

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

CWP/5

2 September 1955

Special Distribution

Working Party on Commodity Problems

Original: English

## STATEMENT BY THE REPRESENTATIVE OF GERMANY

at the morning meeting on 2 September 1955

1. The Government of the Federal Republic has taken notice, with interest, of the efforts made to find a solution for the problem of a stabilization of commodity markets with a special view to expediting the economic development of producer countries of primary commodities. Such a solution would be of interest not only to the so-called under-developed countries, whose existence is in a number of cases based on primary commodities; a fairly stable price level should be welcomed also among consumer countries. The importance attributed to this set of questions can be seen from the efforts of all countries to find a solution by way of international negotiations. The first report of the Working Party on Commodity Problems now on hand shows, however, how difficult this subject is, both in its substantive and organizational aspects.
2. That the prices in the world commodity markets were in the last two years not subject to any major fluctuations is mainly due to the functioning of a true market and less to interference with its proper operation. Within this market, a noticeable feature was the steady expansion of demand, largely caused by measures which industrial countries were taking to maintain the level of their business activity. This created a favourable basis for a relatively high level of demand and avoided excessive fluctuation in commodity prices. This development has in the last few years been supported by an economic policy of producer countries which aimed at an overall economic development by reorganization projects, by an improvement in the flow of capital and by more saving; this helped to reduce the one-sided dependence of national economies on the markets for the commodities they are producing. Such projects were helped by international economic co-operation: let us mention the support lent by the United Nations in the form of all kinds of technical assistance, advice and guidance from FAO, regional commissions of the United Nations, US foreign aid, and assistance rendered under the Colombo Plan. Stabilizing policies of producer countries were also supported by the International Bank for Reconstruction and Development. For future, the contemplated International Finance Corporation will be of importance.

3. The fact that, in the past, the possibility to conclude international commodity agreements within the ICCICA was but rarely used is due to various circumstances. One important reason is probably that it was realized that interference by public authorities with the normal operation of commodity as of other markets will have adverse rather than beneficial results. They will be adverse because an elimination of temporary distortions via governmental intervention based on international agreements and working with a slow-moving apparatus which is unable to react immediately to what happens in the market will take more time than via the market itself. A satisfactory functioning of such agreements would depend on the participation of all important commodity producing and consuming countries. This, however, cannot be expected. Furthermore, countries with a free-market system have no possibility to force dealers and consumers by governmental action to absorb certain quantities at certain prices. Objective criteria for the subjective concepts of "fair" and "reasonable" prices can, moreover, be established only in a smoothly operating market. The best thing to promote the sale of commodities is, therefore, for commodity consuming countries to take measures conforming to the market forces to maintain a high level of business activity, these will be particularly effective when the national economies concerned are in the course of a steady expansion, as they are now and will probably be for some time to come. Such an economic arrangement will in the long run be best suited to expanding the international exchange of goods and commodities of all kinds.

4. The doubts voiced here and there during the first session of the Working Party against an organizational framework within or in connexion with the GATT for a body to deal with commodity problems of all kinds were probably caused by the consideration that there are, on the one hand, existing bodies, such as FAO, which seem to be appropriate for this task, but that, on the other hand, commodity problems imply less questions of commercial policy than questions of economic policy which have no immediate connexion with the functions of the GATT. It is the opinion of the Federal Government that in the probably rare cases where it is generally felt that the interest of countries - mainly producers - requires specific international commodity agreements without at the same time requiring a new blanket agreement, GATT will in any case have to concern itself with the matter under Articles XVIII and XX. Therefore, and taking account also of the original terms of reference of the Working Party, it would appear useful to keep this aspect in mind during the further study of the matter under review.