SUMMARY RECORD OF THE THIRTEENTH MEETING

Held at the Palais des Nations, Geneva, on Friday, 8 November 1957, at 2.30 p.m.

Chairman: Mr. L.K. JHA (India)

Subjects discussed:

1. Nicaragua - El Salvador Free-Trade Area
2. Trends and Developments in Commodity Trade (continued)
3. Disposal of Surpluses

1. Nicaragua - El Salvador Free-Trade Area (L/683)

The CHAIRMAN invited the representative of Nicaragua to present the Sixth Annual Report which had been submitted by his Government pursuant to the Decision of 25 October 1951.

Mr. PORTOCARRERO (Nicaragua), introducing the report, said that the two participating countries in the free-trade area were fully satisfied with the results of the existing arrangements. He would not elaborate on the report and declared himself ready to furnish any additional information which contracting parties might require.

Mr. Portocarrero wished to take the opportunity of reporting on developments concerning the plans of the five Central American Republics for the formation of a free-trade area and for industrial integration. Contrary to expectations, the Treaty had not yet entered into force and therefore there was no need to submit a report as provided for in the Decision of 13 November 1956. The draft Treaty had been revised in accordance with the recommendations of the CONTRACTING PARTIES at the Eleventh Session and was at present being studied by the five governments. As soon as further progress had been made his Government would submit a report.

Mr. AMY (Observer for El Salvador) said that trade within the free-trade area, although declining, continued to give satisfaction. No difficulties had arisen between the two participating countries. This was important, for the present scheme served as an experiment for a larger free-trade area embodying the whole of Central America.
Mr. ADAIR (United States) was gratified to note that Nicaragua no longer applied quantitative restrictions under the Treaty. He hoped that the two participating countries were examining the possibility of dismantling the remaining restrictions and of extending the scope of the trade covered by the Treaty. His delegation would welcome advice by Nicaragua on further progress in the establishment of a free-trade area in Central America.

The CHAIRMAN said that, according to the report on the trade between the two countries in 1956, the provisions of paragraph 8(b) of Article XXIV of the General Agreement appeared to have been met in that freedom of trade between the two countries had been maintained for substantially all the trade in products originating in their territories. It appeared, therefore, that a free-trade area in the sense of Article XXIV was being maintained through the operation of the Treaty.

The CONTRACTING PARTIES took note of the Sixth Annual Report.

2. Trends and Developments in Commodity Trade (L/713 and Corr.1) (continuation of discussion at the Twelfth Meeting)

Mr. HOOGWATER (Netherlands) said his Government was willing to support every constructive proposition which might facilitate the solution of the difficulties connected with trade in primary commodities. He supported the proposal made by the representative for France.

Mr. STONE (Canada), referring to the report by the Chairman of ICCICA, agreed that the International Wheat Agreement was defective because, due to lack of support, it covered only a rather small part of world trade in wheat. The Canadian Government recognized that the problems arising in the field of international commodity trade were serious, particularly for countries the economies of which were largely dependent on exports of one or a few commodities, and was therefore prepared to consider any proposals which might lead to useful and desirable results. As both producer and consumer of a wide range of basic raw materials, Canada was interested in the stabilization of international prices at reasonable levels. His Government was a party to a number of international commodity agreements and participated in discussions of international commodity problems in various bodies of the United Nations. Experience gained so far had clearly shown that there was no single or comprehensive answer to commodity problems. This was not surprising in view of the complexity of the question and various conflicts of interest. Producing countries for example tended to consider price stability as synonymous with peak prices and to view price fluctuations as undesirable when downward. His Government believed that international commodity agreement should take account of the interests of all parties concerned.
Mr. VAN LANGENBERG (Ceylon) said that his delegation was grateful for the manner in which the report had been prepared, particularly because of the emphasis which it placed on the price fluctuations of primary products. The crises which these fluctuations engendered were real and serious. Ceylon's prosperity depended very largely on the prices of tea, coconut and rubber which in 1956 had made up 94 per cent of the total value of its exports. Mr. Westerman had clearly shown that price declines, such as those now taking place for tea and rubber, could be catastrophic not only for the producers of such commodities but also for the world economy. Mr. Van Langenberg asked what steps the CONTRACTING PARTIES would take after having completed their discussion on the basis of the report. If the delegations were merely to submit the report to their governments that would not be a satisfactory way of handling the problem. The suggestion by the delegate of France to take further action within the ambit of the Resolution of the Eleventh Session deserved full consideration. If, owing to the workload of the present Session, it was difficult to take immediate action in regard to particular commodities, the CONTRACTING PARTIES might wish to lay down procedures for the conduct of consultations as provided by the Resolution.

