As announced in document INF/82 the secretariat is preparing the first number of a periodical bulletin on Developments in Commercial Policy.

While the contents of this bulletin will not normally be circulated to contracting parties before publication, an exception is being made for the attached section on export promotion which, for the first issue, covers the whole of the period 1959/60.

It would be appreciated if governments would examine this draft and address any comments to the secretariat as soon as possible and not later than 26 August 1960.
Article XVI of the General Agreement requires contracting parties to submit annual notifications describing the nature and extent of subsidies, including any form of income or price support, maintained by them which operates directly or indirectly to increase exports or to reduce imports. The bulk of information in this section concerning measures taken by contracting parties is derived from these notifications.

The GATT continues to give its attention to the problems arising from direct and indirect subsidization. At their thirteenth session in 1958, the CONTRACTING PARTIES to GATT decided to review the subsidization measures employed by governments and a Panel of Experts was set up. The Panel held two meetings in April 1959 and in February 1960 in the course of which it pursued its task of examining the contents of notifications of contracting parties discussing with the notifying contracting parties any point requiring clarification, making practical suggestions with a view to improving the procedure for notifications and assembling material for the draft report on the operation of the provisions of Article XVI of the General Agreement.

An examination of notifications received in 1959 and early 1960 suggests that no major changes have occurred in the policy of government subsidization, although some adjustments have been made in the products benefiting and in the amount of, subsidy granted. Most of the subsidies on production or export described in "International Trade 1957-58" are still being applied and principal changes reported during 1959 and early 1960 are summarized below.

Production Subsidies

For 1958-59, Australia, in addition to raising producer and ex-factory prices of butter and cheese for domestic consumption, guaranteed a minimum price on total production; this allowed factories to pay a higher interim price to dairy farmers. Australia has decided to maintain its subsidy to the dairy industry at A£13.5 million for the year beginning 1 July 1959. The guaranteed price for 1960 wheat harvest has been raised by 4d. (Australian) per bushel in bulk, to 14s. 10d. (Australian). In Argentina, official support prices for 1958-59 had been increased for all agricultural products concerned. Guaranteed minimum prices for wheat, oats, barley and rye for the 1959-60 harvest were fixed on 13 July 1959 at record levels. Belgium decided to suspend as from 1 January 1959, the subsidy granted to home-grown wheat delivered for milling. Effective 1 April 1959, Belgium has abolished subsidy which had been paid since 1940 to Belgian millers to reduce the price of flour. In June 1959, price cuts ranging from 7s. to 13s, a ton in Belgian industrial coal were introduced. In order to make the cuts possible the Belgian Government is to be authorized to increase its subsidy to the colliery companies. In its announcement of 1959-60 dairy price supports on 23 April 1959, Canada indicated that the support price for non-fat dry milk would be discontinued after 30 September 1959, the support price for cheese
would be reduced to 32 cents per pound f.o.b. warehouse in Ontario and 31.5 cents in Montreal and Quebec. In July 1959, it was announced that 1959-60 support prices for grain produced in Eastern Canada would be 3 cents per bushel lower than a year ago for wheat and 2 cents lower for oats and barley. Effective 1 October 1959, Canada replaced the egg purchase support programme with one of deficiency payments to egg producers. Furthermore, the direct payment plan for price support of hogs in Canada would go into effect on 11 January 1960, replacing the present method of support through purchase of pork.

Minimum prices for 1959 crop of flue-cured leaf, which totalled about 4.6 million pounds, have been announced by the Government of Cuba; the crop was divided into three categories, namely, middle leaves with a minimum price of 50 cents per pound; bottom and top leaves, 35 cents; and broken and other leaves, 15 cents. A new system of State purchasing prices for agricultural products is introduced in Czechoslovakia. Under the new system the farmers would receive in 1959 an average of 15 per cent more for their produce than they did in 1958. In September 1959, Denmark indicated that a production subsidy would be granted for bread grain, amounting to 20 øre per 100 kgs. during the period 1 to 15 April 1960, thereafter rising by 40 øre per 100 kgs. per half-month until the end of July 1960. Under the Act No.183 of 10 June 1959, the Danish Government is authorized to take steps to keep home market prices for milk, cream, and products thereof, as well as butter at a certain level. In Finland, the price equalization fund, which was created in 1944 to stabilize the price of certain important foodstuffs and raw materials, was abolished as from 1 April 1959, and in its place the Government has instituted normal import duties. The Act of the Price Equalization Fund ceased to be in force on 31 March 1959. After this date, support measures for domestic sugar are taken under a Cabinet decision of 16 April 1959. A new government bill, containing the same principles, is however being considered by Parliament. Another new government bill to provide for support measures for domestic oilseeds is also being considered by Parliament. Under the Finance Law of 1959, France abolished the system of indices as the method of price fixing for agricultural products. However, since this measure appeared to give rise to substantial difficulties, a possible re-introduction of some of the features of the indexing system is under consideration. France has increased basic guaranteed producer prices for 1959 grain crop to fr.3,800 per quintal for non-durum wheat, fr.3,100 for barley, and fr.3,040 for rye. Effective October 1959, Ghana reduced the official price at which cocoa is bought from farmers from 72s. per load to 60s. (6.122 per ton).

