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SUMMARY RECORD OF THE NINTH MEETING

Held at the Palais des Nations, Geneva,
on Monday, 27 October 1958 at 2.30 p.m.

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

Subject discussed: Trade in Primary Commodities

- Report by the CONTRACTING PARTIES' nominee as Chairman of ICCICA
- ECOSOC Resolutions concerning the Commission on International Commodity Trade

Trade in Primary Commodities

- Report of the CONTRACTING PARTIES' nominee as Chairman of ICCICA (L/864)
- ECOSOC Resolutions concerning the Commission on International Commodity Trade (L/866)

The CHAIRMAN pointed out that although many references had been made to problems of trade in primary commodities within the broader context of the general debate on trends in international trade, he had refrained from any crystallization of the viewpoints expressed thereon with the intention of awaiting the opportunity for more specific and detailed discussions on these problems. It now seemed appropriate for the CONTRACTING PARTIES to address themselves to these questions in connexion with their annual review of trends and developments in commodity trade, undertaken in accordance with the Resolution of 17 November 1956 on the basis of an annual report by the CONTRACTING PARTIES' nominee as Chairman of ICCICA. At the same time the CONTRACTING PARTIES might give due consideration to two Resolutions adopted by the ECOSOC in July 1958 which amended the terms of reference of its Commission on International Commodity Trade and convened a special session of that Commission in March 1959, in which the CONTRACTING PARTIES were invited to participate.

Sir Edwin McCARTHY (Chairman of ICCICA) in presenting his report outlined the more recent developments that had taken place in the field of primary commodities since the report had been submitted to the CONTRACTING PARTIES.

The United Nations Sugar Conference, referred to in the report, had terminated in Geneva on 24 October 1958. Although some important changes had been introduced, the fundamental mechanism of the agreement was retained; a new five-year agreement had been concluded with basic export tonnages established for the first three years. As stated in the report, exploratory meetings on the lead and zinc situation, convened by the Secretary-General of the United Nations, had been held in London in September; it was agreed that the facts of the situation be brought to the notice of governments concerned, which were requested to consider the possibility of export reductions, perhaps accompanied by equivalent restrictions in production. The views of the various governments would be dealt with by a committee appointed for that purpose, which would meet in Geneva on 10 November 1958. The committee would also report on the question of setting up a study group.

Sir Edwin McCarthy then referred to the 1958 Review of International Commodity Problems published by ICCICA in May 1958. This report included a retrospective analysis of movements in prices of primary commodities over the past ten years and its findings, which underlined the significance of short-term price fluctuations, were clearly relevant to any study of international trade in primary commodities.

Turning to his report to the CONTRACTING PARTIES, Sir Edwin McCarthy pointed out that he had endeavoured therein to draw attention to several aspects relevant to fluctuations in prices of primary products. It was to be noted that prices of some commodities moved to a greater degree than others, and whilst some had recorded upward movements, others at the same time had declined. The repercussions of short-term fluctuations in commodity prices extended further than to countries directly concerned, affecting exporters of manufactured goods from which primary producing countries made their purchases. On the basis of the facts set out in the report his main conclusions were that such movement of prices had been so marked in recent years as to have had a material effect on world trade. Moreover, these fluctuations not only had major implications for countries which exported primary products but also affected the export trade of those countries which were importers of primary products and exporters of manufactured goods. Stability in the prices of primary products in world markets therefore, if it could be brought about, would make an important contribution to the maintenance of sound international trade, and in doing so would serve the interests of secondary industries just as much as of primary industries. He also drew attention to that section of his report dealing with inter-governmental action taken in recent months with respect to certain primary products. Although such meetings had not yet resulted in any determinations being made, he expressed the hope that concrete results in this direction could be achieved in the near future.

In conclusion Sir Edwin McCarthy expressed his willingness to further elucidate any points for clarification which any contracting party might request, and added that it should be borne in mind that his views were based on factual examination of available data in connexion with work he had undertaken in his capacity as Chairman of ICCICA.

