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*President:* Mr. ENGEN (Norway).

*Present:*

The representatives of the following countries: Argentina, Brazil, Canada, China, Czechoslovakia, Dominican Republic, Ecuador, Egypt, France, Greece, Indonesia, Netherlands, Norway, Pakistan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Observers from the following countries: Belgium, Bulgaria, Chile, Colombia, Costa Rica, Finland, Hungary, Israel, Italy, Poland, Romania, Venezuela.

The representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations.

## AGENDA ITEM 7

**Establishment of a world food reserve (E/2855)**  
(*continued*)

1. Mr. BAKER (United States of America) said that without freedom from hunger there could be no real economic development or social progress, and it had been in recognition of that fact that the Food and Agriculture Organization (FAO) had been set up. FAO had done outstanding work and together with the United Nations had for ten years devoted close attention to the problem of assuring for the peoples of the world an adequate supply of food. The report (E/2855) now before the Council was the most recent evidence of the General Assembly's concern to ensure that all practical steps were being taken to deal with that complex question.

2. Before discussing the substance of the problem of whether an international food reserve would really offer a constructive solution, he wished to join other delegations in thanking FAO for its report and Miss Blau, the FAO representative, for her statement at the previous meeting. The report contained not only a useful analysis, but also a comprehensive survey of developments, which would prove extremely useful in showing how thoroughly the possibilities for international action had already been explored. They included plans for a reserve to meet famines, for buffer stocks to stabilize the prices of agricultural products and for measures to encourage production and consumption of such products. Either the United Nations or FAO had, during the past decade,

closely examined a plan for a world food board to hold and manage stocks of foodstuffs, a plan for an international commodity clearing house to facilitate the international movement of food and other agricultural products by means of various currency arrangements, and suggestions for different types of national or international reserves to meet famines and other emergencies.

3. While differing in scope, objectives and details of financing and management, all those schemes had certain elements in common involving to some degree the international management of food and other commodity stocks. In some measure all would entail the substitution of international administrative controls for national programmes and the normal interplay of market forces. None was designed to attack the fundamental causes of hunger and malnutrition, which were poverty and a low level of economic development. The report described how, in various international bodies, governments had examined and found impracticable, certainly for the time being, international action on those lines, and gave no indication that any different conclusions concerning such proposals would now be warranted. On the contrary, it brought out the great difficulties involved in attempting to attain the objectives laid down in General Assembly resolution 827 (IX) by means of an international food reserve or buffer stocks.

4. His delegation wholeheartedly agreed with the ultimate aims of such proposals. It was aware of the serious problems of under-nourishment in many areas and the importance of maintaining an adequate supply of food at reasonable prices for economic and social development, and particularly for industrialization programmes. It also understood the feeling of some countries that more stable commodity prices would relieve them of certain problems. For those reasons, his delegation had been ready to consider any action which promised to be effective and did not entail the risk of creating even greater difficulties than those it was designed to overcome. It was co-operating in the consideration of common problems, in international consultations on specific issues relating to food and agricultural commodities and in programmes of assistance to Member countries of the United Nations and its specialized agencies. All those efforts were aimed not only at bringing about an expansion of world trade and a better distribution of food supplies, but also at improving world food production, increasing consumption and promoting economic development which, in the long run, was the only solution to the world's food problems.

5. The willingness of the American people to help the less fortunate was well known, and in recent years the great productivity of United States farms had enabled his country to embark upon more comprehensive pro-

grammes of relief with agricultural surpluses and to assist in the economic development of under-developed countries. His Government believed that such bilateral arrangements were a more practical way of meeting world food problems and had adhered to the principles governing the disposal of surplus commodities developed in FAO. Its programmes were being operated in accordance with those principles. The fact that it did not believe that special international arrangements were necessary did not imply disagreement with the purposes of an international food reserve or food capital fund but only that it found that particular approach impracticable at the present time. Its conviction was reinforced by the belief that those doubts were shared by other governments.

6. Member countries should continue to co-operate in international commodity councils and study groups—in FAO's Consultative Sub-Committee on Surplus Disposal and its Working Party on an Emergency Famine Reserve, in the work of the International Bank for Reconstruction and Development (Bank) and in the United Nations Technical Assistance Programme—all of which offered opportunities for discussing world food problems and deciding on the most effective action. In other words, he believed that the Council should inform the General Assembly that there already existed in the United Nations and the specialized agencies such arrangements for international action and for the co-ordination of national programmes as appeared feasible at the present time.

