SUMMARY RECORD OF THE SECOND MEETING

Held at the Palais des Nations, Geneva, on Wednesday, 24 October at 3 p.m.

Chairman: Mr. W.P.H. van OORSCHOT (Kingdom of the Netherlands)

Subjects discussed:

1. Provisional accession of Argentina
2. Programme for Expansion of Trade - appointments to Committees II and III
3. New Zealand schedule
4. Subsidies and State trading
5. France/Germany - trade with the Saar
6. Italy - trade with Libya
7. United Kingdom - Waiver from Article I
8. United Kingdom - special problems of dependent overseas territories
9. United States import restrictions
10. Disposal of commodity surpluses

1. Provisional accession of Argentina

The CHAIRMAN recalled that at the seventeenth session, the CONTRACTING PARTIES had drawn up a Declaration, dated 18 November 1960, providing for the provisional accession of Argentina and for commercial relations between Argentina and those contracting parties which accept the Declaration to be based (subject to certain conditions) upon the General Agreement. This Declaration had entered into force recently but its validity was limited. It remained in force until Argentina acceded to the General Agreement or until the end of 1962, whichever date was the earlier. Arrangements for tariff negotiations with a view to Argentina's accession under Article XXXIII had not yet been made and therefore the Declaration would expire on 31 December 1962 unless it was agreed by Argentina and the participating governments that its validity should be extended.
Mr. LARENA (Argentina) presented his country's request for an extension of the validity of the instruments providing for the provisional accession of Argentina to the General Agreement and for its participation in the work of the CONTRACTING PARTIES. He said that the relevant technical departments of his Government were in the process of bringing their customs tariff up to date. The adoption of a new customs tariff was not an easy task even under normal circumstances. This work had been made especially difficult in Argentina as there had been certain problems of a practical nature arising from the particular difficulties through which the country was passing. These circumstances had delayed the drawing up of the new tariff and hence the initiation of negotiations with contracting parties for Argentina's full accession to the General Agreement. The work for renewing Argentina's customs tariff had progressed beyond the nomenclature stage and it was hoped that it would be possible to carry out negotiations for full accession before the end of the additional two-year period that was now requested. Argentina's request should be interpreted as being a confirmation of its faith in the principles and purposes of the General Agreement and of its interest in contributing to the attainment of the objectives of the Agreement.

Several delegations spoke in support of Argentina's request for a two-year extension of the validity of the Declaration and of the Decision on participation. They expressed pleasure in noting that the Declaration had now entered into force and satisfaction on the work that was being carried out by Argentina towards the completion of its new tariff. They also looked forward to the full accession of Argentina to the General Agreement.

The CHAIRMAN said that the wide support given to Argentina's request indicated that the request should be granted. He requested the Executive Secretary to prepare, for consideration at a subsequent meeting, the text of a procès-verbal extending until 31 December 1964 the validity of the Declaration providing for the provisional accession of Argentina, and a draft decision to extend for a similar period the Decision by which Argentina participates in the work of the CONTRACTING PARTIES.

This was agreed.

2. Programme for Expansion of Trade - Appointments to Committees II and III

The CHAIRMAN suggested that, in view of Argentina's very considerable interest in the work of Committees II and III, Argentina should be appointed as a member of these two Committees.

This was agreed.
The Chairman said that the membership of these Committees had been reviewed and it was thought that it would be helpful if Turkey were also to join Committee III. The Government of Turkey had expressed its interest in becoming a member of this Committee.

This was agreed.

3. New Zealand Schedule

Mr. DATSON (New Zealand) said that by the Decision of 4 June 1960 the CONTRACTING PARTIES had agreed, subject to specific conditions, to suspend the application of the provisions of Article II to the extent necessary to enable New Zealand to apply a new customs tariff before it had had the opportunity to complete all the negotiations which it was obliged to undertake under the terms of Article XXVIII. By a subsequent Decision, the CONTRACTING PARTIES had extended the period of validity of this waiver until 31 December 1962. At the time when this extension was requested, the Government of New Zealand had hoped that the renegotiations would have been completed by 1 July 1962 when the new tariff actually came into force. Unfortunately this had not been possible and it now appeared that the negotiations would extend into 1963.

Continuing, Mr. Datson said that out of eighteen countries with whom New Zealand had initially negotiated concessions which were the subject of changes in its Schedule, there were only seven outstanding, and it was believed that three of these would be concluded very shortly. There was further substantial work still to be done in respect of negotiations with the other four countries. Delay in these remaining negotiations was partly due to the physical problem of each side being available for discussion at a particular time and place, and partly to the problem of reaching agreement on some difficult items. His delegation hoped for the conclusion of the remaining negotiations at an early date, but as it would not in the meantime wish to run the risk of being in breach of the provisions of the General Agreement, the Government of New Zealand now asked for the formal consent of the CONTRACTING PARTIES under paragraph 5 of Article XXV to extend the Waiver. He suggested that the period be extended for a further year to 31 December 1963, mainly because there might not be an opportunity, say half-way through 1963, to put New Zealand's position again before a session of the CONTRACTING PARTIES. In concluding, Mr. Datson assured the CONTRACTING PARTIES that New Zealand would do its best to complete its renegotiations at the earliest possible date.