The CHAIRMAN thanked Sir Edwin McCarthy for once again having submitted to the CONTRACTING PARTIES a lucid and comprehensive report.

In the discussion which ensued, contracting parties taking part also expressed their appreciation of the excellence of the report and of the manner in which it was presented.

In reply to a question by Mr. SCHWARZMANN (Canada) as to whether the results of the forthcoming meeting on lead and zinc would be reported to the CONTRACTING PARTIES, Sir Edwin McCarthy replied that he would report, providing the CONTRACTING PARTIES were still in session and, if not, the results would be transmitted to the secretariat.

Mr. VALLADÃO (Brazil) was of the opinion that the reconstitution of the Commission on International Commodity Trade and the amendment of its terms of reference, had the effect of precluding the ICCICA from passing judgment on specific problems arising in the field of commodity trade and on the advisability of undertaking action to remedy any such problems. ICCICA was therefore again, as originally provided by Resolution 557F (XVIII) of the United Nations Economic and Social Council, entrusted with the technical function of convening intergovernmental meetings or of requesting the Commission on International Commodity Trade to do so. While Mr. Valladão regretted that the task of examining questions concerning the terms of trade of primary producing countries had been deleted from the terms of references of the Commission, the modification of the mandate, on the other hand, had the beneficial effect of inducing certain countries, which had hitherto refused to discuss commodity problems, to participate in its activities. In the GATT, an encouraging change in the attitude of some contracting parties seemed to have taken place in favour of taking concrete steps in the field of trade in primary commodities. The Experts' Report would prove a useful basis for any action the CONTRACTING PARTIES might wish to take with a view to dealing with the difficulties arising in connexion with trade in primary commodities. Although other international bodies were also active in the field of commodity trade, the CONTRACTING PARTIES had an important role to play because they were particularly well-placed to examine the problems realistically and to find practical and effective solutions. Mr. Valladão expressed the hope that the Committee on Expansion of International Trade which the CONTRACTING PARTIES were to set up would, in carrying out its tasks, keep in mind the close relationship which, as the Experts' Report had shown, existed between difficulties arising in connexion with trade in primary commodities and the other questions in the field of commercial policy to which the CONTRACTING PARTIES had hitherto devoted most of their attention. In particular, when arranging for tariff negotiations, the Committee should ensure that the overall economic situation of the participating countries be taken into account without concentrating exclusive attention on tariff questions.

Mr. PHILIP (France) was gratified to note that among both industrial and less developed countries there was a growing awareness of the urgent necessity of evening out excessive fluctuations in the prices of primary commodities and of ensuring an adequate and regular flow of investments and aid to underdeveloped countries. He called attention to the Experts' Report which stated,

on page 33, "In 1956-57 alone grants amounting to \$2,000 million and loans of \$500 million were transferred to the non-industrial part of the world. Of the total of \$2,500 million the United States, France and the United Kingdom accounted for 45, 32 and 6 per cent respectively, while international institutions supplied a little over 10 per cent." France therefore occupied second place with respect to aid and investment for non-industrial countries and was by far the first country when considering this assistance in relation to population and national income. In the past the CONTRACTING PARTIES had focussed their attention on tariff matters, quantitative restrictions and other questions of economic policy without having due regard to the particular efforts which certain countries were making to assist under-developed countries by means of aid, international investment or contributions to commodity stabilization schemes. As this assistance was financed by public funds, it inevitably affected the competitive capacity of these countries. Therefore, when appreciating the economic and commercial policy of particular countries, account should be taken of the contribution which these countries were making towards the solution of the essential problems of stabilization of the prices of primary commodities and investment in under-developed countries.