In Greece, the guaranteed prices for government purchases of home-grown wheat during 1959-60 will range from 3,34 to 4.48 drachmas per oka, depending on the category of the grower, as compared with the 1958-59 prices ranging from 3,50 to 4.60 drachmas. Effective 25 October 1959, India raised by about 13 per cent the statutory fixed price for sugar cane delivered to factories or shipping railhead centres. To compensate factories for the increased price for cane, India also raised by about 5 per cent the controlled ex-factory price for sugar produced. In January 1960, India raised the ceiling prices for staple cotton of staple length 1 1/32 inches and above. The increases range between Rs.100 and Rs.200 a candy (784 lbs.) depending on quality. Morocco announced in July 1959 that the price support for the 1959 barley crop would be 1,750 francs per quintal. This is 50 francs per quintal higher than for the 1958 crop. In May 1959, the Netherlands introduced a subsidization measure for low-grade domestic wheat which will be used as feed. No guaranteed prices for ware potatoes have been established for the crop years 1959 and 1960 since the government estems a guaranteed price policy of no further necessity for this product.
Because of the fall in total export earnings, the New Zealand producer price for wheat was raised by 17.5 per cent for 1953/59, so as to encourage production and reduce imports, which had reached 10.4 million bushels in 1957. New Zealand reduced producer price guarantee for milk in 1959. In Nicaragua, a subsidy for 100 cordobes per manzana under cotton has been paid for the 1958/59 crop year. This subsidy will not be paid for the 1959/60 crop year. During 1959, Norway continued to grant substantial price subsidies for consumer goods. The subsidies on milk and cheese were increased in March 1959 by N.Kr.105 million in a full year. In the 1959-60 budget N.Kr.508 million was voted for implementation of the three-year agricultural agreement of 1958, of which an estimated N.Kr.295 million was for the subsidizing of milk and milk products. The special subsidy for milk and milk products is to be discontinued after 1 August 1960 and only N.Kr.20 million is entered for this item in the State budget for the second half of 1960. In April 1959, Pakistan announced the Government's decision to establish a development committee of the Pakistan Tea Board. The committee would set up new gardens and offer financial and other assistance to private enterprise to open up new areas or expand existing gardens. Adequate funds would be placed at the disposal of the Tea Board for this purpose.

In July 1959, Portugal set up a cotton stabilization fund, amounting to approximately 11,300,000 escudos. This fund is intended to equalize disparities in the domestic cotton textile industry that resulted when world prices of raw cotton fell below the level of fixed cotton prices in Portuguese overseas provinces of Angola and Mozambique. Financed by taxes on imports of foreign cotton and by contributions of the Finance Ministry, the fund is to maintain exports of cotton textiles at normal levels without reducing prices paid for raw cotton in the African provinces. In the Union of South Africa, the subsidy on jute grain bags has been removed as from 1 April 1959. The Government at the same time has ceased to be the sole importer of jute grain bags. Maximum producer prices for canning peaches and apricots during 1958-59 season have been reduced by about 33 per cent from the level of the previous season. The lower prices are designed to meet increased competition abroad. On the other hand, the basic producer price for corn has been slightly increased from 29s. 6d. per 200 pound bag in 1958 to 29s. 10d. in 1959.

Effective 1 July 1959, Sweden raised the Government subsidies for the production of Swedish films. On black and white films, the subsidy is increased from the present 20 per cent of the Government share of entertainment tax to 30 per cent and, on coloured films, from the present 35 per cent to 45 per cent. In Turkey, the guaranteed grain prices for 1959-60 are increased by about 25 per cent above those in 1958-59. The United Kingdom has further reduced the guaranteed price for 1959 for hen eggs by 1d. per dozen to discourage over-production. In order to provide further encouragement to the rearing of beef store cattle, the rate of hill-cow subsidy has been increased by £2 to £12 a head for the year 1959; and the rate of calf subsidy has been increased by 15s. 0d. to £9. 5s. 0d. a head in respect of steer calves born on or after 1 April 1959. The present differential of 8s. per live cwt. in favour of Grade I fat cattle under the guarantee arrangements has been reduced to 5s. per live cwt., with effect from 29 June 1959. Although no further reduction has been made in the guaranteed price for fat pig, the quality premium on pigs has been reduced by 6d. per score. The United Kingdom has also decided to reduce the guaranteed price for wool by 2d. per lb. A reduction of 6d. per cwt. is also being made in the guaranteed price for rye. The United Kingdom has
decided to introduce a new guarantee system for potatoes for the 1959 crop which substitutes for the purchase of surplus potatoes on government account arrangements that assure a minimum return to the industry as a whole related to the requirements of potatoes for human consumption; the price guaranteed to the industry as a whole was decided to be £12. 1s. 0d. per ton. In April 1959, the United Kingdom announced a five-year plan of government assistance to the cotton industry. Under the plan, the government is expected to contribute from public funds two-thirds of the cost of removing surplus capacity (the balance of the cost being met by the industry itself by statutory levy) and to pay grants of one quarter of the cost of modernizing existing machinery and providing new machinery. The total amount of government assistance for this reorganization programme is estimated to be £30 million.

Under United States law price support is mandatory for six "basic commodities": cotton, corn, wheat, rice, tobacco and peanuts, and for ten "non-basic commodities": wool, mohair, tung nuts; honey, milk for manufacturing, butterfat, barley, rye, grain sorghums and oats. In 1959, non-mandatory commodities which are receiving price support are cottonseed, flaxseed, soybeans, dry edible beans and crude pine gum. Generally, price support for mandatory commodities is required at between 75 and 90 per cent of parity, and price support for non-mandatory commodities may be given at between 0 and 90 per cent of parity. In 1959, price support levels for all commodities subject to import control under Section 22 of the Agricultural Adjustment Act (wheat, flaxseed and linseed oil, peanuts, peanut oil, tung nuts, tung oil, and certain manufactured dairy products) had been reduced with the sole exception of the prices for dairy products. The average support level for the 1959 crop of wheat is $1.81 per bushel, equal to 75 per cent of parity, the legal minimum. A minimum support level of $1.77 has been announced for the 1960 crop, which is the legal minimum on the basis of 75 per cent of estimated parity for wheat as of the beginning of the 1960-61 marketing year. Since 1954, when the average support price was $2.24 per bushel, it has been dropped 47 cents, equal to 21 per cent. The 1959 crop of upland cotton for Choice A farms is supported at an average level reflecting 80 per cent of parity as of 1 August 1959; average support level for 1959 crop Middling 7/8-inch upland cotton is 30.40 cents per pound. The average support level basis Middling 7/8-inch for upland cotton produced on Choice B farms is 24.70 cents, or 65 per cent of parity. Price support for the 1959 crop and future crops of long staple cotton is required by law at not more than 75 per cent nor less than 60 per cent of the parity price. The average support level of 52.95 cents per pound has been announced for 1959-crop American Egyptian long staple cotton, and 47.95 cents per pound for Sea Island and Sealand cotton. The 1959 support price for rye is 20 cents less than the 1958 rate of $1.10. Price support for peanuts. for 1959 has been announced at a minimum national average of $193.50 per short ton, which is lower than the average support price for 1958. Venezuela has announced in February 1959 a subsidy payment scheme which would apply to milk used to make dairy products.

