

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## REVIEW OF DEVELOPMENTS IN INTERNATIONAL TRADE

(with Particular Reference to Recent Changes in Commodity Prices)

### Note by the Secretariat

1. This note is intended to update document COM.TD/W/212 "Review of Developments in International Trade" presented to the Committee on Trade and Development meeting in June 1974. Part I of that document looked at the longer-term developments in commodity prices relative to the prices of manufactures, concluding that between 1953 and the present three distinct phases were evident: a decline relative to manufactures after the Korean War boom, from 1953 to 1962; a period where commodity prices rose slowly but generally in line with prices of manufactures, between 1962 and mid-1972; and the commodity price boom between mid-1972 and mid-1974, when the rise in commodity prices greatly exceeded that of manufactures. Three reasons were advanced for the commodity price boom, the upsurge in demand which occurred simultaneously in all industrial areas, the concurrent shortfall in many agricultural commodities caused mainly by inclement weather conditions, and the monetary uncertainties which, coupled with the general inflationary climate, stimulated buying activity on the commodities market. In addition, because of the low level of prices in the years preceding the boom there was not sufficient incentive to expand production capacities for a number of primary commodities. In part II of the note, estimates were made of the trade balance of the developing countries under various assumptions regarding prices of primary commodities and of manufactures for the whole of 1974. For developing countries (excluding the oil-exporting countries) as a group, their trade deficit was estimated to increase to between \$15 and \$24 billion, depending on the commodity price assumption used.

2. During the discussions on document COM.TD/W/212 in the Committee, delegations indicated that there was an urgent need to avoid the imposition of restrictions on imports from developing countries and to work out effective measures aimed at securing a further expansion of these imports through appropriate measures in all areas to which the multilateral trade negotiations are addressed. The point was also made that restrictions on imports from developed countries should equally be avoided.

3. The most striking feature of developments in this connexion during the first three quarters of 1974 has been the general slowdown in economic activity in all industrial countries which, since June, has become more pronounced than forecast at the beginning of the year. This has had a definite, though somewhat lagged effect mainly on the demand for raw materials, both agricultural and mineral, and also on some foodstuffs. The overall index of commodity export prices (excluding fuels but including non-ferrous metals), which had continued to rise during the first quarter of 1974, showed only a small increase in the second quarter and according to some indications available, probably declined somewhat during the third quarter.
4. Of the main components of the overall index, food prices increased by 6 per cent in the first quarter and 3 per cent in the second. These increases in food prices, despite the slackening demand conditions, have come largely from two sources. After signs of easing earlier in the year, grain prices have again come under considerable pressure after the scaling down of expectations for the United States harvest due to drought in the mid-West (mainly affecting maize and soybeans), which has coincided with increased demand from developing countries following floods on the Indian sub-continent and continued drought in parts of Africa. Rice continues in short supply and prices have continued at high levels in 1974. The first half of 1974 has also seen a massive increase in the free market price of sugar. Average prices of oilseeds and oils, after further increases in the first quarter of 1974, have tended to decline since, mainly due to a sharper fall in the prices of lauric oils. Cocoa prices, after regaining and then exceeding their record levels of 1973, have generally declined since May, reflecting the considerable reduction in grindings (consumption) in all the main consuming countries. Similarly affected by the less buoyant demand conditions, coffee prices, after an initial rise due to the expectation of reduced Brazilian output, have drifted downwards since May, although they remain generally above 1973 levels. In contrast to their performance in 1972 and 1973, when they did not benefit from the commodity price boom, tea and banana prices improved by approximately one fifth in the first three quarters of 1974.
5. Prices of agricultural raw materials, more directly affected by the slowdown in economic activity, reached their peak in January and have declined almost continuously thereafter. In particular, the prices of cotton and rubber fell sharply, by almost one third, between January and September.
6. The prices of non-ferrous metals began the year by reaching new record levels, reflecting temporary shortages due to shipping difficulties and the expectation of major strikes at North American smelters, but since May have been in sharp decline as the effects of the general economic situation in industrial countries have made themselves increasingly felt.