As regards the action which might be taken in the field of commodity trade and international investment, Mr. Philip suggested that the CONTRACTING PARTIES pursue the extremely interesting study of the Panel of Experts on the various price stabilization schemes for primary commodities. The task of making a comparative analysis of these schemes could be entrusted to a group of qualified experts. The CONTRACTING PARTIES should, moreover, carefully prepare their participation in the March Session of the Commission on International Commodity Trade and emphasize on that occasion that the GATT could not really achieve its objectives in the field of trade if the various organizations responsible for ensuring the stabilization of commodity prices and the maintenance of an adequate flow of investment to the under-developed countries failed to make progress. He proposed that, after the debate, the Executive Secretary submit, for consideration by the CONTRACTING PARTIES, a number of suggestions and proposals concerning the approach which they might adopt at the meeting of the Commission. For his part, Mr. Philip was prepared to follow the suggestion of the Panel of Experts that, in addition to inter-governmental agreements on individual commodities, attempts should be made to arrange for joint negotiations on several commodities. Indeed, governments had in the past frequently refused to contribute to a commodity stabilization scheme because of a lack of interest or the economic sacrifices which their participation would entail. If concurrently negotiations had been entered into for commodity arrangements on other commodities, these governments might have obtained a quid pro quo for these sacrifices. Experience with national price stabilization schemes further indicated that it was frequently difficult to stabilize the price of one commodity without taking action on other commodities. In concluding, Mr. Philip raised the question as to whether the results of the meeting of the Commission and the debate in GATT on the United States proposal for a tariff conference would not show that the problems connected with trade in primary commodities, international investment, tariff negotiations and the other questions were inter-related and would, in fact, have to be studied in a world international conference.

Mr. CAPPELEN (Norway) felt that all could agree with the conclusions relating to the increasing impact of price fluctuations of primary goods on the volume of world trade which had been set out in the ICCICA report. This was particularly the case when the free play of the law of supply and demand was hampered as the result of measures of a contractive nature taken by governments of highly industrialized countries. Recently the Norwegian Government had made considerable investment in new highly competitive lead and zinc mines. A very serious problem had been created for the country since, as could be seen in the Report, the price of lead and zinc had fallen, causing even normal-cost producers to limit their production. Hence his Government appreciated the assurances given by Mr. Dillon that the United States Government would participate actively in the meeting on lead and zinc in order to seek a remedy for this unfortunate trend. He would welcome a report on developments at the meeting if the CONTRACTING PARTIES were still in session or a written statement subsequently.

Mr. RATTIGAN (Australia) observed that in the past twelve months the decline in prices of primary products had continued to cause grave concern to primary exporting countries. Reference had also been made in the report to the reciprocal and dangerous effects on international trade generally of serious falls in prices of primary commodities. The temporary advantage to industrialized countries of lower prices of raw materials and foodstuffs soon disappeared when exporters of these goods were forced to reduce the level of their imports. Some countries had already taken such measures, and although others, such as Australia, were trying to avoid further restrictions on their imports, they might have no alternative if there were no increase in prices of their exports. His Government firmly believed, therefore, that all possible avenues should be explored towards introducing a greater degree of stability and predictability into prices of primary commodities entering world trade. Signs of a revival in the prices of some primary commodities evident in recent weeks were welcomed. However, even if this encouraging trend continued and became more general, that would be no reason for regarding the problem as solved or for adopting a less determined attitude.

Mr. Rattigan recalled that this problem was one of the principal matters considered at the recent Commonwealth Conference in Montreal, when Commonwealth countries had agreed to participate in an examination of the situation on a commodity-by-commodity basis, with a view to arriving at an understanding about how best, consistently with a recognition of long-term trends in supply and demand, short-term price fluctuations could be moderated. At the same time they recognized that for the most part, effective action would require the participation of the important producing and consuming countries.

He then turned to some of the commodities referred to in Sir Edwin McCarthy's report. He pointed out that while the Australian Government held the view that the International Wheat Agreement had served a useful purpose, there was no doubt that it was severely handicapped by the absence of certain major importers since its provisions applied to a relatively small portion of world trade. The United Nations would shortly hold a preliminary conference to consider whether, and in what form, the Agreement should be continued. It was hoped that the Agreement would in fact be continued and that it would be much wider and stronger than the present Agreement.