While in the case of copper, ICOICA had succeeded in bringing producing and consuming countries together, in the case of rubber no such action had yet been taken and the Chairman of ICOICA had recorded that "the practicability of bringing out ... an agreement may well be reconsidered". It was of course open to the contracting parties interested to enter into consultations on these problems as provided in the third paragraph of the Resolution, but it was not clear how these consultations would be initiated and conducted. Unlike the case of balance-of-payments problems there was no routine machinery for such consultations. A working party should therefore be set up with a view to preparing procedures to implement the Resolution. These procedures could then be approved at the Thirteenth Session and consultations take place. Although the problem was difficult and needed careful examination, it could be solved by the CONTRACTING PARTIES.

Mr. MAGARINOS (Uruguay) referred to the exposé given by the representative for Chile on the ways and means which could lead to a solution of certain problems connected with the trade in primary commodities. The French representative had made a concrete proposal for the setting up of a working party. Convinced of the necessity of stabilizing prices, his delegation would support that proposal.

Mr. OSMAN ALI (Pakistan) commending the report by the Chairman of ICOICA, suggested that in future some reference should be made to the steadily widening gap between prices of manufactured products and primary commodities which not only aggravate balance-of-payments difficulties of under-developed countries but could, and did, also hamper economic development. He then referred to the statement by the representative of Australia who had pointed out the importance of this subject, not only for under-developed countries but also for other
countries. Variations in prices had assumed even greater importance now that the price level of some principal commodities were showing downward tendencies which, if not arrested, might lead to a recession. His Government believed that international agreements did not provide an answer for all commodities. In the case of cotton attempts by the International Cotton Advisory Committee a few years ago to conclude an intergovernmental agreement had met with no success, mainly because of the difficulties of creating a buffer stock. Determination of which country would hold this buffer stock, what the quantities and composition of the stocks would be, and how they would be released from time to time, had proved unanswerable. On the basis of that experience his delegation would agree with previous speakers, who felt that buffer stocks in themselves did not provide a full solution. Although the discussions so far had shown useful results, the question remained how to achieve more tangible progress. He supported consideration of the proposal to set up a working party.

Mr. SUJAK (Federation of Malaya) recalled that during the Ministerial Meeting his Minister had confined his speech to the subject of commodity trade. He had done so to draw the attention of contracting parties to the serious nature of the long-standing problem of price fluctuations of primary products generally and of rubber in particular. The economy of the Federation depended on only two primary products - rubber and tin. These commodities had in fact been the source of the prosperity and the basis of the growth of the Federation. The Federation was therefore anxious to stabilize the position of these two commodities in world trade, so that it could embark on programmes of development without apprehension.

It was fortunate that a solution had been found for the problem of fluctuations in the price of tin. The report of the Chairman of ICCICA showed that the Tin Agreement had played a major part in preventing pronounced price movements, in marked contrast with what had occurred with other non-ferrous metals. In the case of rubber the situation was different. According to the Chairman's report, in six years of the last decade the average price of rubber had differed from that of the previous year by more than 30 per cent. In 1955 the average monthly price for a standard grade had risen by 55 per cent in four months. Similar fluctuations were also frequent for many other primary commodities. It was no doubt the opinion of all contracting parties that a solution should be found as soon as possible. At Havana it had been recognized that international co-operation in this field was necessary and the United Nations Committee which had set up the ICCICA had shared that view. The attempts to draw up a separate convention to replace Chapter VI of the Charter bore witness to the same conviction. What had so far been the outcome of this general agreement on the importance of commodity problems? Admittedly some progress had been achieved by the commodity-by-commodity approach. Mr. Sujak concluded that the CONTRACTING PARTIES should take further steps to find solutions in this field, and supported the proposal to set up a working party.
Mr. PARBONI (Italy) declared that Italy sympathized with every attempt to achieve a better balance between prices of primary commodities and manufactured products. Progress in this field would require closer co-operation between under-developed and industrialized countries. His delegation supported the French proposal.