Mr. TALJAARD (South Africa) said that his delegation supported the application by New Zealand.

It was agreed that the request of New Zealand for a further extension to the Waiver of 4 June 1960 should be granted. The Executive Secretary was accordingly requested to prepare a draft decision for consideration at a subsequent meeting.
4. **Subsidies and State trading (L/1872)**

The Chairman said that this item included two questions concerning the submission of notifications by contracting parties on subsidies and State trading. An explanatory note by the secretariat had been distributed in document L/1872.

Mr. Phillips (Australia) said that Articles XVI and XVII of the General Agreement were of particular importance to agricultural exporters since both subsidies and State trading were unfortunately fairly common methods of regulating production and trade in agricultural products. This was not meant to infer that subsidies and State trading were confined to the agricultural field, but as far as industrial goods were concerned they were more manageable by virtue of being less extensive and comprehensive. Mr. Phillips said that it was the understanding of his delegation that the present session of the CONTRACTING PARTIES would not concern itself with a review of the operation of the provisions of either Article XVI or XVII but with the statutory requirements contained in them for notifications.

On the question of subsidies, Mr. Phillips said that the requirements for notification and the history of the attempts to secure satisfactory replies were set out in document L/1872. His delegation shared the judgment expressed therein that the present system of annual reporting on the basis of the current questionnaire had not operated entirely satisfactorily. Up to October 1960, the Executive Secretary had made an annual request to contracting parties to submit notifications. Since that date no such request had been made, presumably because of the existence of the Panel on Subsidies and of the work of Committee II. If, however, the suggestion for notifying changes in January of each year were adopted, presumably the Executive Secretary would revert to the practice of making an appropriate request to all contracting parties. Whilst the Australian delegation supported this proposal for the reporting of changes, it believed that because of the very great importance of having adequate and up-to-date notifications and because of the reluctance or inability of a number of contracting parties to supply the necessary information, some kind of review machinery was necessary. The Australian delegation felt that in addition to reporting changes annually, a complete review of the notifications should be asked for, say every three years.

Turning to State trading, Mr. Phillips said that the notifications under Article XVII were probably even less satisfactory than those on subsidies. He said that there was a lack of essential information necessary for full understanding of the various State enterprises. Whilst the arrangement that any changes should be notified as and when they occurred was satisfactory in itself, he thought that from time to time, say every three years, as in the case of subsidies, a revision of each country's notification should be submitted. His delegation had in mind a review of both subsidy and State-trading notifications during the present session and though this might not be practicable at the present meeting, perhaps when the session was further advanced it could be seen whether such a review could be carried out. If this were not possible, contracting parties might consider what machinery was necessary to carry out this review during the inter-sessional period.
Mr. WARREN (Canada) said that in his view the CONTRACTING PARTIES would be faced over the next couple of years, with some very important developments in world trading relations. There was the prospect of major negotiations in the tariff field, a genuinely new and thorough-going approach to the solution of agricultural problems and to those relating to expansion of the exports of the less-developed countries. Against that foreground it was particularly timely that the CONTRACTING PARTIES should have a thorough look at the question of State-trading and subsidy practices. These practices were important features influencing the actual currents and directions of trade.

Mr. Warren pointed out that in the case of subsidies while it might be sufficient that the annual notifications from now on should simply cover changes in the amount and level of subsidies, he thought that this system would only be workable if the basis was sound. The finding in the secretariat paper was that contracting parties had not done as much as they could to inform each other of what their practices were. In agreeing to the suggestion regarding the annual notification of State-trading and of subsidy practices, it would have to be understood that the secretariat would take the necessary steps to make sure that the complete picture was available from each country so that any changes could be seen against that factual base.

With regard to State trading, all contracting parties had been aware of the provisions of Article XVII as the years had gone by, but they had not been closely questioning each other as to the conformity with that Article of the practices which their State-trading agencies had actually been following. Now that there was the possibility that a number of countries resorting to State-trading practices perhaps more extensively than some of the existing contracting parties might be joining the GATT, the matter should now be carefully looked at to ensure that the commercial interests of individual contracting parties were not being prejudiced by the State-trading practices of others. In this connexion as there would be need for a factual basis in order to judge what was going on, the system of annual reporting would be most important. As in the case of subsidies the secretariat should be requested to communicate with any country which was not fulfilling the requirements regarding the reporting of its procedures.