Export Subsidies

In order to liquidate the sizeable stocks of butter, accumulated in 1958, the Belgian Agricultural Fund has subsidized exports of Belgian butter in 1959. Finland has established a fixed export subsidy rate for pork through 31 December 1959. Previously, exporters had to have separate subsidy approval for each transaction. The new subsidy rate of 17 cents per pound is lower than
the average of the preceding year’s separate subsidies. France has earmarked
the equivalent of $275,000 to subsidize exports of apple juice and concentrates.
Plans call for shipment of almost 5,000 tons of concentrate and about 330,000
gallons of apple juice to European countries, and about 3,200 tons of concentrate
to the United States and Canada. In April 1959, the French Grain Office agreed
to increase its export subsidy for wheat by frs.50 per 100 kgs. Under a decree
of the Ministry of Finance, published in April 1959, France has reduced export
subsidy on sugar to frs.12.85 per kg. for all exports to destinations outside
the Franc Zone. This reduction is made in connexion with the devaluation
of the French franc. Mexico has granted a subsidy or reduction in applicable
export duty for ginned cotton exported from some areas in its territories during
the period from 1 July 1959 to 31 May 1960. In order to help the depressed
handicraft industry, Morocco has granted bonuses of from 4 per cent to 7 per cent
for exports of slippers, baskets, and handspun woollen rugs.

II. EXPORT INCENTIVES

In addition to subsidy payments, there are many and varied governmental
measures which have the effect of stimulating 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 difficult to assess
precisely their effect in stimulating exports and the extent to which they may
distort normal conditions of competition on world markets, in view of the in­
direct nature of these export incentives.

Decision of the Council of the OEEC concerning measures
designed to aid exports

The OEEC continues to give its attention to the problems which arise from
direct and indirect subsidization of production and exports. On 17 July 1959,
the Council of the OEEC adopted a combined decision concerning measures designed
to aid exports. The decision is designed to strengthen a number of the previous
decisions which have been repealed on the same date. Under the new decision
Member countries of the OEEC are required to discontinue certain artificial aids
to exporters. These include currency retention schemes or similar practices
involving a bonus on exports or re-exports; the provision by governments of
direct subsidies to exporters; the remission, calculated in relation to exports,
of direct taxes or social welfare charges on industrial or commercial enter­
prises; the remission of repayment, in respect of exported goods, of indirect
taxes, whether levied at one or several stages, or of charges in connexion with
importation, to an amount exceeding the amount paid on the same product if sold
for internal consumption; the charging of prices below world prices in respect
of deliveries by governments or governmental agencies of imported raw materials
for export business on different terms than for domestic business; the charging
of premiums at rates which are manifestly inadequate to cover the long-term
operating costs and losses of the credit insurance institutions, in respect of
government export credit guarantees; the grant by governments or special
institutions controlled by governments of export credits at rates below those
which they have to pay in order to obtain the funds so employed; and the
government bearing of all or part of the costs incurred by exporters in obtaining
credit. Member countries of the OEEC are also required under the same decision
to abstain from extending or introducing any other measures of artificial aid to
exporters which have the effect of distorting normal conditions of competition.
The new decision further includes certain provisions concerning aid to exports of agricultural products. Member countries are temporarily allowed to apply solutions adapted to the specific requirements of agriculture in the case of agricultural and food products which, within the framework of their agricultural policies, are subject to measures designed to ensure a certain volume of production for the home market or the maintenance of a certain level of income in the agricultural sector. If these measures of aid to agriculture give rise to consultations, such measures should be assessed in the light of the following criteria: the measures should not have the effect that a member country obtains more than an equitable share of the export trade in the product in question; the measures should not have the effect of reducing the price of the products exported below the price charged by other exporting countries, especially those granting no export aids, on the market of the importing country; the Member country applying such measures of aid shall see that measures are applied simultaneously to facilitate the disposal of the products in question on the home market; and the measures should not constitute any change in aids to exports which would imply an intensification of existing export subsidy policies.

Currency retention schemes

Currency retention schemes or similar practices, involving import entitlements, are still maintained by several countries. Since the adoption of currency convertibility in Western Europe, however, the Governments of Denmark and France have taken steps to reduce or eliminate their currency retention schemes. It should be recalled in this connexion that Member countries of the OECD are required by the Council's Decision of 17 July 1959 to discontinue currency retention schemes involving a bonus on exports or re-exports. Most of the currency retention schemes, described in the previous GATT annual reports, are still being applied in several countries, particularly in the less-developed countries.