Mr. SVEC (Czechoslovakia) said that the views of his Government had been outlined at a previous plenary meeting when his Deputy Minister had stated that closer international co-operation aiming at the solution of international commodity problems to assist the development of countries producing primary commodities was of paramount importance. The opening statement by the Chairman of the CONTRACTING PARTIES, the report by the Chairman of ICCICA, and International Trade, 1956 all drew attention to unsatisfactory current developments. He referred to the statement in the latter study that the decline in exports of primary commodities, and therefore also in the reduction of earnings accruing therefrom, and their share in world trade, was largely due to industrial development in eight semi-industrialized countries. This was not confirmed by the experience of Czechoslovakia and neighbouring countries where, as a result of industrialization and diversification of the economy, exports and also imports had expanded. It seemed premature to draw conclusions on the effects of industrialization on the exports of primary producing countries. Indeed, the development programmes of these eight countries were not completed and it therefore appeared wrong to discourage industrialization on the basis of partial results.

Close world-wide co-operation was urgently needed to solve the problems arising in the trade of primary commodities, because earnings from exports of these products were for many countries the main source of income for their economic development. If, notwithstanding extensive consideration of these problems in various forums, sharp price fluctuations were still taking place, this appeared to be due to a lack of co-operation between the bodies concerned. A fragmentation of efforts in various directions had impeded progress in this field. In a future report the Chairman of ICCICA might usefully give his views on the difficulties of concerted action between these bodies. In concluding, Mr. Svec recalled that the CONTRACTING PARTIES had paid too little regard to the positive aspects of the difficulties under review. They should take action to stabilize prices and study the terms of trade and the relation between trade in primary commodities and the necessities of economic development. In establishing a working party the CONTRACTING PARTIES should not repeat previous mistakes and, as they had done in the Resolution, should carefully avoid all competition with the other agencies having competence in the field.

The EXECUTIVE SECRETARY said that he had understood the representative of Czechoslovakia to disagree with the conclusion reached in International Trade, 1956 that industrialization was undesirable. This proposition had never been made nor implied in the report, rather the contrary; nor had it been stated that industrialization was the only, or even necessarily principal, element in the trends referred to. The argument had to be given in its entirety. The complete analysis, set out for the first time in the report of 1955, had been
summarized on page 10 of the report of 1956. In this last report, one aspect
of the previous analysis had been refined. It was based on the observation
that increased consumption of primary products in the eight semi-industrialized
countries, accompanied by an insufficient development in the production of these
commodities, had contributed to the trends noted in the previous report. What
could be said was that the secretariat had drawn attention to the adverse con­
sequences not of economic development as such but of policies which made for
unbalanced development.

Mr. VALLADAO (Brazil) thought that the representative of France had made
a constructive proposal that was in harmony with the Resolution adopted at the
Eleventh Session. The CONTRACTING PARTIES should give the proposed working
party realistic terms of reference in the light of the experience that had been
gained in this field both by their own work and by that of other international
bodies dealing with commodity problems. The ECOSOC Commission on International
Commodity Problems, with the work of which Mr. Valladao was familiar, had
attempted to examine commodity problems in their proper perspective. The
Commission had not only discussed international commodity arrangements, but had
also looked into the very causes of short-term price fluctuations and the
deterioration in the terms of trade of producers of primary commodities. So
far little progress had been made. There were various causes for this lack of
success. Some countries, largely dependent on exports of a few commodities
had felt reluctant to subject their policies to the judgment and perhaps the
decisions of international bodies. Some other countries, including large
importers of primary commodities, had failed to give adequate support to the work
of the Commission. Having in mind that experience, Mr. Valladao wished to know
whether the delegation of the United Kingdom, which had during previous meetings
so actively defended the interests of the countries depending on exports of
primary commodities, would be prepared to take part in the proposed working party.
Likewise, did the delegation of the United States intend to participate?