7. Mr. ANIS (Egypt) said that the first objective of national and international action set forth in General Assembly resolution 827 (IX) was to raise levels of food production and consumption in areas where chronic malnutrition was a problem. He did not believe, however, that a world food reserve was the cure for chronic malnutrition, the main cause of which was poverty and low purchasing power, which could be overcome only by improving standards of living and achieving a rapid rate of economic development. In the absence of price and currency concessions, a world food reserve would be of limited help to low-income countries. Furthermore, it would need to be constantly replenished; and if it were used to accelerate the economic development of such countries, it might actually hamper them, because they were for the most part agricultural countries.

8. As was clearly explained in chapter IV, in part I of the report, the functions which a world food reserve would have to perform for raising levels of food production and consumption and combating malnutrition would be incompatible with the aim of counteracting excessive price fluctuations.

9. A world food reserve for meeting emergencies seemed hardly justified, and would raise numerous problems. If an emergency resulted from sudden crop failure or other natural calamity, it could be dealt with by rapid assistance to the stricken areas, as in the past. Egypt, for example, had recently welcomed the opportunity of rendering such assistance to the Lebanon. Such a reserve would also present difficulties with regard to storage, the selection of the proper commodities, and financing and organization. The experts of FAO were

fully aware of the complexity of the problems, and he agreed with them that the desirable speed and flexibility could best be achieved by means of an international relief fund, with sufficient financial resources to purchase supplies as and when needed rather than through a world food reserve created in advance. Even in the case of the machinery contemplated by FAO, however, great difficulties in management and operation were likely to be encountered. His delegation therefore believed that the various proposals put forward needed careful study before any final decision could be taken.

10. With regard to one of the other objectives mentioned in General Assembly resolution 827 (IX), that of counteracting excessive price fluctuations, his delegation had on several occasions pointed out the harmful effects of such fluctuations on the economic development of under-developed countries. FAO had dealt with the question at length in its report, showing that excessive short-term price fluctuations should be eliminated, not only in the interests of producers and consumers, but also in the wider interests of world economic stability in general. His delegation attached great importance to stabilization techniques and wished to draw attention to the following points. First, world markets in foodstuffs, as well as many other raw materials, were very much affected by trade restrictions, import quotas and price-support policies. Secondly, an equitable relation between the prices of manufactured goods and foodstuffs must be achieved before embarking upon price stabilization policies. Thirdly, prices of foodstuffs were very much influenced by the action of world cartels and monopolies, as well as by other forms of restrictive business practices, which might tend to frustrate the aims of buffer stocks. Those factors would render the task of establishing a viable price for each commodity very difficult. Among other difficulties, the most important mentioned in the report were that of choosing commodities that could be regarded as suitable for international buffer stock operations and which were not likely to give rise to technical problems; the large initial capital sum required, which had been estimated at several thousand million dollars; and the reluctance of governments holding large stocks and thus wielding a considerable influence, as well as of governments holding commodities which they could exchange for hard currencies, to relinquish their special privileges.

11. All those difficulties seemed to detract from the value of the proposals for the establishment of new international machinery, attractive though they seemed, as a further step towards alleviating poverty and distress. He hoped, nevertheless, that the United Nations and its specialized agencies would come to grips with the problem of food shortages.

12. In conclusion, he thanked the FAO representative for her comprehensive statement at the previous meeting.

13. Mr. GOZARD (France) described the chronic under-nutrition from which half the population of the world was suffering, and stressed the responsibility which it imposed on the better-nourished. The situation called for attention not only for human reasons, but also because it affected economy as a whole, including that of the most highly-developed countries. Under-nutrition

was another obstacle to economic development, because it weakened the population physically and deprived the economy of some of the strength which might be used to expand it. That alarming situation was made worse by the fact that the growth of population outstripped economic progress.

14. The report prepared by FAO on the functions of a world food reserve (E/2855) threw light on the difficult question of under-nutrition and precisely defined the methods that could be used to fulfil the purposes of General Assembly resolution 827 (IX)—namely, the methods of relieving under-nutrition and famine, stabilizing food prices, and using agricultural surpluses. The report showed that the establishment of a world food reserve, of a buffer stock and of a food fund for economic development raised totally different questions, and it would be very difficult to entrust them all to one organization.