In conclusion, Mr. Warren said that while the idea of a review as put forward by the representative of Australia was an interesting one, he was not sure whether such a review could fruitfully be undertaken during the present session. The paper before the CONTRACTING PARTIES did not seem to have all the information necessary and it might therefore be more fruitful if in 1963 a fuller picture of the situation were obtained, and then perhaps in 1964 the Council might look into the matter. On that basis it could be seen whether there was any need for action in these fields during the time when the CONTRACTING PARTIES would be meeting again for major negotiations.
Mr. ZAMAN (Pakistan) spoke on the procedures for notifying subsidies. He said that, as already intimated to the CONTRACTING PARTIES on several past occasions, Pakistan neither granted nor maintained subsidies which fell under the purview of Article XVI of the General Agreement. As for the existing procedures for notifications, his delegation was of the opinion that if only changes were notified as suggested, their full effect might not become apparent unless the notifications were accompanied by complete details and background. In order to make the arrangements meaningful it would therefore be advisable that complete notifications on subsidies, and not only changes in the notifications already submitted, should be furnished by contracting parties who grant or maintain subsidies.

Mr. SVEC (Czechoslovakia) said that under the item being discussed there were two different things which had nothing in common with the procedure for notifications. Both State-trading and subsidies were covered by a system of notifications in the same way as other exceptions to the basic rules of GATT. With regard to the problem of State trading it should not be forgotten that for certain countries the system of State trading was not an exception, but was a rule itself. Article XVII and certain other articles of the Agreement were inserted precisely to arrange for the participation of those countries for which the system of State trading was the rule. Consequently his delegation believed that there was a distinction between those provisions of the GATT which dealt with subsidies and other temporary exceptions and those which related to State trading.

Mr. Svec said that he agreed with the remarks made by the Chairman in his opening address that the articles and paragraphs in the General Agreement regarding State trading might need further elaboration. This was particularly important in view of the probable accession of new contracting parties. At the same time he wished to stress that the matter had two sides; on the one hand there was the need to elaborate and to simplify the procedure for the formulation of obligations to be undertaken by the acceding countries with State-trading systems, and on the other hand there was also the need for the fulfillment of all GATT obligations including those provided for in Article XVII. In this connexion, all contracting parties were not fulfilling all their obligations towards Czechoslovakia, and his delegation would not accept the prospect of a possible future elaboration or review of the present procedures regarding State trading as an excuse for not fulfilling obligations towards the State-trading countries. With this in mind his delegation believed that some kind of a review of the basic documentation as mentioned in the paper on State trading might be useful at the present time. He hoped that such a review would allow Czechoslovakia to explain how its State-trading system followed and fulfilled the aims of the General Agreement and how it carried out the obligations it had undertaken. He was convinced that the trade figures showing Czechoslovakia's increasing imports would speak for themselves.
The CHAIRMAN proposed that the discussion of this item should be resumed at a later meeting in the session in the light of the suggestions that had been put forward.

This was agreed.

5. France/Germany - trade with the Saar (L/1833)

Mr. de LACHARRIERE (France), presenting his Government's annual report under the Decision of 22 November 1957, said that the quotas provided for in the Treaty of Luxemburg and under the Waiver granted by GATT had been used up to only about 60 per cent as in previous years.

Mr. STEDFELDT (Federal Republic of Germany) said that the report submitted by the Federal Republic contained, as in preceding years, indications of the volume of duty-free trade with the Saar. He had no special remarks to add except to confirm that during the year 1961 the duty-free quotas had only in part been utilized.

The CONTRACTING PARTIES took note of the reports submitted by France and the Federal Republic of Germany.

6. Italy - trade with Libya (L/1826 and L/1808)

Mr. CARRONE (Italy), in presenting his Government's annual report under the Decision of 9 October 1952, said that it was clearly shown in the report that as in the past special facilities granted to Libya did not cause any substantial harm to imports into Italy from contracting parties. The Italian Government was ready to provide contracting parties with any further information.

Mr. KHALIFA ALI MUSA (Libya) said that, owing to adverse climatic conditions in 1961, there was a further decline in the value of exports of livestock and agricultural products. This was more than offset by the exports of about 5 million barrels of crude petroleum to the value of about £L4 million. The production and export of crude oil constituted a new factor in Libyan trade and he hoped to be in a position to give fuller information in the next report. In the meantime he wished to point out that it would be two years or more before revenue accruing to the Government from its share in the proceeds of overseas sales would be on a substantial scale; and that, in addition to the cost of agricultural equipment, heavy Government expenditure was being and would continue to be incurred for communications, construction of new roads, health services, education and low-cost housing schemes. The oil industry could not, of course, replace agriculture in providing jobs for the bulk of the population and for the achievement of a balanced and stable economy. In helping to produce outlets for agricultural exports the Waiver continued to be a valuable concession. The Libyan Government was doing its utmost to promote its exports...
with the object of entering world markets on a normal competitive basis. In conclusion Mr. Ali Musa expressed the appreciation of the Libyan Government for the sympathetic consideration shown by contracting parties, especially the Government of Italy for the assistance it had given towards the progress of the Libyan foreign trade.

The CONTRACTING PARTIES took note of the reports of the Governments of Italy and Libya.