7. Whereas the level of export prices of commodities (excluding petroleum but including non-ferrous metals) exported by developing countries has tended to decline since the middle of the year, and would appear in the third quarter to be lower than during the first, import prices of manufactures have continued to rise steadily throughout the year at a rate higher than in 1973. Account needs to be taken, furthermore, of the strong increase in petroleum prices at the beginning of the year and the rise in grain prices which has been particularly marked in recent months.

8. As a result of the adverse movements in their terms of trade, the trade balance situation of developing countries (excluding petroleum exporters) has begun to deteriorate in recent months. No reversal of this trend can be envisaged for the remainder of the year, as demand in industrial countries is expected to remain at depressed levels while prices of manufactures will continue to rise. For the whole of 1974, therefore, the broad conclusions reached in COM.TD/W/212, Part II, concerning the growing trade deficit of developing countries (excluding the petroleum exporters) remain valid. The level of prices of primary commodities exported by developing countries will probably be somewhat closer to the high price assumption (the average of the first quarter of 1974), although below it, than to the low price assumption (the average of 1973). However, this is partly offset by the fact that the increase in prices of manufactures will probably be higher than assumed.

TABLE 1/TABLEAU 1/CUADRO 1

DEVELOPMENT OF WORLD EXPORT PRICES OF SELECTED PRIMARY PRODUCTS/ÉVOLUTION DES PRIX MONDIAUX À L'EXPORTATION DE CERTAINS PRODUITS PRIMAIRES/  
EVOLUCIÓN DE LOS PRECIOS MUNDIALES DE EXPORTACIÓN DE DETERMINADOS PRODUCTOS PRIMARIOS

(INDICES 1963 = 100)