15. As indicated in the report, the threat of famine was no longer as urgent as it had been when the idea of creating a food reserve capable of meeting extreme cases had first been put forward. Nevertheless, despite the recent improvement in methods of fighting famine, the future still remained uncertain. As long as there were under-developed countries, there would still be the problem of establishing food reserves to help them in case of need. The report showed, however, that difficulties of all kinds faced the creation both of a world stock and of national food reserves, and that such methods neither used the practical possibilities nor dealt with the problems.

16. On the other hand, the report indicated a simpler solution which, in the French Government's view, was worthy of more detailed study—namely, the organized *ad hoc* method, by which participants were requested to undertake to allocate a fixed sum or its equivalent in food supplies to be sent to countries where famine threatened. The Council ought to ask FAO to continue its studies on that particular point and to submit concrete suggestions. The method proposed, which would have the effect of consolidating existing guarantees, would doubtless lead to important progress towards abolishing the threat of famine.

17. His delegation felt that food price stabilization was only one aspect of commodity price stabilization and could be dealt with only as part of the general problem, the solution of which would otherwise be prejudiced. His delegation therefore suggested that the part of the report dealing with the counteracting of price fluctuations should be used as a basic document during the discussion of item 6 of the agenda (international commodity problems).

18. The same should be done with that part of the report which studied agricultural surpluses and their possible uses in financing economic development. It contained suggestions which his delegation considered worthy of the Council's attention. International aid in foodstuffs was particularly timely when an under-developed country proceeded to diversify its economy, as it enabled it to implement its economic development programme while avoiding inflation. It was, moreover, profitable to the donor countries, as it started new flows of imports. France itself made increasing use of that

system within the French Union, and there would be all the more point in developing it if it met a human and social need as well as being economically sound. Its implementation would provide a useful solution to the problem of under-nourishment.

19. The part of the report which dealt with the use of food surpluses for economic development should properly be considered in close conjunction with the other aspects of economic development and its financing—a matter with which the Council had concerned itself for several years and which was on the agenda of the present session.

20. The section on commodities should likewise be regarded as a basic document for the Council's future work on the subject.

21. In conclusion he thanked and congratulated FAO, and more particularly Miss Blau, for the noteworthy report which they had prepared and which would henceforth serve as a guide to the subject.

22. Mr. SAID HASAN (Pakistan) said that the establishment of a food reserve was particularly important to Asian countries whose populations lived eternally on the edge of starvation and in perpetual fear of famine. Members had only to look back on the appalling Bengal famine in 1943. There was a lurking fear amongst the people, and that created a pre-disposition to shortages. A rumour of a local shortage set in motion almost uncontrollable pressures—stocks went underground, prices rose and high prices led to panic buying. The process was a vicious circle, having calamitous effects. During the days of alien rule, lives could be lost without political repercussions; but with the achievement of independence, national governments had to take all possible steps to relieve distress, and in critical times food requirements took precedence over all other economic considerations and supplies had to be purchased from abroad, which delayed the implementation of the development programme since foreign exchange resources had to be diverted from the developmental quota to the import of food grain. Pakistan, for example, had experienced recurring food shortages and, despite generous help from other countries, had been forced to spend large sums on food imports, some of which had later proved unnecessary, because once the situation had slightly improved, the existence of local stocks had been revealed and prices had fallen. Thus, there was a real need for both national and international reserves to relieve distress and to meet emergencies in a way which would not dislocate the economy. It must be recognized, however, that international reserves could not solve the chronic problem of malnutrition, for which the only remedy was economic development.

23. Referring to the objective connected with relieving famine and other emergency situations, he presumed that purchases would be made if the reserve was to be self-equilibrating financially, and was not to be used for free grants in times of famine and shortages. He stressed the need for establishing a reserve in order to provide assurance in times of emergency that adequate stocks of goods would be forthcoming, to prevent distress as well as shortages created by scare. It was

also necessary to devise a method by which a country might procure food grains to supply a shortage in one year without upsetting its programme of economic development, which would happen if it had to use its scarce foreign-exchange earnings on the import of food. He had in mind the operational pattern of the International Monetary Fund (Fund) which advanced funds for short periods to meet temporary balance-of-payments difficulties of a given country. But instead of cash, they could operate the reserve in kind—both the advances and the repayment. On the presumption that some shortages would always exist somewhere, the advances and repayments would have to be correlated, except the cost of transportation, etc., which would be payable in cash. He did not favour a buffer stock, the purpose of which was to sustain prices, something that was difficult to achieve both at national and international levels where agricultural products were concerned. The use of buffer stocks had been debated at length at the fourteenth session of the Council, and it was felt that that was an impractical proposition.

