

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Trade and Development

INTERNATIONAL COMMODITY PROBLEMS

Note by the Secretariat

1. In Article XXXVI, Part IV of the General Agreement, contracting parties agree that, "given the continued dependence of many less-developed contracting parties on the exportation of a limited range of primary products, there is need to provide in the largest possible measure, more favourable and acceptable conditions of access to world markets for these products, and wherever appropriate to devise measures designed to stabilize and improve conditions of world markets in these products, including, in particular, measures designed to attain stable, equitable and remunerative prices, thus permitting an expansion of world trade and demand and a dynamic and steady growth of the real export earnings of these countries so as to provide them with expanding resources for their economic growth".
2. In Article XXXVIII the CONTRACTING PARTIES further undertake to collaborate jointly within the framework of the Agreement and elsewhere to promote these objectives and "... where appropriate, take action, including action through international arrangements, to provide improved and acceptable conditions of access to world markets for primary products of particular interest to less-developed contracting parties and to devise measures designed to stabilize and improve conditions of world markets in these products including measures designed to attain stable, equitable and remunerative prices for exports of such products".
3. In accordance with the wishes expressed at the meeting of the Committee on 9 and 10 February 1965, the secretariat submits the present note, together with its Annexes, in order that the Committee might review the situation in international commodity trade in the light of the provisions stated above. In this connexion the attention of the Committee is also drawn to document L/2379 - Impact of Commodity Problems Upon International Trade.
4. The Annexes to this note contain (1) a summary prepared by the GATT secretariat in respect of recent initiatives and developments in various international organizations and agencies concerned with international trade in primary commodities, (2) a report submitted to the Secretary General of the United Nations by the ICCICA, reviewing the situation in respect of a number of primary commodities and describing the initiatives taken to deal with the problems and developments in respect of these commodities, and (3) a note prepared by the GATT secretariat summarizing recent developments in commodity trade with particular reference to the movements in prices of primary commodities exported by less-developed countries. A detailed review of intergovernmental consultations and arrangements in respect of a number of primary commodities is also contained in CICT Memorandum E/CN.13/SER.A/53 a copy of which has been distributed to all delegations represented on the Committee.

5. It will be seen from Annex 1 and Annex 2 that, at present, commodity arrangements are operating in respect of five primary products (wheat, sugar, tin, coffee and olive oil). According to calculations made by the United Nations these five items accounted in 1962 for 15 per cent of total exports of primary products from the less-developed countries to industrialized countries. The GATT secretariat note in Annex 1 deals with recent notable developments in the operation of these agreements and the activities of the commodity councils responsible for their administration.

6. From the ICCICA report it will appear that, in respect of tin, the Secretary General of the United Nations has taken steps to convene a United Nations Tin Conference which is scheduled to be held in May 1965. The ICCICA has also recommended that the Secretary General convene a meeting on copper in the first half of 1965 and that an intergovernmental meeting should be held in May 1965 to explore the possibilities of resuming the Cocoa Conference. Further, the situation concerning lead, zinc and tungsten is under review in an ad hoc study group and an ad hoc Committee respectively, where consideration has been given to the question of intergovernmental arrangements designed to improve the international trade position of these commodities.

7. The FAO Committee on Commodity Problems and a number of FAO groups have been examining the situation in respect of grains, rice, dairy products, coconut and coconut products, citrus fruit, tea, bananas, cocoa and jute. The Committee on Commodity Problems reviewed the work of the FAO commodity study group and requested the Director General of FAO to convene intergovernmental meetings to go into the question of setting up new study groups on bananas and tea and of ¹ widening the coconut group to cover oilseeds and vegetable oils generally.

8. A major review of problems in international commodity trade was carried out at the United Nations Conference on Trade and Development last year and certain important institutional arrangements for dealing with these problems were agreed upon. The Conference discussed at length the problem of instability in commodity prices and the changes in terms of trade of less-developed countries producing primary commodities, and agreed on a series of recommendations covering (i) the establishment of certain guide-lines for the conclusion of commodity arrangements, (ii) the setting-up of a group of experts to prepare a programme for international organization of commodity trade and (iii) the establishment of a Committee on Commodity Trade which would, inter alia, assume the functions at present undertaken by the ICCICA.

9. The United Nations Conference also agreed that commitments undertaken in other international bodies in respect of measures affecting commodity trade should be maintained and that the efforts under way in other international bodies to help the developing countries, should be pursued along with the new co-operative efforts resulting from the Conference.

¹See also COM.TD/W.10

10. The note by the GATT secretariat in Annex 3 will show that commodity prices as a whole recovered appreciably in the last quarter of 1963 and the first quarter of 1964 so as to reach, and even slightly go beyond, their 1958 level. Though the position is not the same for all commodity groups, and improvements, particularly in respect of non-ferrous metals were maintained, the general upward movement appears to have been arrested in the second quarter of 1964. The export earnings of less-developed countries from primary commodities, other than minerals and non-ferrous metals, have also remained sluggish because of the relative stagnation in the volume of exports. The situation in commodity trade will therefore continue to be a matter of concern to less-developed countries.

11. The GATT concern with commodity problems is not new. Article XXIX(1) requires the CONTRACTING PARTIES to observe the general principles of Chapter VI on commodities in the Havana Charter. By virtue of Article XX(h) the GATT has also assumed responsibilities concerning international commodity arrangements entered into by individual contracting parties. The central provision covering GATT's activity in this field is, however, the Resolution of 1956 by virtue of which the CONTRACTING PARTIES have held annual reviews of commodity trade and policy in general. This discussion has focussed on the impact of commodity problems upon commodity trade and has taken place on the basis of reports submitted by the ICCICA as well as the reports of the CICT, FAO and other inter-governmental agencies. In addition, the CONTRACTING PARTIES have held multi-lateral consultations under Article XXV on specific difficulties affecting individual commodities. A substantial part of the activities of the CONTRACTING PARTIES in this field has been concentrated, however, in the examination of national policies relating to temperate agricultural products in Committee II, and of studies relating to tropical products, such as coffee, cocoa, vegetable oils and bananas, carried out under the auspices of the Special Group on Trade in Tropical Products. These discussions and studies have permitted an examination of policies which affect both the volume and prices in international trade of a number of temperate agricultural products of interest to less-developed countries and have, in respect of tropical products, served to bring out the factors which affect the earnings of individual less-developed countries from exports of these products, including the price and demand structure in international markets.

12. It is evident that the major opportunity for taking advantage of the reviews carried out in Committee II and in the Special Group on Trade in Tropical Products, and for achieving a substantial improvement in the export earnings of less-developed countries from these products, through action relating both to access and prices, will come in the present trade negotiations. While the rules for dealing with agricultural products in the trade negotiations have not yet been elaborated, it has been indicated by certain countries that the negotiations should not only provide access to markets for primary products but also protect agricultural incomes and ensure stable and remunerative prices on world markets. It appears possible that for some products solutions may be found through multi-lateral arrangements which cover both access to markets and measures affecting prices. It is to be expected that problems and possibilities in this field will be carefully examined as part of the process of establishing the negotiating rules for agriculture and the matters which can be negotiated upon.