Contracting parties were aware of the severity of the import cuts on lead and zinc recently imposed by the United States. These restrictions would drastically reduce Australia's dollar income, since in 1957 exports of lead and zinc to the United States accounted for about half of Australia's dollar earnings. As an example of an Agreement which had operated satisfactorily and injected a degree of orderliness into trade in the commodity concerned, Mr. Rattigan pointed to the Sugar Agreement recently reviewed in Geneva. Moreover, the Tin Agreement had prevented a fall in tin prices commensurable with that recorded for other non-ferrous metals. He added that his Government would continue to participate in the Coffee Study Group in Washington to examine the problems of world trade in that commodity. In conclusion, Mr. Rattigan expressed his satisfaction that it now appeared to be generally recognized that problems arising from trade in primary products were no longer issues which concerned only countries producing and exporting those commodities.

Mr. BAIG (Pakistan) noted with particular appreciation the emphasis which the Chairman of ICCICA had given, in the conclusions of his report, to the need for stability in the prices of primary products and to the importance of such stability for the maintenance of a high level of international trade. Trade problems confronting the less developed countries were of different kinds: while some of these countries were seriously hurt by wide fluctuations in commodity prices and by unfavourable terms of trade, others found themselves in difficulties because of inadequate exchange reserves which compelled them to introduce import restrictions which in turn affected exporting countries. Countries dependent for their export earnings on only one or two commodities were specially affected by the instability of commodity prices which deprived them of a stable basis for their development programmes. Any remedy to this instability required the co-operation of all the important producing and consuming countries throughout the world. In the view of the Pakistan Government, intergovernmental agreements had not yet provided a remedy in the case of all commodities. Discussions of commodity problems in the GATT and in other forums had led to useful results and it was to be hoped that, by the time of the Fourteenth Session, further tangible progress might have been achieved. In concluding, Mr. Baig suggested that in his reports the Chairman of ICCICA might usefully make reference to the seemingly steady widening of the gap between prices of manufactured products and those of primary commodities which aggravated the balance-of-payments difficulties of under-developed countries and impeded sound economic development.

Mr. PRIESTER (Dominican Republic) was convinced that the conclusions of Sir Edwin McCarthy's report would have the attention of all member countries of GATT. Several points not considered by previous speakers should, he felt, be emphasized. The first was the inter-relationship between commercial policy and commodity problems. The experience of the Dominican Republic had shown that international trade in sugar was more affected by changes in commercial policy than by variations in supply and demand. GATT had an important role to play in this field. In the report it had been stressed that the recent fall in demand may have been due to the American recession, but it was also due to the stimulus given to production by the higher prices of earlier years and in some cases to the increase of uneconomic production

due to the protective policies of certain countries. The Experts' Report showed that the plight of under-developed countries was to a large degree due to the agricultural policy of highly industrialized countries. Mr. Priester fear the consequences of the introduction of a 24 per cent duty on sugar in three to four years' time (and of an 80 per cent ad valorem duty on the expiration of twelve years) in the European Economic Community, and recalled that there was no German duty at all at the present time. Referring to the Sugar Conference, he remarked that the clash of interests was less important between importing and exporting countries than between highly developed and under-developed countries. The new Sugar Agreement was an improvement on the previous one in that it safeguarded the necessary supplies of sugar for importing countries when prices rose above a certain point. It was difficult, however, to convert highly industrialized countries to the idea that stocks should be held by an international finance corporation rather than by the primary producing countries.

In conclusion, he felt that the new form of the Commission gave a unique opportunity for GATT to take part in discussions on commodity policy and his delegation urged that the Executive Secretary be given the necessary instructions to present the GATT point of view at the March meeting.