7. United Kingdom - Waiver from Article I (L/1850)

Sir EDGAR COHEN (United Kingdom), presenting the ninth annual report under the Waiver granted on 24 October 1953, said that the Waiver had been designed to enable the United Kingdom to increase margins of preference in certain cases where there was no material Commonwealth interest to benefit from the increase of preference. The procedures prescribed that if any other contracting parties felt that their interests were damaged in any way they could seek consultations with the United Kingdom. In the cases reported, no government had asked for consultations and it had therefore been inferred that the action proposed had been accepted by all concerned as being consistent with the purposes and intentions of the Waiver. Sir Edgar Cohen added that the rates of duty in question had accordingly been increased by the United Kingdom Government.

The CONTRACTING PARTIES took note of the report submitted by the Government of the United Kingdom.

8. United Kingdom - special problems of dependent overseas territories (L/1849)

The CHAIRMAN said that the eighth annual report by the Government of the United Kingdom under the Decision of 5 March 1955 recorded that the Waiver had not been invoked during the past year.

The CONTRACTING PARTIES took note of the report by the Government of the United Kingdom.
9. United States import restrictions (L/1836)

Mr. GRIFFITH JOHNSON (United States) presented the eighth annual report by his Government under the Decision of 5 March 1955. He said that the arrangement of the report followed that of the earlier reviews and conformed to the reporting requirements of the Decision. During the period since the last report several noteworthy actions had been taken by the President of the United States as a result of investigations by the Tariff Commission under the provisions of Section 22 of the Agricultural Adjustment Act. It was his feeling that these actions as a whole could be viewed as continuing evidence of the judicious use of the authority granted by United States domestic legislation and by the Decision of the CONTRACTING PARTIES. Specifically the actions included an increase from about four to five million pounds in the annual import quota for blue mould cheese effective 30 March 1962; secondly, the termination on 1 May 1962 of the import quotas on tung nuts and tung oil; thirdly, rejection, based on the investigation and a report by the Tariff Commission, of the proposal to apply an import fee on the cotton content of textile imports.

Mr. Griffith Johnson said that the review included also a formal record of the action which was reported orally a year ago. This related to action to impose an annual import quota on certain cotton products. As the report noted, however, this action did not constitute a new import regulation under Section 22 but rather represented an action taken to prevent circumvention of a quota already established for cotton. The report noted that as of the present time import regulations remained under Section 22 for wheat and wheat products, cotton of certain specific staple lengths, cotton waste and cotton picker laps, peanuts and certain manufactured dairy products. These products were subject to continued regulation; the supply situation which invoked the continued use of Section 22 provisions in these cases, had been given in detail in the appropriate commodity section of the report.

Mr. PHILLIPS (Australia) said that the United States Waiver was originally granted in the expectation that the need for it would pass in a reasonably short time. However, as could be seen from document L/1836 the United States had now submitted its eighth consecutive report under the Waiver. Despite what he believed to be genuine efforts on the part of the United States Government, little progress had been made so far in alleviating the conditions which had given rise to the Waiver. As the Australian delegation had stated repeatedly in the past, its immediate trade concern lay particularly in the field of dairy products. While it noted that the United States had increased the quota on blue mould cheese, it had not found it possible to do so in regard to Cheddar cheese, due, as was stated in document L/1511/Add.2, to substantially increased government purchases for price support purposes. Whatever the reason, the continuation of a quota of only some 12,000 tons was hardly a contribution towards trade expansion. The present butter quota of a little over 300 tons, divided amongst supplying countries, was equally frustrating. The Australian delegation therefore suggested the establishment of a working party to examine in more detail the report submitted by the United States Government.
Mr. VALDEZ (Peru) said that the economic policy of his country was inspired towards freedom of trade and for that reason any restrictive measures whatsoever which other contracting parties applied, and in particular the highly-industrialized countries, could not go unnoticed. Because of the effects of quotas and other protectionist measures which the rich countries of the GATT maintained, there should be an accelerated study to effect their disappearance. The hoped-for expansion of trade and all the objectives of the GATT stated in paragraph 1 of Article I could only be achieved when all parties to GATT benefited. His delegation was concerned at the contractive tendencies displayed by the nations with which they traded.

Mr. DATSON (New Zealand) expressed appreciation for the continuing opportunities given by the United States Government for other countries such as New Zealand to consult on its surplus disposals as they affected trade in farm products. Because of its importance in international trade, the United States was regarded as an example, and many countries looked to it as an initiator in promoting progress towards freer international trade in agricultural as well as in industrial products. Although such liberalization as there had been might not relate to products of direct interest to New Zealand, his delegation was very pleased to note that the United States was continuing with actions designed to bring about a better balance between supply and demand of the commodities under their Section 22 regulations. The New Zealand delegation was most pleased to hear of the United States Government's resistance to pressure for more restrictive measures on a certain item. Mr. Datson pointed out that if progress could be made towards a more speedy removal of import restrictions, this might well act as an encouragement to other countries to take similar action with resulting desirable effects on international trade and on the export opportunities of countries which were largely dependent on exports of agricultural products. He expressed disappointment at the lack of progress made so far by the United States in relaxing some import restrictions, particularly in the dairy group which was of course, of great importance to New Zealand and other countries. The New Zealand delegation viewed with concern the wider operation of the price support programme. The production of milk and dairy products had increased, consumption had declined, and there was an extraordinarily high level of surplus stocks in the United States.