13. In regard to tropical products, it was recognized at the last meeting of the Special Group on Trade in Tropical Products, that, in the Kennedy Round, not only the problem of access to markets, but also that of prices, should be taken up. It will be open to contracting parties to submit proposals in regard to the treatment of individual tropical products. In this connexion there may be a possibility of co-ordinating action to reduce or remove trade barriers affecting individual products with other alternative measures such as commodity arrangements or market organizing, compensatory financing schemes etc., which would ensure that the export earnings of all less-developed countries and in particular those of less-developed countries who depend on an improvement in commodity prices for their ability to sell in world markets benefit in an equitable measure from these negotiations.

ANNEX I

SURVEY OF RECENT INITIATIVES AND DEVELOPMENTS IN CERTAIN
INTERNATIONAL ORGANIZATIONS AND AGENCIES CONCERNED
WITH INTERNATIONAL TRADE IN PRIMARY COMMODITIES

- Prepared by the Secretariat -

In addition to the report which will be made to the CONTRACTING PARTIES by the Chairman of the Interim Co-ordinating Committee for International Commodity Problems (ICCICA)¹ the present note has been prepared to give a description of recent activities since the twenty-first session of the CONTRACTING PARTIES of various international agencies and intergovernmental organizations dealing with problems affecting specific commodities.

¹See document L/2379.

United Nations Conference on Trade and Development

The United Nations Conference on Trade and Development (UNCTAD) took place from 23 March to 16 June 1964. The items of the Conference agenda under the heading "International Commodity Problems" were allocated to the First Committee, which held seventy meetings during the Conference, and formulated a series of recommendations. These were adopted by the Conference, subject in certain cases to reservations and observations submitted by various countries. The recommendations by the Conference concerned (a) provisions for international commodity arrangements, and (b) provisions for a programme of measures and actions for the removal of obstacles (tariff, non-tariff and other) and discriminatory practices and for expansion of market opportunities for primary commodity exports and for increases in their consumption and imports in developed countries. The Conference recommended that these provisions should be considered as means of increasing the export earnings of the developing countries by general measures as well as by specific measures related to individual commodities. The Conference gave general approval to the establishment of a Committee on Commodity Trade within the framework of the continuing institutional machinery which would be established following the Conference. The Conference also adopted recommendations for active measures to promote market opportunities for primary commodity exports and for increases in consumption and imports in both developed and developing countries. It further made recommendations in regard of food aid, the competition of synthetics and natural products, trade in minerals and fuels, as well as in regard of the study and preparation of a programme of action for the organization of commodity trade.

More specifically, these recommendations dealt with (i) the objectives, principles, types and scope of commodity arrangements; established a Committee on Commodities and action to be taken by developed market economy and centrally-planned economy countries as regards removal of obstacles to and expansion of Trade; (ii) implementation; (iii) the consideration of principles and guidelines on commodity policies and arrangements; (iv) promotional measures by the organization to be set up following the Conference; (v) promotion of trade between developing countries, and action to be taken by developing and developed countries, and by international bodies; (vi) World Food Aid Programme; (vii) competition from synthetics and substitutes; (viii) study of organization of Commodity trade; and (ix) minerals and fuels.

In connexion with these recommendations the Conference noted the general agreement expressed at the Conference that commitments undertaken in other international bodies should be maintained and that the efforts under way in other international bodies to help the developing countries should be pursued along with the new co-operative efforts that would result from the Conference.

FOOD AND AGRICULTURE ORGANIZATION¹

Committee on Commodity Problems

The FAO Committee on Commodity Problems held its thirty-seventh session from 22 September to 1 October 1964. The Committee reviewed the major developments in the world agricultural commodity situation and outlook, and found that the 1963/64 developments in agricultural production and trade had benefited developing countries only to a limited extent. Moreover, most of the pronounced price rises in 1963 had occurred in respect of commodities such as wheat, wool, butter and meat which, though of importance to some developing countries, were of most importance to developed or high-income exporters. Prices of many important exports of the developing countries were found to be lower than in 1962, although a few, such as sugar and coffee had shown marked price rises. The immediate outlook was not considered to hold promise of an early recovery for developing countries' agricultural exports generally.

Among the commodities discussed separately were grains, rice, dairy products, coconut and coconut products, cocoa, tea, bananas, citrus fruit and jute. The Committee reviewed the work of the FAO commodity study groups and requested the Director General of FAO to convene intergovernmental meetings to go into the question of setting up new study groups on bananas and tea, and of widening the coconut group to cover oilseeds and vegetable oils generally.

Group on Grains

The ninth session of the FAO Group on Grains was held in 1964. The Group carried out its customary review of the world grains situation and outlook, and of developments in national grain policies. The Group has initiated a study of the economic problems associated with the establishment of grain processing industries in developing countries.

CCP - Consultative Sub-Committee on the Economic Aspects of Rice

The Consultative Sub-Committee on the Economic Aspects of Rice, at its eighth session held in May 1964, made a detailed survey of the current world rice situation and approved a programme for a second comprehensive trend study of the longer-term outlook for production, consumption and trade. It had initiated the procedure of receiving periodic progress reports from member governments on their rice development programmes.

Joint Session of the CCP-Consultative Sub-Committee on the Economic Aspects of Rice and the FAO Group on Grains

At a joint session of the CCP and the FAO Group on Grains, held in May 1964, two items were discussed - changes in patterns of consumption of cereals and starchy roots, and inter-relationship between grains and rice in international trade.

¹A note on the continuing activities of FAO in the commodity field is circulated in document COM.TD/W.10.

The joint session has helped to clarify the problems of common concern to the two groups, as well as in bringing out the differences in the basic conditions affecting the world rice and grains economies.

Jute, kenaf and allied fibres

The first meeting of this new study group was held in September 1964. It reviewed the short-term and long-term outlook for the commodity, and laid down a programme of work for the Group. It also set up a Working Party on Stabilization to analyse all the elements of instability in the world jute economy, and undertake a critical study of the practicability of the different possible solutions, national and international. The Working Party has since met (February 1965, in Dacca) and has recommended a novel approach to a commodity arrangement, based on regular informal consultations of government, trade and industry representatives from main producing and importing countries. The Working Party's report will be considered by the second meeting of the Study Group later in 1965.