Mr. CASTLE (New Zealand) commended in particular those references in the report to the eventual repercussions on industrial countries of a fall in prices of primary commodities; reduced prices conveyed only temporary advantages to them. He also drew attention to what he considered very pertinent comments concerning the recourse to the balance-of-payments provisions of the General Agreement by primary producing countries as a result of their loss of export income. This emphasized the precarious nature of the economies of those countries dependent on a narrow range of primary commodities for their export earnings. The report also pointed out that although changes in demand might contribute towards an increase in prices for some commodities it did not necessarily have the same effect on others. One of the main factors preventing an expansion of trade in primary products was the policy of agricultural protectionism followed by a number of countries and it was in a moderation of those policies that a solution to problems of trade in particular commodities could be found. The New Zealand delegation supported the conclusions drawn by Sir Edwin McCarthy in his report and expressed the hope that they would be borne in mind when the CONTRACTING PARTIES considered action that might be necessary and desirable for expansion of trade in primary products.

Mr. KLEIN (Germany) recalled that at the ministerial discussion Dr. Lübke had stated that the German Government was of the opinion that commodity agreements could be an appropriate means of action and he also recalled that on 17 November 1956 the CONTRACTING PARTIES agreed upon the competence of GATT to deal with commodity problems. In view of the special experience of GATT in the field of commodity policy, it was essential that it should join in the Commission's discussions. The Experts' Report, as well as being a valuable basis for a programme of action for the CONTRACTING PARTIES at this Session, would be a contribution to those discussions.

Mr. SVEC (Czechoslovakia) felt that the trade in primary commodities presented the chief problems in international commerce. Whilst not under-rating the usefulness of the individual commodity agreement approach, he thought the problem was one not only of a cyclical, but also of a structural, nature. His delegation agreed with the representative of France that the commodity-by-commodity approach failed in that it did not deal with the problem of the terms of trade. There were two sides to the problem - that of export proceeds and that of the cost of imports corresponding to the necessities for economic development. The proposal had been made that the shortcomings of the individual commodity approach could be overcome by simultaneous consideration of a group of commodities. This still limited the study to exports, whereas the cyclical fluctuations in terms of trade also concerned imports and necessitated a comprehensive solution.

Mr. Svec also concurred with the French delegation in the view that the participation of all countries was an underlying necessity. No one country could solve the problem by domestic measures, but world-wide co-operation by all importing countries was necessary. The diversified actions of international organizations had to be concerted in order that objectives should be the same. His delegation was of the opinion that the highest policy-making body in the field was the United Nations Commission on International Commodity Trade, and therefore he proposed that at this Session the secretariat should be instructed to co-operate with the Commission in such a way that a really concerted action would result from the March Session of the Commission.

Mr. OLDINI (Chile) said that the overall situation obtaining in the trade in primary commodities was very disquieting and discouraging. However, the acuteness of the problems seemed to have made the large trading countries realize their responsibilities in this field, and their decision to take part in the activities of the Commission permitted the hope that headway would be made. The very failures of certain attempts of the CONTRACTING PARTIES to tackle commodity problems had helped to shed light on the ways and means which might lead to progress in this field. The Experts' Report, because of the number and variety of suggestions it contained to remedy at least some of the

difficulties which arose in connexion with the trade in primary commodities, constituted a landmark in the successive endeavours of the CONTRACTING PARTIES. Mr. Oldini saw several possible lines of action. For example, the representative of France had referred to the contribution which aid and investment could make to alleviate the difficulties with which the countries exporting primary commodities were confronted. The Experts' Report contained numerous proposals which, if implemented, would help to harmonize the policies of industrial and non-industrial countries. To instance only one, the Report emphasized the beneficial effects which could be expected from a moderation of agricultural protectionism in the industrial countries. At the forthcoming meeting of the Commission on International Commodity Trade the CONTRACTING PARTIES should play an active and perhaps even leading role and, to this end, should give the Executive Secretary precise and definite instructions enabling him to speak on their behalf. The brief should contain what might be regarded as the policy of the CONTRACTING PARTIES with respect to commodity problems.