Mr. Datson said greater efforts were called for to deal with the supply situation. Attention might be given to the more marginal producers, domestic consumption could be increased and the situation of excessive stocks might be remedied. His delegation was naturally disappointed that New Zealand had been unable to obtain access for more of its cheese and anything more than a very small quantity of its butter. His delegation was also disappointed that such quotas as had been enlarged for cheese had not been of significance to New Zealand. The Cheddar cheese quota which was of particular interest had not been increased, and New Zealand had been obliged to limit its exports on Colby cheese to the United States. As his delegation had pointed out many times before, scope existed for a considerable increase in quotas by the United States without discernable consequences for existing policies on dairy products. For example, the impact even of doubling existing quotas would be infinitesimal.
Concluding, Mr. Datson said that the subjects he had mentioned might well be developed in a working party. If such a working party were set up, his delegation hoped that the United States representative would be able to offer some more hopeful assurances for the future in relation to the products still under restriction.

Mr. WARREN (Canada) said that the agricultural sector was a very important part of Canada's very large trade with the United States. He recalled that at the time when the United States had asked for the Waiver, his delegation had felt itself unable to support the request. The Canadian delegation continued to look forward to the day, and perhaps in the context of the programme for expansion of trade such a day would not be too far off, when the United States would not consider it necessary to maintain this important Waiver.

Mr. VAN WIJK (Kingdom of the Netherlands) expressed appreciation for the very full and comprehensive report submitted by the United States. His delegation had always stated its grave concern regarding the broad scope of this Waiver. He recognized, however, the restraint that the United States Government had exercised in its implementation, but like previous speakers he was disappointed at the small progress which seemed to have been made in the relaxation of quantitative restrictions, especially in the dairy sector where the Netherlands had great interest.

Mr. SKAK-NIELSEN (Denmark) said that, whilst his delegation wished to reserve its more detailed comments on the United States' report for the Working Party, he wished to express appreciation for the steps taken by the United States Government to increase the import quota for blue mould cheese. He associated his delegation with previous speakers in expressing disappointment that it had not been possible during the past year for the United States to open its markets on a more substantial scale, in particular for butter.

Mr. CAWOOD (Federation of Rhodesia and Nyasaland) said that his country had in the past been critical of the import quotas imposed by the United States on tung oil and tung nuts. He now wished to express appreciation for the action taken by the United States Government in removing these particular quotas during the previous year.
Sir EDGAR COHEN (United Kingdom) said that, as an importer, the United Kingdom had felt the consequences of the restrictions imposed by the United States, and that over the last twelve months the United Kingdom had had great difficulty from surplus supplies of butter on its markets. He endorsed the remarks made by previous speakers on the urgent need for the greater liberalization by the United States on its imports of butter. While it was true that if the present quota for butter was doubled, the imports would still be infinitesimal, his view was that the United States should not merely double the present quota but establish one which was commensurate with the standard of life of its 160 million people. The present difficulty was largely due to the fact that what should be the greatest consumer area in the world, admitted virtually no butter at all. The consequence was that the United Kingdom, whose population was only about one third of the United States, had been inundated with butter to the point where it had had to introduce import restrictions. He would like to endorse the remarks made and to make an appeal that the time was now coming for new efforts to liberalize trade in agricultural products. The United States should play a full part in accepting imports of dairy products along with the rest of importing countries which were under similar pressure, otherwise the problem of imbalance between supply and demand would not be solved. In the context of many other matters which would be discussed during the present session, a fresh approach was needed to explore effectively the possibilities for a less restrictive solution to the problems of farm support.

Mr. IACARTE (Uruguay) recalled that when the CONTRACTING PARTIES had examined the previous report submitted by the United States Government, the Uruguayan delegation had made known its opposition to the type of farm waiver enjoyed by the United States. Contracting parties were all familiar with the reasons presented at that time by the Uruguayan delegation. Several other delegations had now given further reasons in the present discussion and the representative of the United Kingdom had added fresh elements. It was interesting to note that, in addition to the traditional suppliers who made appeals to the United States to reduce its import restrictions, the chief importer of world food supplies had now added its voice. While his delegation evaluated appropriately the caution with which the United States Government had managed and administered its import restrictions, nevertheless these restrictions were being maintained. All these actions worked against the development of world trade, particularly the maintenance in a country of such importance of a system of high prices which, in promoting sales abroad, had affected adversely the interest of competing countries which had similar problems.
Mr. GRIFFITH JOHNSON (United States) said that his delegation had taken note of the comments which had been made. They would co-operate fully in a working party if it were decided to establish one. Commenting on some of the points arising from the discussion he recalled that since 1955 the United States had made considerable progress in eliminating the restrictions covered by the Waiver. His Government would continue to abolish Section 22 measures when these were no longer needed and would resist the imposition of similar restrictions on further items. He pointed out that the restrictions maintained under the Waiver were to a great extent consistent with the GATT. His Government was attempting to bring production of these items under control, but increased productivity had made this difficult. He concluded by saying that his Government would welcome a move by certain other countries to reduce import restrictions on agricultural products to the level of the restrictions under discussion.