Bananas

The ad hoc meeting on Bananas (Economic Aspects), convened by the Director-General of the FAO, was held in Guayaquil, Ecuador, from 26 October to 7 November 1964. The main problems discussed came under the headings: long-term outlook for production and consumption; transport, distribution and marketing; and access to markets. Discussions under the second and third headings, were based on a study submitted to the meeting by the GATT secretariat. The meeting recommended the FAO Committee on Commodity Problems to establish a study group on this commodity.

COCOA PRODUCERS' ALLIANCE

The Cocoa Producers' Alliance held a number of meetings in the period under review. Following a meeting in Douala, in January 1964, the Technical Committee met in London in May. Later meetings of the Alliance took place in July in Lomé, in September in Rio de Janeiro, and in Lagos at the beginning and end of November 1964 and the end of January 1965. A draft International Cocoa Agreement aimed at regulating the market by strict control of the cocoa supplies reaching the international market was drawn up by the Technical Committee in May. The draft agreement was so designed as to facilitate accession of cocoa-producing countries which were not then members of the Alliance. The Agreement was initialled in July, and a Council was established to administer it. The Council was empowered, inter alia, to take the necessary measures in order to consult the United Nations Organization and its specialized institutions as well as other appropriate inter-governmental organizations, and to collaborate with them. The International Cocoa Agreement was signed by all member countries at the meeting of the Alliance in September 1964 and entered into force immediately. Agreement was reached on the establishment of an indicator price which would serve as a reference price at which all the provisions of the Agreement would be brought into play to defend the price

of cocoa. At the same time, a system of export quotas was set up. In October 1964 the Alliance issued a directive to all member countries that they should withdraw from the market as sellers; this directive was maintained at its November meetings where also other possible actions were discussed, including the partial destruction of stocks or their diversion to the fats and oils processing industries. At its meeting at the end of January 1965, the Alliance stated that negotiations were under way with a view to utilising cocoa for certain purposes. It appears that the Alliance has lifted the embargo on exports of cocoa by member countries.

INTERNATIONAL COFFEE COUNCIL

The International Coffee Council held its fourth session from 27 April to 1 May 1964. It extended to 31 December 1964 the date for accession (under the same conditions established by the Agreement at the time of signing) of governments that had signed the International Coffee Agreement, 1962, but which by 31 December 1963 had not deposited an instrument of ratification or acceptance of the Agreement. Three resolutions were approved by the Council, which had the effect of increasing the permissible export supply in 1963/64. They concerned exports from Ethiopia, El Salvador, and the redistribution of shortfalls in quotas. At its fifth session held from 28 July to 8 August, the Council set annual and quarterly export quotas for the coffee year beginning 1 October 1964 and dealt with matters relating to the operation and administration of the Agreement. The Council also created a World Coffee Promotion Committee whose task will be to undertake a campaign aimed at increasing the consumption of coffee.

INTERNATIONAL OLIVE OIL COUNCIL

The International Olive Oil Agreement, 1963, having been provisionally operative since 1 October 1963, entered into force definitively on 17 March 1964. The International Olive Oil Council held its tenth session from 21 to 27 May 1964; it dealt with a number of questions affecting the technical aspects of trade. It also gave attention to the conclusions reached by the Special Committee of Governmental Experts as regards the regularization of the international olive oil market, and charged the Committee with elaborating these conclusions. The Committee of Governmental Experts, having met from 9 to 14 November 1964, submitted proposals to the Council for the establishment of machinery for the exchange and transfer of olive oil between producing countries and for storage. It also proposed the setting up of a co-ordination body to direct the machinery. The International Olive Oil Council, at its eleventh session held from 16 to 20 November 1964, adopted these proposals for transmission to member governments.

INTERNATIONAL SUGAR COUNCIL

The seventeenth session of the International Sugar Council was held on 17 and 18 June 1964. Having been informed that some governments, signatories of the 1963 Protocol, had experienced difficulties in completing their constitutional procedures, the Council agreed to extend to 31 December 1964 the time limit provided for the deposit of instruments of ratification, acceptance, approval or accession. The Council received a report by its Preparatory Committee regarding the bases and framework of a new International Sugar Agreement. Discussions of this item were resumed at the eighteenth session of the Council on 4 and 5 November 1964, and provisions were made for the continuation of this work at its next session to be held in the second half of April 1965.

COMMONWEALTH SUGAR AGREEMENT

A series of meetings were held between the parties to the Commonwealth Sugar Agreement towards the end of 1964. A thorough review was held of the method of fixing the Negotiated Price laid down in the Agreement; discussions of this question would be continued in early 1965. Without prejudice to these discussions, agreement was reached on prices and quantities of United Kingdom sugar purchases in 1965. The Agreement was extended for a further year and will now be to the end of 1972. The parties to the Commonwealth Sugar Agreement reaffirmed their intention to work together for a realistic international sugar agreement.

INTERNATIONAL WHEAT COUNCIL

Since the last full session of the CONTRACTING PARTIES, the International Wheat Council has met three times. At its thirty-ninth session, held from 23-26 June 1964, the Council considered, among other matters, arrangements for the renewal of the International Wheat Agreement, 1962. It unanimously decided that the Agreement, which was to expire on 31 July 1965, should be extended in its present form for a maximum of two years by means of a Protocol. The draft Protocol was discussed at the fortieth session of the Council, held from 18-24 November 1964. The Council also held its annual review of the world wheat situation and the operation of the Agreement. Reviewing the exceptional circumstances of the international wheat market in 1963/1964, it drew particular attention to the fact that the International Wheat Agreement had emerged from the unusual conditions of the year without its operation being in any way disrupted. The Council observed that the existence of the Agreement and the procedures of consultation which had been developed no doubt played a part in the responsible selling policies pursued by exporting countries as a result of which prices had not reached the maximum, nor were any special measures needed within the Agreement to ensure supplies to importing countries. The Council also took the opportunity provided by its annual review to reflect upon the current climate of opinion on the rôle of commodity agreements. It recognized that there was a willingness at the present time to contemplate a widening of the scope of such arrangements in the interests of their greater effectiveness which would not have been considered five or ten years ago, and welcomed the signs of a fresh approach to commodity arrangements.

At its forty-first session the Council adopted the text of the Protocol extending the existing Agreement for a year, up to 31 July 1966. The Protocol will be open for signature from 22 March to 23 April 1965. The hope was expressed for the conclusion of still more comprehensive arrangements effecting international trade in wheat to become effective after the expiry of the Protocol in July 1966.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Gentleman's Agreement on Exports of Whole Milk Powder

The Gentleman's Agreement, adopted under the auspices of the OECD by the majority of countries which export whole milk powder, and renewed in 1964, was again extended for the period 16 February 1965 to 15 February 1966. Owing to a distinct improvement in this sector of international trade which coincides with a better situation on the market, floor prices have been raised for the 1965 season.