In Spain, the Order of 30 July 1959 involved not only the abolition of foreign exchange reserves granted to exporters for their imports of raw materials or capital goods, but also the abolition of compensation accounts and all operations giving rise to foreign exchange reserves. In March 1959, Pakistan announced certain amendments to the export bonus scheme under which the exporters of most of the goods are allowed to utilize 20 to 40 per cent of their foreign exchange earnings for importing goods out of a list of 219 permissible items.

Multiple currency practices

There is a clear trend towards reduced dependence on multiple currency practices. During the past years, complicated multiple exchange systems have disappeared in Argentina, Bolivia, Chile, China (Formosa), Iran, Nicaragua, Paraguay, Spain, Thailand and Uruguay. Some progress has also been made in simplifying the rate structures in certain other countries. In some countries, particularly in Latin America, however, multiple currency arrangements are still being applied with the result of promoting certain

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1 See "International Trade 1957-58" (page 276), published by the GATT secretariat.
exports by providing more favourable rates for conversion of the foreign currency proceeds of these exports than of others. These and other multiple exchange practices will be described in the IMF Eleventh Annual Report on Exchange Restrictions (1960). Modifications made to the systems during 1959 will be described in detail in that report. The important changes may be summarized as follows:

On 22 April 1959, Brazil took a further step toward simplification of its exchange rate system. Cotton and sugar were transferred from the third export category to the free market rate category. Cocoa butter was shifted from the second category to the third. The immediate effect of this action is to lower the prices of these products to the foreign buyer. On 29 June 1959, Brazil announced its 1959-60 coffee programme; the rate of exchange for export purposes has been raised from 60 to 76 cruzeiros to the dollar, effective 1 July 1959. Exports of mutton, raw wool, Brazil nuts, cotton waste and linters have been placed in the free market rate category. Colombia gives its tobacco exporters an export bonus in the form of an exchange differential early in 1959. This measure is designed to encourage exports of dark tobacco to European countries. As from 8 June 1959, the premium paid on the proceeds of Egyptian cotton exports in transferable and convertible currencies has been fixed at 35 per cent for 1958-59 cotton crop and 30 per cent for the 1959-60 crop. The Israeli Government in June 1959 has agreed in principle to grant an export premium of £0.360 per dollar above the official exchange rate of £1,800 per dollar to shipping companies on their foreign currency earnings. In Spain, a Decree, dated 20 July 1959, fixing the new parity of the peseta in relation to the dollar, entailed the abolition of the special import and export exchange rates in force until then. By a Decree of 6 May 1959, Turkey raised exchange rate for chrome ore exports to 9 Turkish liras per dollar, which increased the premium, to be added to the official rate of exchange of 2.80 liras, for chrome exports from 2.10 to 6.20 liras. This change in the export exchange rate for chrome is the first modification of the exchange rate system announced in August 1958, under which a premium of 6.20 liras was added to the official rate for all transactions except exports of seven commodities (tobacco, chrome, copper, opium, raisins, filberts and figs). In August 1959, Turkey also announced several changes in export exchange rates which might bring about a considerable increase in sales of the commodities concerned. These include tobacco, opium, sultanas, figs, hazelnuts and copper. In Uruguay, the Sen to approved on 15 December 1959, a new exchange reform bill devaluing the Uruguayan currency and discontinuing the multiple exchange system, but providing for levies on certain exports and imports. Under it, all "official" exchange rates are abolished and foreign currency values are now governed by the free play of supply and demand.

Export credit guarantees

In recent years much attention has been paid to the strengthening or possible establishment of the export credit guarantee system in order to meet intensified competition on the world market. During 1959 there was clear evidence of a tendency of increased resort to this system covering risks involved for exporters. The general objective of the export credit guarantee is to relieve exporters, to a great extent, of the specific commercial and political risks entailed by the granting of credits, thus to encourage exports. In this connexion, attention might be drawn to the activities of the international non-governmental organization of export credit insurers, commonly called the "Berne Union". The Union was originally set up in 1933, in order
to make it easier through mutual co-operation to control the credits insured by its members. During recent years, however, the effort to establish a certain uniformity in the facilities offered has become a more and more prominent feature of the Union's activities. Since a great many factors affect assessment of the percentage and period for which credit can be properly granted, the Berne Union lays down no rigid rules on these points. Some of the fundamental rules, should, however, be mentioned: for consumer goods and raw materials periods of credit longer than six months are not allowed in general; payment for durable consumer goods is admissible over a period of not more than one-and-a-half years; in the case of light capital goods such as agricultural machinery, large commercial motor vehicles, tractors, lathes and generators, payment spread over three years after delivery is admissible in extreme cases; for heavy capital goods such as ships, locomotives, electric trains and complete factory installations, the longest period accepted by the Berne Union members for the spreading of payment is five years after delivery. As to the percentage of the purchase price of the goods to be exported which can be granted as credit if the credit is to be acceptable for insurance, the rule is that, in the case of transactions relating to capital goods where credits are granted at medium-term, a payment must be made on the conclusion of the contract; and further that, before or at the time when the goods are dispatched from the exporting country, not less than 20 per cent of the purchase price must as a rule be paid. It is not denied that these limitations of credit period, and of the percentage of the prices to be granted as credit, are somewhat arbitrary. It is however of great importance that there shall be definite limits to which the export credit insurance institutions conform, so that such insurance may so far as possible be eliminated as a material factor in international competition.

As regards a large part of the export credit insurance field, especially relating to credits in respect of exports of capital goods, the risks are covered by the Governments, and a tendency of increased resort to the government intervention in the form of export credit guarantee attracts much more attention in recent years. During 1959 and early 1960 the following changes in the government intervention have been noted.