Mr. SANDERS (United Kingdom) appreciated the importance which many con­
tracting countries attached to the problems under consideration. He had noted
how quickly the discussion had varied from general issues to the problems of
particular commodities. This was not surprising and was an indication of the
complex problems involved about which it was difficult to generalize but which
could largely be considered only on a commodity-by-commodity basis. He recalled
that at the Eleventh Session the CONTRACTING PARTIES, while recognizing that the
effect of commodity problems on world trade was an appropriate matter for them
to discuss, had not wanted to duplicate the work which was being done or was to
be done by other organizations having competence in the field. He thought that
there might be a risk of confusion if, under the Resolution adopted at the
Eleventh Session, the CONTRACTING PARTIES attempted to duplicate any discussion
of particular commodities which representatives of their governments might
engage in elsewhere. This applied not only to commodities which were the
subject of existing agreements and studies but also to commodities on which inter­
governmental action might be necessary. Very close and expert study was
required to ascertain the real significance of recent trends in prices of
individual commodities and to determine whether action was called for. If
ICCICA recommended international action on particular commodities, it was, as Sir Edwin McCarthy had said, for the governments interested in that commodity to decide what should be done. Mr. Sanders went on to say that he was not entirely clear about what the French proposal involved, but at first sight, it seemed to involve risks of duplication with the work of other organizations. He thought that the contracting parties should know what terms of reference were proposed for a working party such as the French representative had suggested, and should be given time to study them before taking a decision.

Referring to the report by the Chairman of ICCICA, Mr. Sanders said that he could not entirely agree with the emphasis that had been placed on certain points. The report drew attention to the effect of national protectionistic policies on the supply and demand, and therefore also on the prices, of various commodities. This was a fair point, although it did not apply equally to all commodities and countries. But it should also be remembered that the policies of primary producing countries themselves sometimes contributed to the problems of primary producers generally. Sir Edwin McCarthy had also referred to the difference between the number of existing commodity agreements and the number of studies that were going on. Mr. Sanders could not accept the analysis of the causes of this situation or share Sir Edwin McCarthy's assessment of the concern which it should engender. He wondered whether sufficient allowance had been made in the report by the Chairman of ICCICA for the technical difficulties of establishing workable commodity arrangements which would not have effects undesirable to both producers and consumers. There were also cases where many countries concerned genuinely were not convinced that the short-term price fluctuations were, or were likely to be, so great as to justify international action which might be difficult to devise and which, unless suitably framed, might distort long-term trends. It seemed to him very important for primary producers themselves that prices, both short-term and long, should be at a level which would not put producers at a disadvantage in relation to competitive commodities or substitute materials. Furthermore, as Sir Edwin McCarthy had implied, it might be right to work initially through a study group rather than to try to draw up an agreement before it was really clear that one was necessary. He thought that perhaps Sir Edwin McCarthy had not made sufficient allowance for the fact that the work of a study group could be useful in itself in dealing with commodity problems. Referring to the statement by the Australian representative, Mr. Sanders felt some doubts concerning the interpretation of the statistics quoted. All types of commodity agreements envisaged so far provided for some variation in prices, and the price movements cited for individual primary commodities could well have taken place within the framework of a commodity agreement. He assumed that the Australian representative was not advocating an absolute rigidity of prices, but if not, there was the problem of establishing what should be the "norm".

Mr. Sanders suggested that it might be useful for the CONTRACTING PARTIES when reviewing trends in international commodity trade to possess some additional background material permitting them to see these trends in sufficiently long-term perspective. He envisaged something beyond the scope of what would be included in the report by the Chairman of ICCICA. The
Mr. ADAIR (United States) said that, before deciding whether to participate in the proposed Working Party, his delegation would wish to consider carefully its objectives and terms of reference.

Mr. PHILIP (France) referred to the unsuccessful discussions of the CONTRACTING PARTIES on the difficulties arising in the trade in primary commodities. These discussions had only led them to grant the under-developed countries some exemptions from the general rules of the agreement. The Resolution passed at the previous Session had been a step forward. However, an annual discussion on the basis of the report submitted by the Chairman of ICCICA would only remain meaningful if it could, when appropriate, be followed by action. Economic developments in the last year had given him serious apprehension not only about the present difficulties of certain under-developed countries but also concerning possible repercussions on the world economy if no adequate measures were taken in time. In this connexion, Mr. Philip felt surprised that the delegation which had, in a preceding, less momentous debate, so vigorously defended the interests of its overseas territories, deemed it necessary at present to examine the significance of these disquieting economic developments with the utmost caution lest they might be misinterpreted. The French delegation for its part proposed that the CONTRACTING PARTIES study these trends and prepare any action that might be required. Surely the CONTRACTING PARTIES could not transgress their terms of reference. But they could not discharge their functions if no action were taken in the field outside their terms of reference. It was up to the governments to decide whether action was necessary or not.