24. The world was familiar with the part played by the United States of America in relieving distress by means of allocations from its agricultural surpluses, but it would not be just for the United Nations to allow the whole burden of assistance to fall on a single country. The Organization itself must therefore come to grips with the problem of famine threatening millions of people, and he again urged that it should be studied not from the financial, but from the supply angle, since the monetary resources of under-developed countries where there was a good deal of hidden and actual unemployment were limited. A special committee created in Pakistan some years previously had concluded that the physical approach (to economic development) he advocated could yield useful results. Though aware of the complexity of the problem, which needed examination by experts, he expressed the hope that some practical suggestions might be made both in the Council and in its Economic Committee.

25. Sir ALEC RANDALL (United Kingdom) wished first to express his personal admiration and his Government's gratitude to the FAO representative for the able manner in which the report had been prepared and presented to the Council. It gave a clear and well-balanced analysis of the problems involved and all would appreciate the underlying note of humanity which lent it a special value. It made a notable contribution to international understanding of the various schemes for famine relief and price stabilization which had been considered since the Second World War and would, as the French representative had stated, continue to be used for some time to come as a basic reference document on those complex problems.

26. He would emphasize, at the outset, that there could be no possible disagreement on the desirability of pursuing the ends outlined in General Assembly resolution 827 (IX); every government would wish to see those ends achieved at the earliest possible moment and to the greatest possible extent. The Council's discussion must therefore be concerned with whether the establishment

of a world food reserve, as envisaged in the General Assembly's resolution, could contribute to those ends. The Council was specifically requested to report back to the General Assembly its conclusions on that question; his remarks would therefore be devoted to suggesting what, in the opinion of his Government, those conclusions should be.

27. One predominant conclusion that clearly emerged was that it would be quite impracticable to establish a world food reserve with the purpose of pursuing all those ends at one and the same time. The organizational difficulties involved—not to mention the immense financial difficulties—would preclude such a possibility, just as they had precluded the establishment of an international organization to discharge at one and the same time the functions now discharged by the Bank and the Fund. His Government felt that that conclusion should be set out unequivocally in the Council's report to the General Assembly.

28. He would, then, examine briefly the possibility of establishing several food reserves to pursue, separately, the ends set out in General Assembly resolution 827 (IX). First, there was the proposal that a food reserve could be established to relieve famine and to deal with other emergency situations: the report dealt exhaustively with the various studies carried out by FAO on that possibility and indicated clearly the considerable technical, as distinct from political, objections to the schemes that had already been investigated. The Canadian representative had recalled that an international group of experts, reporting to the seventh session of the FAO Conference in November 1953, had concluded that neither physical world shortages of the main foodstuffs nor their geographic location would be likely to constitute a major obstacle to the relief of famine in an emergency. It seemed clear, therefore—and the Council might well record that conclusion—that, with the possible exception of some form of international assistance for the accumulation of national reserves, there would be little point in the United Nations pursuing that question any further for the present. The United Kingdom had always stressed the practical difficulties of storage, turnover and transport, as also the impossibility of foreseeing the right remedies to meet an individual situation in the future, and it felt that now that the report had so convincingly summarized and analysed those difficulties the idea might once and for all be abandoned. There was already adequate machinery in FAO for dealing with emergency famine conditions; it had been used in the recent past and could and would be used as and when required. There were no grounds for fearing that it might break down and not be able to function to meet any emergency that might arise.

29. The report had devoted some attention to the greater flexibility that could be achieved and the diminution of currency problems that could be expected if reserves were held in the form of national stocks. He would suggest, however, that the report did not perhaps lay sufficient emphasis on the danger that such stocks might be used in a fashion detrimental to other producers and consumers, nor did it consider in any detail how such stocks

were to be financed. There was perhaps room for further examination of the organizational and financial questions involved.