The Austrian Parliament proposed to raise the present ceiling for Government-guaranteed export credits from Sch.1.5 milliard to Sch.2.0 milliard. In June 1959, Belgium indicated that a "Crédit-Export" Corporation would be set up to enable exporters to act more quickly. The new Corporation would be able to grant credits up to B.frs.4.75 milliard, of which B.frs.2.75 milliard by private banks. In addition to this B.frs.4.75 milliard, a further credit line of B.frs.1.5 milliard would continue to be extended to exporters by the "Institut de Rééquilibre et de Gérantie". In December 1959, the Danish Parliament passed a bill providing for an increase in the amount which the Government may extend in export credit guarantees from 700 to 1,000 million crowns. In December 1959, the Danish Government submitted a bill providing for the establishment of a "Trade and Industry Fund", which will operate with a basic capital of D.Kr.200 million to cover losses on export promotion measures and a State guarantee, for which the maximum is to be raised from D.Kr.1 to 1.5 milliard. The basic capital of D.Kr.220 million will be formed by the incorporation of the balance of D.Kr.200 million in the so-called dollar premium pool. A special export credit council is to be set up. The Fund will provide guarantees against losses incurred as a result of insolvency of a foreign buyer, or failure to settle within a fixed period, probably six months. The guarantees will also cover losses resulting from political circumstances in the purchaser's country. It is
reported in July 1959 that West German exports may in future expect to receive more favourable export credit guarantee terms; in normal cases the State-sponsored Hermes insurance scheme should, as hitherto, cover no more than 80 per cent of the value of an export order, but in special cases cover should in future be given up to 95 per cent. In January 1960, the Government of the Federal Republic of Germany has decided to ask Parliament to increase from DM.9,500 million to DM.12,000 million the ceiling on Hermes export credit guarantees. The present ceiling has almost been reached, though Hermes guarantees are given on the revolving system. Ninety per cent of the amounts involved concern transactions with under-developed countries. Early in 1959, the Indian Export Risks Insurance Corporation introduced new facilities which aim at helping insured exporters to obtain export finance. The measure is expected to help small exporters in particular to solve their export finance difficulties. Sweden decided on a modification of the guiding principles for export credits granted by the State. The Government has been authorized to put up guarantees for a total of not more than SKr.600 million until the end of the 1962-63 budget year. The guarantee scheme is to be handled more flexibly in the future than has hitherto been the case. The upper limit for guarantee protection has been raised from 85 per cent to 90 per cent. Effective 15 May 1959, a new measure was introduced in Switzerland to broaden export risk guarantees in an effort to expand foreign trade; details of the measure have been described in "International Trade 1957-58", page 280, published by the GATT secretariat.

In April 1959, the United Kingdom indicated that the Export Credits Guarantee Department was resuming cover for trade with Egypt which was suspended on 2 August 1956. Cover would apply to contract or shipments made after 20 April. In June 1959, a bill to increase from £1,000 million to £1,400 million the total liability which may be assumed by the Export Credit Guarantee Department was introduced in the Commons. It is reported in December 1959 that the United States Government is considering a programme of guarantees for short-term loans to stimulate exports of consumer goods. The Government's Export-Import Bank has already authority to guarantee private export loans. It does not use the authority, however, preferring to make direct loans.

Credit Facilities

Medium and long-term credits for financing exports have become one of the important techniques by which less-developed countries moving towards industrialization partly cover their immense capital requirements. It is impossible for these countries to do without the substantial advantages offered by this method of financing. Industrialized countries exporting capital goods are equally generally unable to abandon this method of financing without the loss of important markets. It has become more and more customary to accompany orders for industrial equipment, transport material and other capital goods with the demand that these goods be delivered on credit. Hence, in the competition between suppliers of these goods, credit facilities often play a decisive rôle in addition to price, quality, etc. Although export credit granted to less-developed countries attracts more attention, it is also applied between the highly industrialized countries, e.g. in financing shipbuilding. The USSR continues to grant large credit facilities on favourable terms and conditions to some of the less-developed countries, mainly in Asia and Latin America.

In February 1960, the Belgian Government submitted to Parliament a bill to set up a Ship-building Fund. This Fund will have a power to give credit, with State guarantee, up to 4 billion Belgian francs to ship-owners. The Federal
Republic of Germany announced in January 1960 the stage-by-stage establishment of a DM 1,000 million fund to promote exports to under-developed countries. As a first step a fund of DM 260 million, from which credits could be granted, is to be increased to DM 600 million by annual increases of up to DM 60 million. In November 1959, Italy decided to set up an Export Credit Fund with a capital of 10 billion lire. In September 1959, the United States Export-Import Bank announced a new policy for financing overseas sales by American exporters of capital equipment. The Bank raised its share of the financed position of any export sale from 75 per cent to 85 per cent. In the twenty-five years of its operations up to 30 June 1959, the Export-Import Bank has authorized over $10 milliard in some 1,645 individual credits to sixty-eight different countries. The loans granted by the Bank fall broadly speaking into four categories. First, there are development loans for the construction of private enterprises and public facilities abroad. A second type of credits embraces so-called emergency rescue operations. Thirdly, the Bank makes commodity loans, usually for a period of one year, to assist in marketing the United States agricultural commodities abroad. Fourthly, the Bank at the request of the United States manufacturers, grants exporter credits. In order to encourage exports and thus help to improve balance of payments, the Bank, in October 1959, reduced the portion of the minimum financing by the exporters to 12 per cent. Since June 1958, the Bank has also made loans abroad in currencies of other countries in connexion with the Public Law 480 programme. The Bank has also full powers to guarantee private loans against any type of risks.