His delegation believed that it would be useful to set up a working party that would prepare the ground for action at a later stage if that proved necessary and might help governments to take cognizance of their responsibilities if the current developments were to continue. This working party could review the difficulties of the countries exporting primary commodities, take stock of the advantages and shortcomings of the present techniques to deal with commodity problems and survey alternative means of action that might help to solve problems of production and organization of primary commodities.

Mr. PRESS (New Zealand) hoped that the CONTRACTING PARTIES would not take action that could in any way inhibit the Chairman of ICCICA from stating his views freely and frankly in future reports. As the CONTRACTING PARTIES would, in accordance with the Australian proposal adopted at the Ministerial meeting, fully discuss the difficulties which arise in the trade of primary agricultural commodities later in the Session, his delegation felt that the setting up of a working party should be deferred until after that discussion. At this stage a working party would run the risk of making only a fragmentary approach.
The CHAIRMAN, in summing up the discussions, said that the debate could be regarded as having constituted the review foreseen in the first paragraph of the Resolution passed at the Eleventh Session. Now that the revised text of the Agreement had come into force, the question also arose how to give effect to the third paragraph of that Resolution which provided for consultations on problems arising out of the trade in primary commodities. The representative for France had proposed to set up a working party for that purpose. A number of delegations had supported that idea. The delegate for Brazil had pointed out that these consultations, to be effective, would require whole-hearted co-operation of all contracting parties, particularly of the countries which were important consumers. The representative of New Zealand, referring to the discussions to be held later in the Session on restrictions on trade in agricultural products had thought it premature to set up a working party. Some delegations had informed that they would need to know the terms of reference of the working party before defining their position. The question also arose whether the heavy programme of meetings for the remainder of the Session would not make it more advisable to use the intersessional machinery.

As no clear and definite conclusions had emerged from the debate the Chairman proposed to convene a few delegations on a representative basis to determine whether agreement could be reached on what further action should be taken under the Resolution. He would then re-submit the matter to the CONTRACTING PARTIES.

It was so agreed.

3. Disposal of Surpluses (L/724, L/733)

The CHAIRMAN recalled that at the Ninth Session the CONTRACTING PARTIES had adopted the Resolution of 4 March 1955 in which they had recognized that the disposal of agricultural surpluses by exportation could cause serious damage to the commerce of other contracting parties by restricting their markets and disrupting prices. Accordingly, contracting parties expressed their intention to liquidate any surpluses that might arise in such a way as to avoid disturbances on the world market which would adversely affect other contracting parties. Further, the Resolution called for a procedure of consultation between a country liquidating surpluses and contracting parties which were the principal suppliers of the products concerned in order to ensure an orderly liquidation. The experiences of contracting parties under the Resolution were discussed at the Tenth and Eleventh Sessions and it was agreed that the situation again be reviewed at this Session. Action by governments in the disposal of surpluses was reviewed in International Trade, 1956 and this information had been supplemented in document L/733. In addition a statement had been submitted by the Food and Agriculture Organization on its activities in the field of surpluses (L/724).
Mr. ADAIR (United States) reported on activities under the United States agricultural disposal programmes in the fiscal year ended 30 June 1957. He first outlined action taken by his Government during this period aimed at the reduction of surpluses. One such action was through the Production Adjustment Programme supplemented by the Soil Bank and he cited decreases in acreage and production that had resulted therefrom. Another was the donation of surplus commodities to needy persons in the United States and during the fiscal year 1957 the value of such donations had been approximately $230 million at CCC cost.