The CHAIRMAN proposed that a working party be set up with the following terms of reference and membership:

Terms of reference:

To examine the eighth annual report (L/1836) by the Government of the United States under the Decision of 5 March 1955 and to report thereon to the CONTRACTING PARTIES.

Composition:

Chairman: Mr. D.S. Joshi (India)

Argentina  Denmark  Netherlands  South Africa
Australia  France  New Zealand  United Kingdom
Brazil  Greece  Norway  United States
Canada  Italy  Poland  Uruguay
Yugoslavia

This was agreed.
10. Disposal of commodity surpluses (L/1831 and L/1860)

The CHAIRMAN recalled that, as agreed at the last session, contracting parties had been requested to submit reports on any action they may have taken during the past year in disposing of commodity surpluses, in liquidating strategic stocks or in disposing of stocks otherwise held by Government agencies. The reports received in response to this request had been distributed in document L/1860. Document L/1831 contained a secretariat note on the activities of other international agencies in this field.

Mr. HAKIM (Indonesia) said that his country had received urgently needed supplies of certain agricultural commodities under programmes for the disposal of commodity surpluses and he hoped that this flow would continue. On the other hand Indonesia was a large-scale producer of natural rubber and tin, both of which were commodities affected by the methods used in disposals of strategic stock-piles. It was the view of his Government that the disposal of both agricultural goods and industrial raw materials must not disrupt normal trading channels. He reminded the meeting that recent releases of stock-piled tin had forced the markets down. The International Tin Council had been buying in support, but one of the main weaknesses of the present system was the lack of a cut-off price. His delegation urged the importance of a stabilization in the price of tin.

Mr. ZAMAN (Pakistan) said that the best method of utilizing surplus commodities without disrupting international trade was by making these commodities available to the developing countries for solving their immediate food problems and other economic difficulties with which they were faced at present. His Government were glad that countries with such surpluses were already following this practice. His country had benefited by this course of action on the part of the United States and other friends who had these surplus commodities available. He expressed the gratitude of his Government to these countries for what they had done.

Mr. DATSON (New Zealand), referring to document L/1860 expressed the appreciation of his Government for the way in which countries had observed the practice of prior consultation in those cases where New Zealand's trading interests might have been affected. At the nineteenth session his delegation had expressed the hope that contracting parties would adopt a liberal interpretation of the language of the 1955 Resolution in considering whether they might report any trade activities which could fall within the scope of this item. He noted, however, that there had been no change in the number of countries reporting. It was the impression of his delegation that reports contained in document L/1860 did not reveal all the situations which they would understand as being covered by this item. His delegation hoped that this item would be retained on the agenda and that the present procedure for reporting would be retained.
Turning to document L/1831, he expressed the opinion that this was an area of very considerable significance for the work of the GATT. His Government had always supported the activities of any organization or programme designed to meet the needs of the developing countries. The fact that there were still problems of hunger in the world faced us all with a great challenge. The problem was, however, a complex one. The aim must be to move surplus commodities to regions where there was a present need for them while at the same time maintaining and increasing commercial trade in those commodities upon which many contracting parties, including less-developed countries, were so dependent. While the time was not appropriate for a discussion of the problems involved, his delegation believed that it was important that this issue should be kept firmly in mind by contracting parties. They were strongly of the view that this item should in the meantime be kept on the agenda and that the present procedures for reporting both by contracting parties and by the secretariat should be continued.

Mr. CAWOOD (Federation of Rhodesia and Nyasaland) recalled that his Government had been consulted on United States' disposals of tobacco. His delegation was pleased to note that in transactions carried out under Public Law 480 care was to be taken not to disrupt trading patterns. He urged that a generous proportion of imports should be reserved for normal commercial transactions, and that a rather longer period of notice should be given to allow consultations to be held.