30. Secondly, there was the proposal that buffer stocks might be used to achieve stabilization of commodity prices. The report made an effective analysis of the technical difficulties involved in any multi-commodity buffer-stock scheme; while it suggested that there might be no fundamental weakness in the concept, it made it clear that man-made obstacles, such as the tendency towards over-production, competition from powerful stockholders or market operators, currency complications and the size of the initial capital required, were much too formidable to make it reasonable to look for early action in that direction. The United Kingdom, for its part, was convinced that the commodity-by-commodity approach would always be the most effective and that, although it might sometimes be desirable to establish a buffer stock in one particular commodity, the technique could not be regarded as a universal panacea. In any case, the question of the establishment of buffer stocks as an international technique could not be considered in relation to food stocks alone, and the Council might do well to note that it was a problem that was already under examination in other organizations.

31. Thirdly, there was the proposal that a world food reserve might be established, linked in some way, perhaps, to the proposed Special United Nations Fund for Economic Development (SUNFED), to assist in promoting the economic development of the under-developed countries. That proposal was by no means new to FAO. A pilot study had been carried out in co-operation with the Indian Government on techniques for disposing of surpluses without disrupting the economies of recipient countries or the markets of competing producers. The main disadvantage of the proposal, in the opinion of the United Kingdom Government, was that it raised the whole vast problem of financing economic development, opening up, in another context, the whole complicated question of SUNFED, which was under constant examination in the Council and the General Assembly and which presented the United Kingdom, in its present financial circumstances, with particular difficulties. There was no need for him to explain once again the attitude of the United Kingdom Government towards SUNFED, but the very large financial implications connected with the establishment of either SUNFED or a world food fund made it impossible for his Government to contemplate contributing to such schemes at the moment. The considerable contributions to economic development which it had been making for a long time past constituted the largest proportion of its resources that it could afford if it was to maintain economic stability and therefore its very capacity to offer any aid at all.

32. Apart from that basic difficulty, the operation of a world food fund might in some circumstances lead to the perpetuation of structural surpluses and the maintenance of unrealistic commodity prices which would in effect subsidize uneconomic producers. That would upset normal marketing and might create more problems than it solved. He had been much impressed by the remarks

the Canadian representative had made on that point earlier in the debate.

33. Finally, he drew attention to the passage in Miss Blau's speech in which she had emphasized the need for continuing international co-operation in this field at what she described as the "humdrum" level, in order to promote better understanding of the problems involved. That co-operation, pursued with such good effect in FAO, had indeed the greatest practical value and led to results which, though not perhaps spectacular, were as effective in the long run as could be hoped for from many more ambitious schemes. The passage in paragraphs 133 and 134 of the report which drew attention to what remained to be done in that field was, in his view, of the greatest importance. The Council should beware of trying to embrace universal ideas and thereby losing hold of smaller but practicable and valuable undertakings.

34. In conclusion, he expressed the hope that some of the ideas he had put forward would be reflected in the Council's report to the General Assembly.

35. Mr. VALLADAO (Brazil) joined with preceding speakers who had praised the admirable work of Miss Blau.

36. The United Kingdom representative had been right in pointing out that the difficulties in the way of establishing a world food reserve were such that it would be premature for the Council to tackle the problem at the present stage. In the opinion of the Brazilian delegation, the matter could be regarded from two angles: the humanitarian and social angle, and the technical, economic and financial angle. As far as the former was concerned, an obligation to take action derived not only from the Charter but also from the general code of international behaviour, but from the latter angle the difficulties were such that the task was by no means so simple as the sponsors of General Assembly resolution 827 (IX) had believed.

37. If the Council concluded from its study of the report that it must inform the General Assembly that there was no way of dealing with the problem of establishing a world food reserve, it would appear to be accepting the report as FAO's last word on the subject. An alternative way would be to take cognizance of the report as an interesting and valuable document and a second step in the approach of United Nations economists to the problems of commodity trade as presented in 1954. FAO could then be asked to present a further report, which would not be a provisional report from the FAO secretariat but a final report from FAO as an organ of governments, and which could present a clear field, unobstructed by other studies. The work done by FAO could be linked up with that at present being done by the Commission on International Commodity Trade, which had considered all the problems involved in the course of its recent session.

38. In conclusion, his delegation was in full sympathy with the idea that had prompted General Assembly resolution 827 (IX), but it agreed with those speakers who

had said that the time was not ripe for dealing with the problem in an objective manner.

39. The PRESIDENT declared the general discussion closed and said that the item would now be referred to the Economic Committee.

40. On behalf of the Council, he thanked Miss Blau for the valuable contribution she had made to the discussion.

The meeting rose at 12.10 p.m.