During the fiscal year 1956 some forty sales agreements (and supplements to agreements) were concluded with twenty-five countries under Title I of Public Law 480 (Sales for Local Currency) which was the largest and most important of the special export programmes involving the disposal of surplus agricultural commodities abroad. The above-mentioned agreements had a combined value of $1,000 million export value (including some ocean transportation costs) and $1,500 million CCC cost. The principal commodities included: approximately 292 million bushels of wheat, 21 million bushels of feed grains, 11 million hundredweight of rice, one million bales of cotton, 39 million pounds of tobacco, 54 million pounds of dairy products, 814 million pounds of fats and oils, 85 million pounds of meat, 43 million pounds of fruit and vegetables and 7,000 hundredweight of dry beans. Congress had authorized $1,000 million at CCC cost for the Title I programme in the fiscal year 1958. Mr. Adair detailed the precautions taken by his Government before the sales agreements were entered into in order not to disrupt normal commercial channels, and drew attention to the system of consultations that had been developed. The principal exporting countries of the major commodities covered in each agreement under the programme had been consulted and in the majority of cases the governments concerned appeared to have been satisfied.

Programmes under Title II of Public Law 480 which provided for donations of surplus commodities abroad to meet famine and other emergency conditions involved nineteen countries in the fiscal year 1957 and amounted to $150 million. The commodities concerned were principally bread and coarse grains and to a lesser extent dairy products and rice. The authority under Title II had been extended by $300 million for use through 30 June 1958.

The programme of donating government-owned surplus farm commodities under Title III of Public Law 480 to private relief agencies for free distribution to needy people overseas involved 85 countries in fiscal year 1957 and had resulted in the free distribution of foodstuffs, mainly wheat, corn, rice, non-fat dried milk, cheese and dried beans, with a total value of $254 million at CCC cost. In May 1957 major revisions were made to the programme under Title III of Public Law 480 which provides for the bartering of government-owned agricultural commodities for other commodities, usually strategic materials. The Commodity Credit Corporation must now be satisfied that the transactions would result in a net increase in exports of the agricultural commodities involved and interest must be paid to them for any time lag between delivery of agricultural commodities and delivery of the materials obtained in exchange. Barter contracts concluded in the fiscal year 1957 totalled $272.5 million and exports
amounted to $203 million, consisting principally of wheat, corn, and other coarse grains and cotton. The initiative for these transactions lay with private traders.

Under Section 402 of the Mutual Security Act surplus agricultural commodities are furnished to foreign countries as a part of their total economic aid programme. In the fiscal year 1957 Section 402 programmes totalled $285 million. The commodities concerned were wheat, coarse grains, cotton, fats and oils and eggs. This total, however, included $51 million of exports to third countries which in turn exported industrial items to the aid-receiving country. The special circumstances which had led to the use of these triangular arrangements were explained by his delegation at the Eleventh Session.

In conclusion, Mr. Adair pointed out that while United States agricultural exports had increased in 1956-57 due in part to surplus disposal programmes, world agricultural exports had likewise increased, reaching a record level. Since the mere existence of surplus stocks led to considerable price uncertainty on world markets the orderly reduction in United States surpluses through domestic production controls and the careful procedures and safeguards of Public Law 480 and other special disposal programmes was in the interest of all agricultural exporting countries.

Mr. CHRISTENSEN (Denmark) referred to the consultations procedures under the Resolution of 4 March 1955 and underlined the importance his delegation attached to them. If such consultations were to be of any value, however, they would have to be held at some reasonable time before the deliveries were effected. In the past it had been possible, in certain instances, to avoid acute disturbances to normal markets through prior consultations; in some important instances, however, where consultations were held immediately prior to or some time after the disposals had taken place the procedures had proved completely ineffective. In this connexion he recalled United States' exports of surplus butter to the European market in the spring of 1956 and expressed the view that the fact that consultations were in many instances held immediately prior to or even after disposals had taken place was not entirely unintentional. Mr. Christensen recognized that there was often little time for prior consultations since a country holding surplus stocks of agricultural products would want to avail itself of any opportunity that arose in foreign markets to dispose of them at short notice. When the matter was taken up in subsequent consultations reference would merely be made to the incidental effects of the sales that had taken place.