Mr. TENNEKOON (Ceylon) reviewed the procedures which had been established to deal with this subject. Referring to documents L/1860 and L/1831, he welcomed the assurances given by the United States that commercial markets and commodity prices would be safeguarded and that actions in the matter of stockpile disposals which could undermine the benefits intended to flow from the United States Foreign Aid Programmes would be avoided. He also referred to two products with which his Government was concerned. In the case of natural rubber, consultations had led to amendments in surplus disposal programmes so that rubber would be used not only for defence requirements but also in foreign aid programmes. In the case of coconut oil his Government had obtained an assurance that the countries to which Public Law 480 aid was given would continue to import normal quantities of this product. He drew the attention of contracting parties to the 1962 report of ICCICA, circulated as document E/3614, and said that, whether or not notification procedure was adequate in the matter of time, his delegation felt that the basic problem of the accumulation of large surpluses remained unsolved. They recognized that the consultation machinery had been improved but felt that the safeguards did not fully meet all the problems raised by the disposal of surpluses, which could have serious repercussions on commercial markets and which might lead to a change in consumer preferences. Soyabean oil might, for instance, be substituted for coconut oil, which was a traditional export of his country. Solutions should be found to solve the basic problem and, while not ignoring the effects of technological progress, his delegation urged that the present high levels of agricultural protection prevailing in industrial countries should be moderated. Such action would have a substantial effect on the volume of international trade in primary commodities. He concluded by saying that, in the opinion of his delegation, the question of surplus disposals should be kept under review by the CONTRACTING PARTIES and in Committee III.
Inche ABDULAH BIN ABDUL KADIR (Federation of Malaya) said that natural rubber and tin accounted for between 75 and 80 per cent of his country's total export earnings. It was natural therefore that his delegation's interest in the subject under discussion was related to the question of the disposal of industrial raw materials from strategic stock-piles held by Government agencies. It would be noted from document L/1860 that almost two thirds of the total sales commitment of the United States in respect of materials in excess of present requirements were made up of natural rubber. Another major item was tin. Any action which had the effect of disrupting international markets for these two commodities would be disastrous for the economy of his country. He expressed the hope that the timing and announcement of stock-pile releases would continue to be made at such a time and in such a manner that the adverse effects on international markets would not lead to the lowering of prices. His delegation believed that the effect of stock-pile releases could be greatly reduced by the holding of prior consultations before the announcement of such releases was made. His delegation was pleased to note that countries intending to make releases had recognized the need for prior consultations. His delegation hoped that, in future, such consultations would be continued and would achieve more satisfactory results. Referring to document L/1680, he said that his delegation, in order to allow time for study, reserved their comments on the suggestion of the United States on the possibility of selling surpluses back to producers who would then have the option of holding the commodities or selling them as commercial considerations warranted. He noted that in document L/1831 the question of extending the period for consultation was also mentioned and, in the opinion of his delegation, this question also deserved further consideration by the countries concerned. He concluded by supporting the suggestion of the delegation of New Zealand that this item should be retained on the agenda and that the procedure for reporting be continued.

Mr. PHILLIPS (Australia) said that, in the opinion of his delegation, the consultation procedures had worked satisfactorily and had assisted considerably in avoiding undue disturbance of commercial trade. While not detracting from the manner in which the United States in particular, had carried out its responsibilities for consultation, it remained the view of his delegation that solutions to the basic problem could be found only within a broader framework, which would include comprehensive international arrangements for individual commodities. He said that the revised arrangements adopted at the seventeenth session were satisfactory in themselves, but relied on the availability of documentation at the appropriate time. His country operated no regular surplus disposal programme but, as stated in document L/1680, donations had been made under the Colombo Plan when requests were received from recipient countries and when the normal supplies and services provided under the Plan had not been available or had not been requested.

Mr. SKAK-NIELSEN (Denmark) stated that against the background of the structure of Danish exports it was only natural that his country had followed closely the development of the issue under discussion. It had been the experience of his Government that the procedures established in different international bodies had contributed to the orderly disposal of surpluses and that disturbances in traditional commercial sales had been avoided in a number
of commodities. In some instances, however, sales from surplus production had had repercussions on normal trade channels. Having said this, he expressed the appreciation of his Government for the way in which the United States had complied with the established procedures. The Danish Government had participated in a number of consultations with the United States Government and it seemed to have been possible, pursuant to those consultations, to find methods which had made it possible to put the surpluses at the disposal of developing countries which needed them in such a way as to limit to a great extent effects on traditional commercial exports.

Mr. MWAMBUNGU (Tanganyika) said that his delegation had taken note of the statement of the United States on the disposal of cotton surpluses under Public Law 480 contained in document L/1860 to the effect that major producing countries were consulted in the proposed liquidation of stocks in 1957 and again in 1962. Tanganyika was not a major producer of cotton but this commodity was its third most important export. The United States had recently agreed to supply cotton to India under Public Law 480. India had been one of Tanganyika's largest traditional cotton markets, but this year Tanganyika had found that exports would only be possible under a barter agreement. His delegation requested the United States to take note of Tanganyika's difficulties in this matter with a view to taking into consideration the effects which action under Public Law 480 might have on the exports of countries which were not major producers of the products concerned but which depended on these products to a significant extent for their foreign exchange earnings.