ANNEX 2

REPORT OF THE INTERIM CO-ORDINATING COMMITTEE FOR INTERNATIONAL
COMMODITY ARRANGEMENTS TO THE SECRETARY GENERAL OF THE
UNITED NATIONS¹

.....The last report of the Committee, dated 10 December 1964, to the Secretary General of the United Nations is circulated herewith. This report supplements the report entitled 1964 Review of International Commodity Problems which was circulated as document E/3856.

In paragraphs 18 to 20 of the attached report the Committee refers to its relationship to the UNCTAD machinery.

¹This Annex reproduces the report, and part of the covering note as well as the annexes to the ICCICA report circulated to governments in United Nations document TD/B/4, of 15 February 1965.

INTERIM CO-ORDINATING COMMITTEE FOR
INTERNATIONAL COMMODITY ARRANGEMENTS

10 December 1964

1. The Committee has today completed its twenty-third session. Since the annual report will not be prepared until the next session, it was considered convenient to submit this note covering certain specific questions which may be of immediate concern and which have arisen since the Committee's twenty-second session held in Karachi in January 1964. This report covers matters arising out of the present responsibilities of the Committee. Possible adjustments to the work of the Committee arising out of the new institutional arrangements for the United Nations Conference on Trade and Development (UNCTAD) are discussed at the end of this report.

Disposal of non-commercial stockpiles

2. In submitting its fifteenth annual report (E/3614) the Committee noted the high level of non-commercial stocks and expressed the hope that if disposals were to take place they would be made in an orderly manner so as to avoid market disruption. The Committee recommended, in particular, that before disposals take place in any commodity there should be consultations between the government holding the stocks and other interested governments through the appropriate commodity council or study group. In its sixteenth annual report (E/3731) the Committee, after noting that the subject had in the meantime been discussed by the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade, expressed its intention to revert to this question in a later report.

3. On the occasion of the present session, the Committee has reviewed action so far taken in respect of government-held surplus stocks of strategic commodities. This review, which forms Annex A of this report, leads the Committee to suggest that UNCTAD consider adopting the general principles set out in that Annex. It is the opinion of the Committee that within these general principles certain flexibility to deal with particular situations should be allowed.

Tin

4. It will be recalled that on 19 November 1964 the Chairman recommended to the Secretary-General, on behalf of the Committee, that a United Nations Tin Conference be convened in 1965 and that arrangements be made with the Secretariat of the International Tin Council regarding the preparation of the basic documents for the Conference.

Copper

5. At a previous session the Committee had noted a resolution adopted by a meeting of Ministers of the Inter-American Economic and Social Council requesting the Committee to arrange for continuing intergovernmental consultations on copper and had decided that soundings be taken on this matter from interested governments.

At its present session the Committee examined all the replies received from governments. Further, it considered the general views expressed at the United Nations Conference on Trade and Development on the question of commodity arrangements and it reviewed recent changes in the market position of copper.

6. On the basis of the above considerations the Committee suggests that the Secretary-General convene a meeting on copper in the first half of 1965. This meeting, which might be of some two or three days duration, would in particular afford governments an opportunity to review the situation in copper in the six years since 1958 when the previous meeting on copper was held. Such a meeting could consider whether arrangements should be made for continuing intergovernmental consultations, particularly in the field of statistics.

Cocoa

7. In accordance with its responsibility under the resolution adopted by the United Nations Conference on Cocoa on its adjournment on 24 October 1963, this Committee has reviewed the cocoa situation at its present session. It notes that the rise in prices that took place during the period August-October 1963 was not maintained and that prices in mid-1964 were again at a low level. A group of producers has taken action to control market supplies and thus improve the current disturbing market situation. Although the action taken may be helpful in dealing with the immediate situation, it would seem to the Committee that it would be more helpful to envisage the resumption of negotiations in which both exporters and importers would participate, leading to a mutually satisfactory long-term solution of the problems confronting the trade. Conditions in the cocoa market are disturbing particularly to the economies of primary producing countries dependent largely on the export of cocoa and also to some extent to consuming countries.

8. On the other hand, the Conference should not be resumed unless there is a reasonable likelihood of success. It will be recalled that this Committee did not agree with the initial request for a conference made by the FAO Cocoa Study Group in September 1962 and only agreed to proceed after a further session of the Study Group had been held and the Committee was assured that the exporting and importing interests wished to proceed with negotiations. In the light of the past experience, the Committee considers that resumption of the full Conference on cocoa should be undertaken only after an exploratory meeting of the governments principally interested. Such a meeting might perhaps be held in the first part of May 1965, and preferably in Europe. For this purpose, the Committee recommended that the Secretary-General invite the governments which are members of the Working Party on Prices and Quotas (Working Party 1) established by the United Nations Cocoa Conference to nominate representatives to meet with this Committee, to ascertain what progress might be made towards resumption of the Cocoa Conference. The members of the Working Party are: Brazil, Cameroon, France, Federal Republic of Germany, Ghana, Ivory Coast, Mexico, Netherlands, Nigeria, Switzerland, the United Kingdom and the United States.

Lead and zinc

9. The Committee noted with satisfaction the progress made by the International Lead and Zinc Study Group and particularly the development of three new projects, namely (a) a price mechanism study, (b) the preparation of forward estimates of

production and consumption, and (c) work leading towards consideration of an intergovernmental agreement. In particular, the Committee is pleased that the practical work on the question of an international arrangement is being continued even though an agreement may not be necessary at the present time. This, it considers, is in line with the thoughts on "continuity in commodity negotiations" expressed in Chapter I of its last report, prepared in Karachi (UN document E/3856).

Tungsten

10. The Committee reviewed the present situation in tungsten and, in particular, the activities of the United Nations Ad Hoc Committee on Tungsten. It received the report on the third session of the Ad Hoc Committee (TUNGSTEN/9/Rev.1) and it took note, inter alia, of the consideration given at that session to the question of intergovernmental arrangements designed to improve the international trade position of tungsten. It reviewed the problems that will be before the expanded Working Group of the Ad Hoc Committee at its next session presently scheduled for January 1965. It further noted that the report of the Working Group would provide the basic documentation for the deliberations of the fourth session of the Ad Hoc Committee on Tungsten which is presently scheduled for April 1965.

Co-ordination of work of commodity groups

11. So far as co-ordination is concerned, the Committee has, through its secretariat, continued to maintain close day-to-day contacts with the officers of the various commodity councils and study groups. From time to time the Committee itself has had discussions with the chief executive officers of these organizations. The Committee hopes that during its next session it might meet in London with the chief executive officers of the intergovernmental commodity organizations.