Other Export Promotion Measures

In order to encourage sugar exports, Argentina has waived the 8 per cent special tax normally applied to all exports. The foreign exchange earned by sugar exports will be used to buy agricultural and industrial equipment for domestic sugar industry. In November 1959, Argentina announced that the 8 per cent tax on the export of dried, dehydrated, processed and semi-processed fruit is suspended on all shipments until the end of 1960. The measure was taken to enable exporters to compete in foreign markets. Under the overall stabilization programme a single free-exchange market for the Argentine peso was established replacing the former dual market and a multiplicity of actual rates. The principal control upon exports under the new exchange system is provided by a system of exchange retentions. Export incentives may be adjusted to meet changing market conditions either by shifting commodities between retention groups or by adjusting their official export values. In Ceylon, a new export duty on tea was imposed on 1 June 1959. The former flat rate of 70 Ceylon cents a pound was replaced by a uniform rate of 35 cents, with an additional ad valorem levy on quality tea priced higher than Rs 1.85 a pound of 50 per cent of the excess realized, subject to a maximum of 70 cents. The measure is intended to help common tea, which is meeting keen competition in international trade. In August 1959, Indonesia has fixed the rate of the rupiah against foreign currency at 45 to the US dollar. The previous rate was 11.45 to the dollar. The current export certificate system for the financing of imports was abolished and substituted by a system of export and import duty. In December 1959, Italy introduced a system of exchange risk insurance to facilitate its foreign trade. The move involves the repudiation of the ban on forward contracts for advances of foreign currencies from Italian banks authorized to carry out import and export transactions. Italy has granted exporters in July 1959 a reimbursement of the turnover tax on certain agricultural products for export (fruit and vegetables and citrus fruit). Japan decided in early 1960 to take some measures to ease the
heavy burden of paying interest on ship-building loans. In Mexico, ad valorem taxes on exports of cotton fibre have been reduced, effective July 1959. The measures are designed to ease the grave situation facing cotton growers. On 25 July 1959, Pakistan reduced the export duty on Desi and Comilla cotton from 50 rupees to 40 rupees a 400-pound bale. On all other varieties of raw cotton the export duty was reduced from 115 rupees to 75 rupees a bale. The measures were taken to improve the competitive position of Pakistan cotton on the world market.
Supplies of the staple agricultural commodities continued high and, in a number of cases, well in excess of market demand. Agricultural production was at high levels in 1958-59 while the volume of exports declined somewhat. Consequently, there was an increase in the value of aggregate stocks of agricultural commodities of some 10 per cent by the end of 1958-59, in contrast with the moderate reduction of the preceding year, North America accounting for the major part of the increase and holding the bulk of the stocks.

As a result of the large cereal harvest of 1958-59, there was a sharp further increase in the already large stocks of wheat and coarse grains, especially in the United States. No major change in the level of stocks of wheat seemed likely in 1959-60, but a substantial increase in stocks of coarse grains was expected to follow a large harvest in the United States. Stocks of wheat in the four major exporting countries (United States, Canada, Australia and Argentina) at the beginning of 1959-60 were nearly 24 per cent higher than a year earlier. The United States continues to be confronted with a very serious surplus situation with wheat. The United States total supply in 1955-60 is estimated at about 2,404 million bushels. Such a supply is approximately 53 million bushels larger than the previous record amount in 1956-59. The 1959-60 supply is equivalent to nearly four year's domestic requirements. This vast supply of wheat has accumulated in the United States despite the many government-sponsored programmes which have been in effect to reduce acreage and to maximize utilization. Stocks of coarse grains in North America have continued to increase: from over 58 million tons at the beginning of 1958-59 to some 66 million tons (or 13 per cent) at the beginning of 1959-60. Traditional deficit countries such as Italy and Spain have so expanded production of soft wheat that they have surpluses for export and have joined the new International Wheat Agreement as exporters. The largest expansion in wheat production in recent years has taken place in the USSR; output in 1959 is, however, reported as considerably lower than a year ago, probably less than 2 billion bushels, as a consequence of smaller acreage and of drought in a number of areas. It is evident, however, that wheat production in the USSR will be maintained at a high level and that Russian wheat will be an important potential competitive factor in the world market. Although total imports of wheat are currently almost double the pre-war level, the most significant element is the growth of concessional exports from the United States under the government programmes. A large part of this movement has been to under-developed countries in Asia and Latin America.

The Report of the 4th Session of the FAO Group on Grains, grain production, trade and consumption trends and the appraisal of factors underlying them would indicate that surpluses, or the persistence of production in excess of effective demand, may now be considered as a chronic feature of the present world grain economy. The heart of the problem lies, according to the FAO Group, in the level of price or income guarantees to producers of wheat and other grains in many exporting as well as importing countries. These guarantees, combined with other aspects of national agricultural policies, if maintained substantially unchanged, would continue, together with technological advance, to stimulate year after year an output larger than can be absorbed by normal
effective demand. Independent measures of surplus disposal might therefore assume a semi-permanent character and affect an increasing part of the international trade in grains, thus adding to the marketing difficulties now being experienced by exporting countries. On the other hand, some countries are reluctant to agree with those who consider that the agricultural surplus problem should now be recognized as a permanent problem, or who believe that special surplus disposal programmes are likely to become a permanent feature of international trade. The hope is expressed by these countries that other governments would also exert efforts to adjust their agricultural policies and techniques along sounder and more sensible lines. The renewal of the International Wheat Agreement in 1959 and the expanded participation therein of major trading countries, are generally considered as the essential prerequisites of orderly international trade in wheat. Under the new Agreement the International Wheat Council's responsibilities are extended so as to include an active review and consultation on wheat surplus problem. The President of the United States in his January 1959 message to Congress directed the Secretary of Agriculture to explore with other interested countries how surplus agricultural products could be used in a programme of Food for Peace. Implementing this directive, a meeting attended by the representatives of Canada, Australia, France, Argentina and the United States was held in June 1959. The purpose of this meeting was to discuss the issue of surplus wheat and how it might be used to improve the economies of under-developed countries. A committee on wheat utilization was established at that time to pursue this question. The need is stressed for continuing close relations between other international organizations concerned and the Wheat Utilization Committee.