Mr. WARREN (Canada) drew attention to the fact that there was perhaps a danger that the accumulation of surpluses and their disposal was, or should be, a normal and accepted feature of the patterns of world production and trade. Any such assumption that was unqualified would be dangerous because the basic way to deal with these problems was to assure a better balance between supply and economic demand. It might be argued that there was a distinction to be drawn between food surpluses and surpluses of other commodities. In part, such a distinction existed as with food surpluses there was a related problem of hunger. Problems of handling and distribution of surpluses as well as of ensuring an even flow of supplies together with problems of diet restricted the capacity of needy countries to absorb food. Receiving countries were also endeavouring to increase their agricultural production and might not wish to build up a dependence on gifts of food. In addition, other countries might be dependent for their export income on the cash sale of commodities which others held in surplus. It was important to these exporting countries that commercial markets should be maintained and that they should reap some advantage from any increases in demand for these commodities. Turning to industrial raw materials, he said that it was vitally important that there be adequate consultation on the disposal of these materials from strategic stock-piles. Such disposals, if they were necessary, should be made over a period and in a way which did not affect the international price structure. This was particularly relevant in the case of metals. In conclusion, he said that, in the field of agriculture, the consultative procedures seemed to be working well. It was equally important that the right procedures be found to deal with disposals from stock-piles of industrial raw materials.
Shri JOSHI (India) said that, in the view of his Government, the present methods for the disposal of surpluses and the procedures for reporting were satisfactory. These surpluses had been of considerable help to countries like his own. He explained that in the arrangement between India and the United States on cotton, his Government had given an assurance that normal commercial imports would be assured. A normal import figure had been set in the case of cotton at 426,000 Indian bales and these imports had been carried out year by year as normal commercial transactions. These imports were, however, made on a global basis and importers could purchase from anywhere in the world. Deficits in Indian cotton requirements had sometimes required large imports of cotton under Public Law 480. The proposals to which the representative of Tanganyika had referred could not strictly be regarded as barter deals. They had been proposed in the light of India's difficult foreign exchange position and would not disturb the normal import requirements as they would be additional to normal commercial imports.

Mr. LAKINA (Argentina) said that his Government was fully aware that the world food programme which the United Nations and the FAO were sponsoring could be an effective contribution to the channeling of surpluses to the less-developed areas of the world. While his delegation looked with great sympathy on this type of help, Argentina could not participate in it, as it was necessary for his country to increase the volume of its exports while obtaining equitable prices for them which would allow the purchase of development goods. The price index of primary products had continued to decline and the terms of trade of the developing countries to worsen. In this situation it was the main industrialized countries which had the responsibility of finding a solution to the problem of surpluses. In some cases it was these countries which had contributed to the creation of the problem. A reduction in artificial stimuli to production in these countries and an increase in the demand for commercial imports would be an effective contribution to the reduction of the problem of surpluses and, in addition, to the problem of underdevelopment.

Mr. GRIFFITH JOHNSON (United States), referring to the agricultural surplus disposal problem, said that his Government, in common with the governments of other producing countries, recognized that accumulating surpluses should be utilized constructively but also felt that it was necessary to face up to the need to take effective measures to curb excess production. Here the reference made by the representative of Australia was very much to the point. His Government had made it known that it considered it necessary to dispose of sizeable quantities of strategic industrial materials in excess of stock-pile requirements as presently computed. It was recognized that there was concern on the part of normal suppliers of these materials but he urged these governments to recognize that the United States was aware of the problem and intended to act with responsibility. He pointed out that similar concern had been expressed when the United States was initiating the agricultural surplus programme. The comments that had been made today had, in his opinion, indicated that this concern had turned out not to be justified. His Government intended to continue to make full use of consultations and to improve these procedures.
A variety of other measures had also been developed. Public Law 480 shipments had been channelled to less-developed countries and normal marketing commitments and sales agreements such as referred to by the representative of India had been concluded. Referring to industrial materials, he looked forward to the development of similar techniques for the protection of markets from injury, such as the channelling of these materials into direct and indirect government use and the spreading of commercial sales over a substantial time period. A variety of other control procedures might be used which could lead, as in the case of tin, to a rejection of bids or to the suspension or modification of a programme where this appeared to be necessary. His delegation did not underrate the concerns expressed by several producing countries with respect to rubber and tin and was grateful for the co-operation which these countries had given. He considered it desirable to have better reporting on this item.

The CHAIRMAN said that, in line with the discussion, the reporting procedure should be continued and this item should be retained on the agenda for next year, and action in this field taken by other international agencies should also be followed by the Executive Secretary who should continue to report. He recalled that the Executive Secretary had drawn the attention of the CONTRACTING PARTIES in document L/1831 to an inquiry by ICCICA as to whether, taking into account the present magnitude of strategic stocks, notice of forty-five days was sufficient.

The EXECUTIVE SECRETARY said that the last point to which the Chairman had referred was not material in the case of the United States, which had a requirement of a six-months period of notice. It might, however, be desirable to consider whether the period of forty-five days should be extended. This would require a modification of the Resolution of 4 March 1955. On the other hand the CONTRACTING PARTIES might feel that this was not, in practice, necessary.

Mr. Warrren (Canada) suggested that an extension of the period of notice might not be the only way of dealing with the problem. Discussion on this point should be resumed at a later date. Turning to the request of the CONTRACTING PARTIES for reports on the disposal of surpluses, he said that if a country allowed goods to move into the export market at less than world prices, it might not feel obliged to report under the present terms of reference, but in fact such sales should be reported just as much as those from an accumulated stock.

Mr. Oldeni (Chile) supported a longer period of notice and the reconsideration of this question at a later meeting; some changes in the procedural details of the Resolution might be necessary.

It was agreed that discussion on the enquiry by ICCICA should be resumed during the present session.

The meeting adjourned at 6.00 pm.