12. One of the questions to be discussed at such a meeting would be the arrangements for co-ordinating work in the statistical field, which lies at the basis of the activities of the commodity groups. It will be recalled that in an earlier report the Committee stressed the need to develop accurate statistical information for the study of commodity problems, for discussions at commodity conferences and for the administration of commodity agreements (paragraphs 122 and 123 of document E/2895). It noted that the collection of detailed statistics for individual commodities had been greatly improved by the activities of intergovernmental commodity organizations - both study groups and councils - but that there existed certain differences in approach in country nomenclature, terminology and method of presentation which limited the value of the work to some extent.

13. The need for assistance in the field of statistics has become urgent partly because there is increasing demand from the specialized groups for estimates of a future production and consumption. It is therefore hoped that, at the meeting to which reference is made in paragraph 11, arrangements will be made for a meeting to be held shortly afterwards of the statisticians of the various commodity groups to discuss their common problems.

Review of procedures for intergovernmental consultation and action

14. The United Nations Conference on Trade and Development recognized that international commodity arrangements serve to secure overall stabilization in primary commodity markets. In this connexion, the Committee would like to draw attention to its last report (E/3856), the appropriate chapter of which was also circulated as an UNCTAD document (E/CONF.46/30). Particular attention is drawn to the fact that any government may at any time request the Committee to convene a meeting of interested governments to review the situation and to see whether intergovernmental consultations might be arranged on a continuing basis, e.g., by the establishment of a study group; or whether other action should be taken to deal with difficulties (see, for example, paragraph 12, of E/3856). It is hoped that through the new machinery, with the possibility of action on more commodities, governments will be able to take a broad view and thus participate in some agreements in which their own gain may be marginal because they will benefit overall from the elimination or reduction in the wide price fluctuations.

15. Experience with intergovernmental commodity agreements in the post-war period shows that they can make significant contributions to the maintenance of stability in commodity prices. This may be seen by examination of the working of existing agreements, and particularly by a comparison of price fluctuations of the commodities concerned during the period of agreement with other periods.

16. At the same time, it is recognized that improvements in methods of operation of agreements are necessary. This particularly applies to measures to deal with shortages. Agreements have helped to deal with this situation but have not been completely effective. In the first wheat agreement the importers were assured of supplies at the "maximum price" even though the market price was considerably higher. In the case of sugar, stocks proved insufficient to cope with shortages but new provisions covering this situation were made when the agreement was renewed in 1958. Furthermore, in the case of the tin agreement, while the buffer stock arrangements have helped in times of surplus, preventing prices going below the floor (except for some days), they have proved inadequate to deal with shortage conditions.

17. It is largely for these reasons that the Committee has suggested that when an existing agreement is being renewed a study first be made of the operation of the agreement so as to see whether it may be improved in the light of past experience. There are also, of course, certain general aspects, such as access to markets, which might be considered by a body such as the UNCTAD Committee on Commodities.

Relation to the UNCTAD machinery

18. The Committee notes that in its recommendation A.V.1 the United Nations Conference on Trade and Development proposes to the General Assembly that "a Committee on Commodities...will carry out the functions which are now performed by... the Interim Co-ordinating Committee for International Commodity Arrangements (ICCIKA)" and that "In this connexion ICCICA shall be maintained as an advisory body of the Board".

19. From this resolution it is not clear how ICCICA would operate in the future. At present the functions of the Committee are:

- (a) to convene intergovernmental study groups including meetings which might lead to study groups;
- (b) to make recommendations to the Secretary-General on convening of a commodity conference which has been requested by the appropriate intergovernmental study groups; and
- (c) to co-ordinate the activities of individual commodity study groups and councils [see ECOSOC resolutions 296(XI) and 557 F(XVIII)].

Since the responsibility for these functions is to be transferred to the Committee on Commodities, it is assumed that ICCICA, operating on behalf of the Committee on Commodities, will report either to the Trade and Development Board or to the Committee on Commodities, and not to the Economic and Social Council. ICCICA would look to the Committee on Commodities, as well as to the Board, for general guidance and direction in its work. In any case, it would seem that a number of the operational functions at present performed by ICCICA can only be carried out effectively by a small committee of independent experts appointed on the basis of their technical qualifications.

20. These matters will presumably be discussed at the first session of the Trade and Development Board established under the new machinery, and it would be inappropriate for the Committee itself to make detailed observations on its own future work or on its membership.

S.A. Hasnie, Chairman
W. Müller, Member
Robert C. Tetro, Member
P.N.C. Okigbo, Member

New York

ANNEX A²

DISPOSALS FROM NON-COMMERCIAL STOCKS

1. The United Nations Conference on Trade and Employment which met in Havana, Cuba, from 21 November 1947 to 24 March 1948, set out in Article 32 of the Havana Charter certain provisions regarding the liquidation of non-commercial stocks in such a manner as to avoid serious disturbances to world markets. Specifically, the article provides that at least four months' public notice of intent to liquidate such non-commercial stocks be given by the Government concerned, and that a similar period of notice be given to the "Organization".^a At the request of any Member Government^a which considers itself substantially interested, the Government intending to liquidate stocks would consult as to the best means of avoiding substantial injury to the economic interests of producers and consumers. Consultations may be held with the Organization^a where the interests of several Member countries are concerned. The Government holding the stocks is required to "give due consideration to the Organization's/ recommendations". The text of this recommendation is set out in Appendix 1.

2. In its resolution of 4 March 1955^b, the text of which is contained in Appendix 2 to this Annex, the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (GATT) recommended that a Government should give at least forty-five days' prior notice of its intention to liquidate stocks, thus reducing the period of notice proposed by the Havana Charter by more than half. Provision was made for consultations with other contracting parties to the General Agreement on Tariffs and Trade considering themselves substantially interested. It was also recommended that "full and sympathetic consideration should be given to the views expressed by such interested contracting parties". The question of disposal has been discussed at subsequent meetings of the CONTRACTING PARTIES where there is general agreement that the recommendations contained in the resolution of 1955 should be reviewed.

3. The subject has also been discussed in study-groups and commodity councils, especially in the International Tin Council, the International Lead and Zinc Study Group and the International Rubber Study Group. In particular, considerable concern was expressed in 1962 at the possible effect on markets of the disposal of stockpiles declared "surplus" to strategic needs by the United States Government.

4. This Committee, in its fifteenth report, dated 27 April 1962 (document E/3614), considered the question of the effect of disposals from non-commercial stockpiles of such importance that it brought it to the attention of the Economic and Social Council. The Committee recommended in particular that, before disposals of any commodity take place, there should be consultations between the Government concerned and other interested Governments through the appropriate commodity council or study group.

^aReferences here are to the proposed International Trade Organization, which did not, however, come into existence.

^bGATT Basic Instruments and Selected Documents. Third Supplement, page 51.

¹Annexed to the Report of ICJICA.