A more effective approach to consultations between interested countries would be to endeavour to establish more general principles to be adhered to in the disposal of surpluses. The first of the main principles his delegation had in mind was that surplus production should as far as possible be balanced by increases in internal consumption. While appreciative of steps that had been taken in this direction, particularly in the United States, such measures had hitherto been insufficient to avoid disposal on foreign markets. It was of course of prime importance that the exporting country took into account

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1 The text of Mr. Adair's statement will be reproduced in Press Release GATT/378
the market situation and the normal trade interests of third countries
but here again priority to the principle of increased consumption should be
given and deliveries should be directed towards those countries where there
was a general scarcity of foodstuffs. Where sales to established markets
did take place they should be effected at world market prices.

Nevertheless, as shown in International Trade, 1956 and the supplementary
information thereto in document L/733, the problem had assumed such magnitude
that even close adherence to the latter principles would not avoid the
disruption of trade. The only real solution was the achievement of a better
balance between production and consumption by means of a reasonable price
policy. Surplus production, for which outlets could hardly be found without
damaging the established trade interests of other countries, seemed inevitable
so long as a policy of subsidization combined with protection was pursued.
Such policies not only affected the trade interests of other countries but
were bound to have repercussions on their agricultural policies since it
became even more difficult for them to make real progress towards a freeing
of trade in agricultural products.

Mr. RICHARDSON (Australia) said that his delegation regarded the review
by the CONTRACTING PARTIES of experiences under the Resolution of 4 March 1955
on the disposal of surpluses as one of the most important items on their
annual Agenda. He recalled that in previous discussions on this question
the Australian delegation had concentrated its attention on the policies and
activities of the United States in this field since it was in that country
that the largest stocks of agricultural products had accumulated and which
had embarked on massive programmes of disposal. While his remarks would
again be devoted in the main to matters relating to United States surplus
disposals they should be regarded as of general application since Australia
was equally concerned with exports of surpluses made possible by heavy domestic
or export subsidies that have been made or might in the future be made by other
countries. In this connexion he pointed out that his delegation viewed
with considerable concern the possibility that some traditional importing
countries in respect of certain products of export interest to Australia, had,
through the unlimited encouragement of agricultural production by subsidies
and other forms of price support, already reached or seemed likely to reach
the position of becoming net exporters. He had noted with satisfaction,
however, that one instance of this type of development brought before the
CONTRACTING PARTIES concerning eggs had had a satisfactory outcome.

Turning to the activities of the United States in the field of surplus
disposal he first acknowledged the endeavours made to bring about a re-adjustment
in United States agricultural production and welcomed the Soil Bank programme
as a contribution towards that end; he was disappointed, however, that the
results of that programme did not appear to have completely fulfilled earlier
expectations.

The points made by the Australian delegation at previous sessions had
lost none of their force, indeed their importance had grown in proportion
to the increasing magnitude of the surplus disposal operations undertaken
by the United States. Non-commercial transactions of wheat, for example,
were substantially greater in 1955-56 than in 1954-55 and substantially
greater again in 1956-57 than in 1955-56. In 1956-57 they represented
approximately 40 per cent of world trade in that commodity. As had been
stated on previous occasions his delegation did not object to surplus
disposal transactions which resulted in additions to consumption which
could not have been met through normal commercial sales and he acknowledged
the efforts of the United States Administration to take the interests of
third countries into account in order to avoid disrupting normal commercial
trade.

The United States representative had stated that under Title I of Public
Law 480 the President was required to take reasonable precautions to safeguard
the usual marketing of the United States and in order to implement this
requirement the United States might specify an amount to be purchased
commercially from them. The Australian delegation strongly opposed the in-
sertion into a surplus disposal agreement of an undertaking by the recipient
country, whether a traditional market of another exporting country or not,
that it should purchase a specific portion of its normal commercial demands
from the United States.

Mr. Richardson was pleased to report that some of his delegation's
previous dissatisfaction over the arrangements for consultation with the
United States had been removed in the past year. Nevertheless there was
still room for improvement on both a multilateral and bilateral basis.
He emphasized that if the consultations were to be effective they should
be initiated before any firm list of commodities had been decided upon.
Further as new techniques of surplus disposals were evolved interested countries
should be informed of them before they were put into operation in order that
they might draw the attention of the United States administration to such
features of them as they considered would adversely affect their trade interests.

In conclusion he requested that this item remain on the Agenda and that
a similar report be submitted by the United States delegation at the Thirteenth
Session.

The CHAIRMAN stated that this discussion would be continued at the next
meeting.

The meeting adjourned at 5.30 p.m.