Products/Produits/Productes	1953-55	1960-62	1969-71	1971	1972	1973	1971	1972	1973				1974			
							IV	IV	I	II	III	IV	I	II	III	IV
ALL PRIMARY PRODUCTS <sup>a</sup> /ENSEMBLE DES PRODUITS PRIMAIRES <sup>a</sup> /TODOS LOS PRODUCTOS PRIMARIOS <sup>a</sup>	113	98	115	117	130	192	118	137	159	181	208	219	239	245		
of which/dont/																
Wheat/Blé/Trigo	108	97	93	96	110	214	95	140	151	160	253	292	321	289		
Rice/Riz/Arroz	119	94	103	97	108	198	101	118	150	168	190	283	313	309		
Maize/Mais/Maíz	118	91	105	108	111	181	96	123	140	166	212	208	231	..		
Coffee/Café/Café	178	101	135	134	150	188	132	160	177	187	193	197	207	214		
Tea/Thé/Té	117	104	81	83	81	83	79	76	78	88	87	79	86	109		
Cocoa/Cacao/Cacao	164	91	134	100	117	220	89	135	143	212	280	246	259	353		
Beef/Viande de boeuf/Carne de vacuno	74	100	154	186	226	319	183	215	273	347	327	329	326	..		
Sugar/Sucre/Azúcar	63	57	70	75	97	127	78	99	119	126	128	137	216	274		
Wine/Vin/Vino	70	93	110	107	118	165	108	125	152	174	174	161	..	..		
Fish/Poisson/Pescado	81	96	152	176	194	281	183	201	244	269	285	327	348	..		
Oilseed cake and meals/Tourteaux et farines d'oléagineux/Tortas oleaginosas y harinas de semillas oleaginosas	96	90	109	113	140	298	110	182	239	345	351	256	227	..		
Fruit/Fruits/Frutas	92	97	88	94	96	112	94	95	105	116	119	108	119	..		
Olive oil/Huile d'olive/Aceite de oliva	63	66	77	80	102	149	83	111	129	150	153	166	..	..		
Copra/Coprah/Copra	107	97	108	100	75	183	85	78	108	154	204	265	417	..		
Cocunut oil/Huile de coco/Aceite de coco	117	101	125	119	85	183	108	82	107	155	207	264	398	428		
Groundnuts/Arachides/Cacahuètes	125	107	130	141	164	207	133	171	180	189	225	235	270	..		
Groundnut oil/Huile d'arachide/Aceite de cacahuètes	129	106	115	130	128	159	134	130	135	144	170	185	253	..		
Palm kernels/Amandes de palmiste/Almendras de palma	102	93	101	90	77	..	82	76	97	116	144	..	225	..		
Palm kernel oil/Huile de palmiste/Aceite de almendras de palma	101	95	114	111	85	..	103	83	106	156	203	..	373	..		
Palm oil/Huile de palme/Aceite de palma	98	99	105	115	103	(152)	108	103	113	140	187	(168)	243	..		
Soyabeans/Fèves de soya/Habas de soja	115	92	107	117	127	215	119	132	177	225	246	212	368	..		
Soyabean oil/Huile de soya/Aceite de soja	136	108	128	143	119	224	142	105	140	194	303	(260)	359	..		
Cottonseed oil/Huile de coton/Aceite de semilla de algodón	123	109	124	143	107	183	130	91	123	165	235	208	282	..		
Wool/Laine/Lana	107	84	64	57	88	183	58	120	192	180	189	171	158	151		
Cotton/Coton/Algodón	138	101	105	113	132	201	123	117	135	164	233	272	277	..		
Jute/Yute	73	120	108	105	112	110	105	104	109	115	108	105	104	..		
Sisal	56	67	44	46	65	117	44	73	95	103	127	144	204	209		
Lumber/Bois d'œuvre/Madera de construcción	106	103	124	134	155	220	145	166	180	218	237	246	256	267		
Tobacco/Tabac/Tabaco	90	94	108	112	116	129	114	118	(121)	129	136	130	134	142		
Rubber/Caoutchouc/Caucho	113	125	78	62	63	121	56	71	92	111	137	144	183	147		
Hides and skins/Cuir et peaux/Pieles y cueros	121	131	126	127	223	255	138	284	283	247	251	240	236	233		
Bauxite/Bauxite	68	75	143	172	168	..	156	120	..	..	..	..	..	..		
Copper ore/Minéral de cuivre/Mineral de cobre	118	100	203	171	169	266	162	162	202	249	302	311	350	412		
Iron ore/Minéral de fer/Mineral de hierro	96	104	97	103	111	116	108	109	116	115	114	118	126	128		
Aluminium/Aluminio	91	111	125	128	115	114	127	110	111	113	115	116	133	149		
Copper/Cuivre/Cobre	119	101	201	168	164	271	160	155	198	249	305	332	363	422		
Lead/Plomb/Plomo	161	102	162	143	171	241	127	169	193	229	258	282	389	375		
Tin/Étain/Estañó	80	94	141	139	150	187	138	148	158	171	202	217	298	369		
Zinc	110	103	100	152	182	345	169	181	206	259	367	550	562	630		
MANUFACTURES <sup>b</sup> /ARTICLES MANUFACTURES <sup>b</sup> /MANUFACTURAS <sup>b</sup>	92	100	114	122	133	152	129	134	140	150	161	160	..	..		

<sup>a</sup> Including non-ferrous base metals, excluding fuels/Y compris les métaux communs non ferreux, combustibles et carburants exclus/Incluidos los metales comunes no férreos, pero excluidos los combustibles.<sup>b</sup> Export unit values, excluding non-ferrous metals/Valeurs unitaires à l'exportation, métaux communs non ferreux exclus/Valores unitarios de exportación, excluidos los metales no férreos.

Source: UN, Price Movements of Basic Commodities in International Trade 1950-1970; statistical papers, Series M, No. 29, Rev.1/Add.1, New York 1971; and compilations by the United Nations Statistical Office for publication in summarized form by commodity categories in the UN Monthly Bulletin of Statistics./Nations Unies, Mouvements des prix des produits de base dans le commerce international: 1950-1970; Etudes statistiques, série M, n° 29, Rev.1/Add.1, New York 1971; compilations du Bureau de statistique des Nations Unies destinées à être publiées sous forme résumée, par catégories de produits, dans le Bulletin mensuel de statistique des Nations Unies./Naciones Unidas, Price Movements of Basic Commodities in International Trade, 1950 a 1970; Informes estadísticos, serie M, N.º 29, Rev.1/Add.1, Nueva York, 1971; compilaciones de la Oficina de Estadística de las Naciones Unidas para su publicación en forma resumida, por clases de productos básicos, en el Monthly Bulletin of Statistics de las Naciones Unidas.