5. The Preparatory Committee of the United Nations Conference on Trade and Development, which considered the matter at its second session, directed attention to criteria for the disposal of releases from the United States strategic stockpile contained in the report to the President by the Executive Stockpile Committee. These recommendations are contained in paragraphs 78 and 79 of the Report of the Second Session of the Preparatory Committee (document E/3799). Among the resolutions adopted by the United Nations Conference on Trade and Development is one (A.II.1) which recommends that "the sale of surplus inventories, including strategic stockpiles of minerals, metals and raw materials, accumulated in developed countries should also be effected in accordance with internationally determined criteria, designed to ensure that such sales do not depress the prices of the commodities concerned or distort world trade to the detriment of exports from developing countries".

6. Sometimes the accumulation of non-commercial stocks is a matter of urgency and cannot, therefore, be related to market conditions. If, however, there is no urgency, Governments should, so far as possible, acquire such stocks in times of surplus when prices are low. In the past acquisitions by Governments in times of surplus have sometimes supported the market. On the other hand, cessation of buying activities has on occasion had a depressing effect.

7. In the case of disposals there is much less urgency and sales of surplus stocks should take place, so far as possible, in such a way as not to disrupt the market. Generally, it will be both to the financial advantage of the country holding the stocks and to the economic advantage of the market, if sales take place in periods of shortage and high prices.

8. It is recommended that the following rules regarding the disposal of stocks, which differ from the provisions of the 1955 resolution of the GATT, should be accepted by all Governments. These principles are intended merely as guidelines. It is expected that individual commodity groups will work out more precise arrangements for particular surplus stocks.

(a) Any Government intending to liquidate a substantial quantity of surplus stocks should give to UNCTAD at least sixty days' prior notice of such intention, except where an intergovernmental study group or commodity council requests disposal;

(b) Prior to the adoption of a definitive programme for disposal, consultations should be entered into with other interested Governments, and with the appropriate study group or commodity council, where such exists; due consideration should be given by the Government holding the stocks, in formulating its final programme for disposal, to any recommendation made by other interested Governments, or by the appropriate study group or council, in the course of such consultations;

(c) In the case of a commodity in respect of which an international agreement exists, government-held surplus stocks should serve to supplement and not impair the effectiveness of that agreement;

(d) In arranging disposals, attention should be given to the condition of the market; in particular, disposals should take place in such a way as not to disrupt the market.

9. The provisions of (a) will enable producing and consuming countries to adjust their actions to the contemplated disposal. In some countries rapid action in the disposal of government-held surplus stocks is, in any case, prevented by domestic legislation which requires that certain authorization be obtained and formalities observed before disposals can take place. It would be helpful if the existence of such protection were publicized by the Government concerned. Through the provisions of (b) the appropriate governmental and intergovernmental bodies will be able to consider the question of disposals in a world setting and determine the most appropriate course of action. Compliance with provisions of (c) will be particularly helpful where a commodity is already subject to an agreement so that, for example, disposals from non-commercial stockpiles will be consistent with disposals from a buffer-stock. Since disruption of the market can cause economic and social distress, particular regard should be had in connexion with (d) to such considerations as the size of the market in relation to the proposed disposal, known commercial stocks, the effect of the disposal on investment and employment. Subject to these criteria certain flexibility in disposals may, however, be desirable.

10. The adoption of such principles would largely formalize present action, since Governments have, in fact, complied with many aspects of these recommendations. For example, consultations have taken place through the International Tin Council and through the International Lead and Zinc Study Group, and it may be noted that, in one case, a Government disposed of its surplus through the Tin Council.

APPENDIX 1

EXTRACT FROM THE HAVANA CHARTER

Article 32

Liquidation of Non-commercial Stocks

1. If a Member holding stocks of any primary commodity accumulated for non-commercial purposes should liquidate such stocks, it shall carry out the liquidation, as far as practicable, in a manner that will avoid serious disturbance to world markets for the commodity concerned.
2. Such Member shall:
 - (a) give not less than four months' public notice of its intention to liquidate such stocks; or
 - (b) give not less than four months' prior notice to the Organization of such intention.
3. Such Member shall, at the request of any Member which considers itself substantially interested, consult as to the best means of avoiding substantial injury to the economic interests of producers and consumers of the primary commodity in question. In cases where the interests of several Members might be substantially affected, the Organization may participate in the consultations, and the Member holding the stocks shall give due consideration to its recommendations.
4. The provisions of paragraph 2 and 3 shall not apply to routine disposal of supplies necessary for the rotation of stocks to avoid deterioration.

APPENDIX 2

LIQUIDATION OF STRATEGIC STOCKS

Resolution of 4 March 1955¹

THE CONTRACTING PARTIES

Recognizing

1. That if a contracting party should liquidate a substantial part or the whole of stocks of a primary product accumulated as part of a national stockpile for purposes of national defence, such liquidation without adequate regard to the commercial interests of producers and consumers of the primary product affected could cause serious damage by unduly disrupting world markets,
2. That any disturbing effects of such liquidation and the risk of injury may be avoided or minimized by consultations between the substantially interested contracting parties.

Noting that Contracting Parties holding stocks of primary products accumulated as a part of a national strategic stockpile for purposes of national defence, and wishing to liquidate such stocks, in whole or in part, intend to proceed with such liquidation, in so far as practicable, in such a manner as to avoid or minimize injury to the interests of producers and consumers of the primary product affected, and any undue disruption of world markets for such primary products.

Recommend

1. That, whenever practicable, any contracting party intending to liquidate a substantial quantity of such stocks should give at least forty-five days' prior notice of such intention,
2. That a contracting party, intending to liquidate and giving notice in accordance with paragraph 1, should consult fully with any Contracting Party which considers itself substantially interested and requests such consultations, with a view to avoiding or minimizing substantial injury to the economic interests of that contracting party and undue disruption of the markets for the product concerned and should give full and sympathetic consideration to the views expressed by such other interested contracting parties.

¹GATT, BISD, Third Supplement, p 51

ANNEX 3NOTE ON DEVELOPMENTS IN COMMODITY EXPORTS FROM
DEVELOPING COUNTRIES DURING 1964¹General

This note, endeavours to bring out broad trends in commodity exports of developing countries during 1964 as a whole. As data covering the full year are, however, still incomplete the quantitative assessments made in this note, based largely on preliminary estimates, should be considered as subject to revision.

Export earnings of developing countries, which had increased between 1962 and 1963 by 9 per cent, exceeded by 8 per cent during the first nine months of 1964 their level of the corresponding period of 1963; for 1964 as a whole the growth was probably slightly less pronounced. Available indications suggest that, like in the preceding years, exports of manufactures other than base metals from developing countries expanded in 1964 at a faster rate than the average. As, however, they still account for only a small share - no more than about 10 per cent - of the total, the faster growth of export proceeds from developing countries in 1963 and 1964, as compared with the preceding years, reflected to a large extent a relative improvement for primary products and base metals, which will be shortly examined in this note.¹

If petroleum (for which prices did not show any change while the volume of exports rose substantially) is excluded, it appears that both in 1963 and in 1964 the faster growth rate in export earnings of developing countries, as compared with earlier years, can largely be attributed to the recovery in prices from their trough of 1962. After a continuous decline since the mid-nineteen-fifties, export prices of primary products (excluding petroleum) and base metals from developing countries, according to United Nations indices, exceeded in 1963 their level of 1962 by about 10 per cent, and in 1964 as a whole that of 1963 by 4 per cent.

