under-developed countries for which the aid had been programmed. Under the largest of these transactions in 1956 proceeds from the sale of $80 million of cotton and wheat to France went to Viet-Nam. In 1956 a total of $_ million worth of commodities were exported under Section 402 of the Mutual Security Act mainly wheat and cotton, of which $_ were related to triangular transactions.

30. Any attempt to appraise the impact of these agreements on world trade would have to take into account the administrative action taken by the United States to observe the principles for the disposal of agricultural surpluses which have been drawn up by the GATT and the Food and Agricultural Organization. These principles provide for the orderly disposal of surpluses so as to avoid undue pressure on markets and harmful interference with normal patterns of trade and for the provision of opportunities for intergovernmental consultations.

31. From time to time governments holding stocks of primary products which have been accumulated as part of a national strategic stockpile for defence purposes decide to liquidate such stocks, either wholly or in part. The United Kingdom has announced certain reductions to be made to its strategic holdings of industrial raw materials. Arrangements have been made for the sale of 30,000 tons of lead, 2,500 tons of tin and it is proposed also to reduce zinc stocks. The lead will be sold over a nine-month period beginning in March 1957; about 4,000 tons are to be offered by open competitive tender and the remainder will be offered to the original suppliers or their agents. Consultations were held with the trade representatives concerned in order to ensure that the disposals would take place without unduly disturbing the market. The United States has also released some strategic stocks to domestic producers.