World cotton stocks are expected to decline slightly in the 1959-60 season from 21.6 million bales on hand 31 July 1959. The 1959-60 world crop is estimated at a record high of 46.7 million bales. However, world consumption is rising and present indications are that consumption may also reach a new high and slightly exceed production, which would result in an equivalent decline in world stocks of cotton. In the United States, cotton stocks at the end of 1959-60 season are not expected to differ greatly from those on hand on 1 August 1959. The United States stocks increased slightly to 8.9 million bales on 31 July 1959 from 8.7 million a year earlier, chiefly because of the smaller 1958-59 exports. At the beginning of this season, the United States stocks represented 41 per cent of the world total, compared with 39 per cent a year earlier. The United States held 64 per cent of total stocks in exporting countries in 1959, compared with 61 per cent in 1958. The total Commodity Credit Corporation inventories of upland cotton as of 31 December 1959 were 7.5 million bales. Upland cotton stocks in other countries are likely to be reduced by the end of the 1959-60 season. Actually, stocks in these countries were already at the relatively low level of 3.6 million bales at the beginning of the current season, about 0.5 million bales below a year earlier. This reduction resulted mainly from the fact that much of the exportable surplus of these countries was disposed of in 1958-59.

Dairy product surpluses have largely disappeared and prices of dairy products have risen mainly because of the drought in Europe in the summer of 1959 and the supply position of dried skim milk has changed sharply. The outlook for dairy products, however, remained uncertain. On 1 January 1959
eight OEEC countries reported 78,600 tons of butter in stock as against 128,000 a year earlier (a fall of about 40 per cent). In May 1959 butter stocks had fallen somewhat since the beginning of the year and were at around 76,000 tons (almost half of those of the year before). The United Kingdom figures for mid-September 1959 showed a continuation of this situation with stocks at about 26,600 tons as against over double a year earlier (58,500 tons). Stocks, however, have begun to rise again in the Federal Republic of Germany, the Netherlands, Sweden and Ireland. The FAO considered the reasons for the recent rise in world butter prices and concluded that the short-term outlook was for a continuation of shortages and relatively high prices; long-term prospects were, however, less favourable than those for the short-term. It was thought desirable that a meeting to consider possible government action should be called immediately if any threat of butter surpluses again arose. Stocks of coffee have risen markedly. Though exports of coffee were likely to be higher in 1959 than in 1958, a further substantial rise in coffee stocks in exporting countries was probable. The present one-year international coffee agreement provides for studies to be made on the long-term problems of coffee and the Coffee Study Group has recently awarded contracts to private agencies to carry out these studies. The need is stressed by some countries concerned for a long-term stabilization agreement to follow the present one-year agreement.

In the United States, surpluses of agricultural commodities at the end of 1959 showed a considerable increase, despite significant moves towards production adjustments and active disposal programmes.

As of 31 December 1959 the Commodity Credit Corporation (CCC) held stocks of various agricultural products acquired under the price support programme, valued at about $7.5 billion which was considerably higher than $5.4 billion at the end of 1957 and the end of 1958. However, outstanding loans are not included in these figures. The three principal items held by the Corporation were wheat ($2.9 billion), corn ($2.2 billion) and upland cotton ($1.3 billion), each of which constituted roughly 38 per cent, 29 per cent and 17 per cent. Other major items were grain sorghum ($0.7 billion), strategic materials ($0.1 billion), barley ($76 million), rice ($57 million), soybeans ($40 million), extra long staple cotton, oats, butter, peanuts, cheese, etc. Not all the Corporation's holdings are true surpluses, since a part represents normal carry-over and reserves against unforeseen emergencies. On the other hand, some of the commodities not held in Corporation inventories, principally tobacco, lard and vegetable oils, also continued to be in surplus supply.

The United States Government has several programmes for disposing of surpluses abroad as well as domestically. Major special export programmes have been developed under the Agricultural Trade Development and Assistance Act (Public Law 480), the Mutual Security Act, and the competitive bid system such as for cotton. The most important instrument is Public Law 480, enacted in July 1954.

Public Law 480 was amended by Public Law 86-341, 21 September 1959. Titles I and II are now extended for two years through 31 December 1961; Title I authority is increased from $6.25 to $9.25 billion ($1.5 billion per calendar year); and Title II authority is increased from $800 million to

1The values quoted above are in terms of "CCC cost" which represents the cost of commodities to the Corporation, including investment, processing, handling and other costs.
$1.4 billion ($300 million per calendar year). In addition to extending and increasing the Title I and Title II authorizations, Public Law 86-341 provides for new or amended use of Title I foreign currencies. Public Law 86-341 also requires that any food commodity determined to be in surplus supply should be made available in reasonable quantities for donation to needy persons in the United States, insofar as practicable, before being made available for sale for foreign currencies under Title I. New Title IV authorized long-term credit sales of surplus agricultural commodities to friendly nations; commodities may be delivered annually for periods not to exceed ten years with payment of principal and interest to be made in dollars over periods not to exceed twenty years. There was no activity under this new Title IV authority during 1959.