The recovery in prices had, in fact, taken place between the third quarter of 1962 and the earlier part of 1964; later during the year a weakening tendency was noticeable and in the last quarter of 1964 prices of primary products (excluding petroleum) and base metals were by an estimated 3 per cent below their level of the first quarter of the year. This decline during the course of 1964 reflected mainly the sharp fall in prices of sugar and wool, which had shown steep rises in 1963, as well as falling prices of some other commodities such as cocoa. These declines were only partly offset by moderate price increases for oils and fats and more marked rises for livestock products, non-ferrous metals and coffee, although for the latter prices weakened towards the end of the year.

¹This note deals primarily with the main commodities exported by developing countries. It seems worth mentioning that the share of developing countries in world exports can be estimated to have amounted in 1964 to nearly two-thirds for fuel and to about one third for other primary commodities.

Foodstuffs

Temperate zone foodstuffs, especially cereals and livestock products were among the commodity groups which showed the largest expansion in the value of exports in 1964, due principally to: (i) the emergence during 1963/64 of the Soviet Union as the world's largest importer of wheat, following the crop failure in 1963. This country, which in the preceding years used to have a net export surplus of about 4-5 million tons, had a net import surplus of nearly 10 million tons in 1963/64; (ii) reflecting predominantly the stagnation of livestock production in Western Europe for the second consecutive year, world trade in meat, butter and other animal fats recorded in 1964 a rise in volume and especially, as export supplies were not adequate to meet the marked increase in requirements, generally higher prices than in 1963. During the first ten months of 1964, for instance, export unit values of frozen beef from Argentina exceeded by about one third and those of mutton and lamb from New Zealand by about 10 per cent their average level of 1963.

World trade in fishery products, which are also exchanged mainly among industrial countries, but for which exports from developing countries have shown an expanding tendency in recent years, continued to expand in 1964. In particular, under the impact of continued strong demand for protein-rich feedingstuffs in Western Europe, exporters of fishmeal experienced both a further rise in volume and slightly higher prices, especially towards the end of the year.

The fact that domestic supplies of butter and other animal fats failed to rise in Western Europe in 1964 for the second consecutive year led not only to higher import requirements and a strengthening of prices for these commodities, but was also an important contributory factor to the improved situation on world markets for vegetable oilseeds and oils. Prices of this commodity group, which had recovered in 1963 from their low level of 1962, strengthened further during 1964, the estimated increase between the first and the last quarter of the year being for this commodity group as a whole of about 8 per cent. Non-tropical, as well as tropical, oilseeds and oils generally experienced in 1964 higher prices than in the preceding year. As regards the volume traded, however, the largest expansion between 1963 and 1964 was registered by soyabeans and soyabean oil, for which available indications suggest a gain of more than 10 per cent, while exports of tropical oils and seeds showed only a slight, if any, growth; according to preliminary estimates, world exports of groundnuts and groundnut oil increased by less than 2 per cent and those for palm kernels and palm oil by nearly 3 per cent, while those of coconut and coconut oil declined by 2 per cent.

After having shown an increase of 15 per cent between 1962 and 1963, the volume of world exports of rice is estimated to have remained at a high level in 1964. The general level of export prices of rice in the 1963/64 marketing year ending September 1964 showed little change as compared with the previous season. Although prices in private trade had shown a slight declining tendency, this was compensated by a rising tendency of prices in bilateral contracts concluded between governments which account for an important share of world trade.

While in 1963 the most salient feature of the sugar market had been the sharp upsurge in world market prices resulting from poor crops in several parts of the world in 1962/63, the recovery of production in 1963/64 and the further significant rise in 1964/65, especially in Europe, the United States and the Soviet Union, were conducive to a gradual decline of prices since the last quarter of 1963. World market prices of sugar, which for the average of 1963 had exceeded by three times their level of 1962, drifted rapidly downwards during 1964 and by the end of the year had lost nearly entirely all the gain recorded since mid-1962. It has also to be taken into account that world market prices represent only part of the world trade and that prices for other transactions tended to fluctuate less than free market prices. The volume of world trade in sugar is estimated to have decreased in 1964 for the third consecutive year.

The pressure on prices resulting from an excess of supply over demand which had been the dominant feature of the world coffee market between the mid-nineteen-fifties and 1962, tended to be eased in 1962/63 by a substantially lower crop. In 1963/64 the world crop declined again and the damage caused by drought, frost and fire to the plantations in Brazil not only reduced the current crop but also significantly affected the next few crops in the world's most important producing country. Prices of coffee, after a continuous fall since the mid-nineteen-fifties, recovered only during the last quarter of 1963, especially for Arabicas, while for Robusta types the recovery had started about one year earlier. The upward movement continued for Arabicas during most of 1964, but for Robustas only during the earlier part of the year, followed by a weakening for both types during the last months of 1964. For the year as a whole, prices of Brazilian Santos IV exceeded by about 35 per cent and those of Colombian Medellin and of Ivory Coast Robustas (in New York) by about one quarter their average level of 1963. The volume of world exports of coffee, after a rise of 8 per cent in the preceding year, is not expected to have shown any increase in 1964.

After a partial recovery in 1963, prices of cocoa, which, like those of coffee had fallen sharply since the mid-nineteen-fifties, tended again to decline since the beginning of 1964. The pressure on prices was accentuated since the last quarter of 1964 as the 1964/65 harvest proved to be larger than

expected. The Statistics Committee of the FAO Cocoa Study Group, at its session in October 1964, indicated that the trend toward higher world cocoa production and consumption would continue in 1964/65, but also that, owing to the existence of carry-over stocks, the market will be less in balance than in other recent years. In recent months the market price seems to have remained below the indicator price of 190/- per cwt set by the Cocoa Producers' Alliance for the current season. For 1964 as a whole, prices of cocoa were by about 10 per cent below their average level of 1963. As regards the volume of world exports, after increases of 20 and 13 per cent in the two preceding years, the growth rate slowed down to 2 per cent in 1964; in 1963 it declined slightly and preliminary indications do not suggest any marked recovery in 1964.

The relative stability of prices of tea, with only plain qualities showing a slight declining trend, was also observed in 1964. At the same time, however, the volume of world exports of this commodity, in line with the sluggish growth of earlier years, appears to have remained in 1964 at a level close to that of the previous year.