Mr. VARGAS GOMEZ (Cuba) commended the annual debate on commodity problems for it facilitated international co-operation in this field. His delegation agreed with the principle expounded in Chapter 2 of the Tenth Annual Report of ICCIGA that commodity agreements should be concluded for a sufficient duration to provide for a relative stability in the production and trade of the commodities concerned. A period of five years might be adequate provided there was a possibility for review at the expiration of the first three years. This would make it possible to remedy shortcomings or to take account of possible changes in the trade of the commodity in question.

The full participation of all countries whether they were concerned in the production or in the trade of the commodity concerned was desirable, whilst the inclusion of major exporters and importers was indispensable in such agreements.

Mr. Gomez then drew attention to Chapter 3 of the Report which expressed the failures to set up an efficient international body to deal with commodity problems. Many governments were prepared to accept multilateral co-operation only in relation to a few individual commodities. There was need for a higher political and organizational structure to regulate inter-governmental action in the commodity field, for the excessive price fluctuation in the trade of these products affected the world economy as a whole. The resulting reduction of the national income in any domestic economy tended to restrain imports of goods from all sources into that country.

However, the inadequacy of individual commodity agreements was in their preoccupation with the balance between the interests of both importing and exporting countries; they thus failed to solve the problems of each commodity in relation to the world economy. Very few countries were willing to accept rationalization of international production of certain commodities. Importers, for example, were reluctant to undertake effective obligations which might limit their action in the trade in these products.

The Cuban Government accepted paragraphs 80 and 81 of the ICCICA Report which suggested that it should continue to be recognized as the instrument of ECOSOC responsible for questions associated with commodity agreements and that it should be established on a permanent basis.

Mr. SWAMINATHAN (India), in expressing his delegation's appreciation to Sir Edwin McCARTHY both for the excellent report submitted by ICCICA to ECOSOC and for his own report to the CONTRACTING PARTIES, said that there was unanimity on the importance of the question of price fluctuations in primary commodities, for they greatly affected the pattern of world trade. Discussions at previous sessions had justified the legitimate preoccupation of GATT with primary commodities which accounted for over half the volume of world trade. He felt that it was essential for the CONTRACTING PARTIES to continue their study of the findings and recommendations of the Experts' Report in order to make their policies effective as well as to influence the policies of governments not members of GATT. He proposed active participation in the meeting of the Commission.

Mr. SCHULZMANN (Canada) said that the problems under discussion would clearly require solutions on many fronts such as increased liquidity, a general expansion in trade and commodity agreements whenever the facts of a particular commodity made it clear that that was desirable. An examination of these problems, however, would require the participation of all countries interested in any commodity under reference, both as importers and exporters, including those countries not contracting parties to the General Agreement. Canada actively participated in all existing commodity agreements and in various study groups concerned with primary commodities, and his delegation considered that all possible aspects in the exploration of commodity problems should be actively pursued both within the GATT forum and elsewhere.

Mr. RATTIGAN (Australia) referred to suggestions made by the representatives of France and Czechoslovakia to the effect that joint examinations should be arranged for groups of commodities. He saw a number of disadvantages in such an approach since past experience had indeed pointed to the difficulties of negotiating an agreement in connexion with a single commodity and these complexities would surely be multiplied in joint negotiations on several commodities at one time. He realized, however, that it was necessary to keep action in relation to specific commodities in proper perspective and to keep the whole field of primary commodities under surveillance. Accordingly he proposed, tentatively at this stage, that the CONTRACTING PARTIES should have a thorough annual review of the overall commodity situation. Representatives of international bodies interested in commodity problems should be invited to attend such a review as well as countries with similar interests not

contracting parties to the General Agreement. The review could be based on the report by the CONTRACTING PARTIES' nominee as Chairman of ICCICA; perhaps augmented by a special section in the GATT annual report "International Trade" devoted to international commercial policy. Further, a study of practical experience gained in the negotiation and operation of commodity agreements could be undertaken by a small Panel charged with that task in conjunction with representatives of such organizations as ICCICA, CICT and FAO.

It seemed a fundamental requirement that action required should be carried out on a commodity-by-commodity basis at independent meetings concerned specifically with those commodities.

The meeting adjourned at 5.10 p.m.