During 1959, programming of surplus agricultural commodities under the Act totalled $1,730.2 million, bringing to $9,332.4 million the total value of programmes since the beginning of operations under the Act in July 1954. Since the beginning of the programme, agreements for the sale of agricultural commodities for foreign currencies under Title I totalled $5,787.5 million at the estimated CCC cost ($4,155.9 million at export market value), including $1,129.8 million ($825.3 million at export market value) in agreements signed during 1959. Actual shipments under Title I since the beginning of the programme totalled about $3,150 million at export market value, of which approximately $740 million was shipped during 1959 as compared with $735 million in 1958, $750 million in 1957 and about $640 million in 1956. Sales for foreign currencies under Title I generally have been made at prices comparable to those prevailing in the market for export sales for dollars. Title I sales agreements include the terms for the deposit and use of currency proceeds. The amounts of proceeds to be used for grants and loans to the purchasing governments, for loans to private enterprises, and the amounts for payment of United States obligations under section 104(f) are stipulated in the agreements. Under agreements entered into during 1959, about 37 per cent of the dollar equivalent of planned foreign currency expenditure has been earmarked for loans to foreign governments, about 14 per cent for grants for economic development, and about 12 per cent for loans to private enterprises.

Cumulative authorizations for emergency relief and other assistance abroad under Title II of the Act totalled $684.8 million at CCC cost, of which $109.6 million was authorized during 1959.

Cumulative donations of surplus foods for foreign and domestic relief under Title III of the Act amounted to $1,797 million at CCC cost, of which $183 million was donated in 1956, $377 million in 1957, $253 million in 1958 and $301 million in 1959. Cumulative barter contracts entered into under Title III amounted to $1,163.1 million (export market value), of which $139.8 million represents contracts entered into in 1959 as compared with $90.1 million in 1958 and $128 million in 1957. Title III explicitly provides that in negotiating barter contracts reasonable precautions should be taken that sales would not unduly disturb normal trade patterns of commercial trade with friendly countries.

The minimum amounts of funds for economic aid which are required under Section 402 of the Mutual Security Act to be in the form of surplus agricultural commodities were $7 million in 1958-59 as compared with about
$205 million in 1957-58, and $250 million in 1956-57. A system of triangular transactions continues to operate in order to avoid decreasing the amount of aid to certain countries which would be unable to take agricultural commodities. Under this system surplus agricultural commodities were sold to third countries, mostly in Western Europe, which in turn exported industrial items to the under-developed countries for which the aid had been programmed. In the fiscal year 1958-59 $51 million were obligated for triangular transactions as compared with $51 million in 1957-58.

In Canada, total stock of four major grains carried over into the 1959-60 season were smaller than the preceding year's carry-over because of substantially reduced stocks of wheat, oats and rye. Barley stocks were somewhat higher than the carry-over on 1 August 1958. Total stocks of wheat on 1 August 1959 were estimated at 546.3 million bushels, 15 per cent below the 1958 carry-over and 25 per cent below the record carry-over in 1957. Stocks of oats on 1 August 1959 were 119.3 million bushels, 23 per cent smaller than at the beginning of 1958-59. Barley carry-over of 127.1 million bushels was 8 per cent larger than stocks held on 1 August 1958, and 41 per cent above the ten-year average (1949-58). Rye stocks at the beginning of the 1959-60 crop year were 7.9 million bushels - down 22 per cent from the 10.1 million carry-over a year earlier and 40 per cent less than the 1949-58 average of 13.0 million. The programme of making substantial quantities of wheat available under the Colombo Plan has had an important share in Canadian exports. The arrival of 3,600 tons of Canadian wheat in Rangoon in September 1959 represented the first shipment under a $500,000 Colombo Plan wheat grant; the funds resulting from the sale were to be used for Burmese economic development projects. A Colombo Plan agreement with South Vietnam provides for the sale of $300,000 worth of Canadian wheat flour and butter with payment to be made in local currency; the money realized from this sale was also to be used for economic development. The Canadian Government indicated that sales of surplus butter to the United Kingdom were made in 1959; the first shipment was estimated at 10 million pounds and the second and the last shipments at less than 3.5 million pounds each. The Canadian Government also announced in December 1959 that canned pork luncheon meat, which has been acquired by the Agricultural Stabilization Board in implementing the price support programme for hogs, was being offered by the Government free of charge for charitable purposes in Canada and other countries. In July 1959 the Agricultural Stabilization Board held in storage about 101 million pounds of pork.

In Western Europe schemes having the sole aim of supporting agricultural prices and incomes have, as elsewhere, led to the building up of surpluses. The 1959 European grain harvest, outside the USSR, is considerably higher than that of a year ago, probably about 15 million tons above that of 1958. As to bread grains, and, in particular, wheat, production has been increasing faster than consumption and is likely to continue to do so. In North-Western Europe wheat production in 1959 was over 3 million tons above the previous year. France produced nearly 2 million tons and the Federal Republic of Germany about 800,000 tons more than in 1958; the latter country's rye harvest also exceeded that of 1958 by some 150,000 tons. France has once again a considerable exportable surplus. The French Government is attempting to prevent a further extension of wheat growing; it intends to buy only 6.8 million tons of wheat at the full support price in 1959-60 as against 7.2 million tons in 1958-59. In addition, marginal exporting
countries such as Belgium, Greece, Spain and Sweden may appear or reappear with greater supplies of wheat than in the preceding year. Sweden, which only exported about 160,000 tons in 1958-59 may be able to export 300,000 to 400,000 tons in 1959-60. Belgian wheat surplus is estimated to amount to 150,000 tons. In southern Europe, contrary to the situation on North-Western Europe, wheat production was lower by nearly 500,000 tons, at about 27.4 million tons, despite a record harvest in Yugoslavia. Wheat production was down in Italy, Portugal and Turkey. Coarse grain production in North Western Europe increased by some 2 million tons in 1959, in particular in France, the Federal Republic of Germany and the United Kingdom. In southern Europe the most striking fact in 1959 was the excellent maize crop in Yugoslavia, amounting to about 180 per cent of the quantity of the preceding year and considerably above the previous record level of 1957. Yugoslavia will thus be in a position to export considerable quantities of maize.