Raw Materials

The situation on world markets of raw materials was characterized in 1964 by the very strong demand resulting from the needs for industrial consumption during the year, reflecting the further expansion in industrial output in most of the main industrial countries, reinforced by a tendency in importing countries to replenish stocks which had fallen to low levels in 1962-1963. As a result, not only did the volume of world exports in these commodities rise substantially in 1964, but prices were on the whole either well maintained, or even showed a substantial expansion like in the case of non-ferrous metals. However, the extent to which various commodity groups benefited from the rise in import demand varied greatly from one commodity group to another.

In particular, raw materials of agricultural origin, such as cotton and natural rubber, although benefiting to some extent from the higher level of activity in the textile and rubber industries during 1964 and having done relatively better than in preceding years, registered only modest increases, the largest part of the rise in fibre consumption of the textile industries being covered by man-made products. Reflecting the upward phase of the production cycle in textile industries, demand for cotton in industrial countries in the 1963/64 season was rising both for current consumption and for re-building stocks, and world trade in raw cotton rose moderately above its level of the previous season; the share of raw cotton in total fibre consumption of industrial countries continued, however, to decline. Prices of cotton did not show much change during 1964. Consumption of wool in industrial countries failed to show any rise in 1964 and the rise in production of the wool textile industries was entirely covered by utilization of man-made materials. Prices of raw wool, after their substantial rise in 1963, due to a shortage of supplies weakened considerably during 1964 and by the end of the year had fallen to a level close to that of the last quarter of 1962. The volume of world exports of raw wool appears to have also declined between 1963-1964. As regards rubber, like in the preceding years, consumption and trade of the natural product showed hardly any expansion, while both production and trade of synthetic rubber expanded further substantially; prices of natural rubber, which had declined in 1963, tended to recover partially during 1964.

Apparent consumption of metals in industrial countries, which had shown only modest growth between 1961 and the first half of 1963, gained considerable strength towards the end of 1963 and expanded at an accelerated rate during 1964. The substantial growth in output of steel, together with the continued trend towards an increased reliance on richer imported ores, led to a further substantial rise in the volume of imports of iron ore into industrial countries in 1964, of which an important part comes from developing countries. As regards non-ferrous metals, the sudden upsurge in consumption since the last quarter of 1963 could not be met in the short run by a quick rise in supplies, so that prices rose very sharply during 1964. For instance, the increase in prices between the last quarter of 1963 and the third quarter of 1964 reached 55 per cent for copper (London Metal Market prices), nearly 50 per cent for lead and zinc and about 35 per cent for tin. Especially as regards copper, the most important non-ferrous metal entering world trade, it should be kept in mind, however, that only a small fraction of international trade is conducted at free market prices. By far the greater part is supplied directly from producers to consuming industries at prices which fluctuate less; between the fourth quarter of 1962 and the third quarter of 1963, they were raised, for instance, by merely 6 per cent in the case of the Rhodesian Selection Trust price.

A sharp cyclical upward movement of consumption in industrial countries during 1964 was also apparent in the case of timber; in particular, imports of tropical timber into industrial countries, the rate of growth of which had somewhat slowed down in the preceding two years, accelerated again in 1964 as exports of tropical logs, of tropical sawnwood and of plywood from developing countries to Western Europe, Japan and the United States exceeded substantially in 1964 their level of 1963.

The continued rise in requirements of fuels for industrial purposes, transport and household uses, as well as the fact that coal continued to lose ground to other fuels, in particular petroleum products, led to a further substantial expansion of world exports of petroleum and petroleum products in 1964.

Summary

The fast expansion of world trade in primary commodities of 10 per cent between 1962 and 1963 and of about the same high rate in 1964 can be largely ascribed, as far as the latter year is concerned, to a combination of favourable developments, partly of an accidental (like weather conditions) or of a cyclical nature, among which the most outstanding were: (i) for temperate zone foodstuffs, the crop failure of 1963 in the Soviet Union was the main contributory factor to the strong expansion in world trade of wheat in 1963/64. The fact that in 1964, for the second consecutive year, livestock production failed to expand in Western Europe, due to some extent to drought during the summer and to a cyclical downward movement in the case of beef and pork, was conducive to increased import requirements and higher prices for meat, butter and other animal fats; it also largely contributed to an improved market situation and higher prices for vegetable oilseeds and oils; (ii) The sharp cyclical rise in consumption of raw materials, especially for investment purposes, together with higher requirements

for rebuilding stocks in Western Europe, the United States and Japan, led in 1964 to a rapid growth in the volume of world trade, especially for minerals, metals and timber, as well as to firm or higher prices, particularly for non-ferrous metals. Developing countries benefited from these developments especially in the case of iron ore, non-ferrous ores and metals and timber, (iii) The substantial decline in the world coffee crop in 1963/64, for the second consecutive season, which contributed to the higher level of prices in 1964, as compared with 1963, for this most important single commodity (after petroleum) exported by developing countries.

These developments by far outweighed unfavourable trends, of which the most important seem to have been, if 1964 is compared with 1963 - and in so far as commodities originating mainly in developing countries are concerned: (i) The sluggish growth, if any, in the volume of exports of tropical oilseeds and oils and of tropical beverages, as well as the decline for the third consecutive year in the volume of world exports of sugar; (ii) The fact that the natural products seemed to have shared only to a small extent the rise in consumption and trade of fibres and rubber experienced in 1964 in industrial countries, the largest part of which was covered by the man-made products; and (iii) the sharp fall in prices of sugar and wool to a level close to that prevailing in the latter part of 1962, before the sharp rise which had taken place for these commodities in 1963, and the falling prices of cocoa.

TABLE 1

PRICES OF PRIMARY COMMODITIES AND NON-FERROUS METALS EXPORTED BY UNDER-DEVELOPED AREAS AND WORLD PRICES OF MANUFACTURED GOODS

Indices, 1958 = 100

	1962				1963				1964			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
<u>Primary commodities and non-ferrous metals exported by under-developed areas (1)</u>	91	91	90	92	94	99	96	101	102	101	100	100
Food	80	81	82	84	90	103	98	109	110	104	95	93
of which:	70	70	70	70	71	74	72	76	87	89	87	86
coffee, tea, cocoa	101	99	97	99	101	101	98	100	100	101	101	102
Agricultural non-food	91	91	90	90	90	90	90	90	91	91	92	93
Minerals	116	115	114	114	114	115	116	118	124	135	151	177
Non-ferrous metals	103	103	103	103	103	102	102	103	104	104	104	(104)
<u>Manufactured goods (world exports) (2)</u>	88	88	87	89	91	97	94	98	98	97	96	96
<u>Terms of trade</u>												
<u>Ratio of (1) to (2)</u>												

Source: United Nations Monthly Bulletin of Statistics.