

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES
Seventeenth Session

COMMODITY DEVELOPMENTS IN 1960

Note by the Executive Secretary

1. At their thirteenth session the CONTRACTING PARTIES decided that the annual review of trends and developments in international commodity trade, which they undertake under the Resolution of 17 November 1956¹, should in future be directed specifically to a consideration of the impact of commodity problems upon international trade, and that a Working Party on Commodities should be set up to do certain preparatory work in connexion with the review. The terms of reference of the Working Party (L/948) are as follows: "to examine documentation relevant to the review by the CONTRACTING PARTIES of the impact of commodity problems upon international trade and to submit a report and, where appropriate, recommendations to the CONTRACTING PARTIES to provide a basis for the review".
2. Among the relevant documentation available to the Working Party will be a report by the CONTRACTING PARTIES' nominee as Chairman of the Interim Co-ordinating Committee for International Commodity Arrangements. The secretariat expects to distribute this report before the end of September. Off-prints of the section entitled Recent Trends in Commodity Trade of the secretariat's publication International Trade 1959² will also be available to members of the Working Party. Other relevant documentation includes the report on its eighth session (E/3383) of the Commission on International Commodity Trade, the 1960 Review of International Commodity Problems (E/3374) of the Interim Co-ordinating Committee for International Commodity Arrangements and the report of the thirty-third session of the FAO Committee on Commodity Problems (CCP 60/25); members of the Working Party are requested to bring their own copies of these documents as the secretariat has insufficient copies to make a distribution.
3. Attached is Part I of a note on commodity developments during 1960. This Part indicates briefly the action taken during the past year by the international bodies concerned with commodity problems. Part II of the note, which will be distributed later, will discuss the impact of commodity problems on international trade during 1960, with particular reference to the effect on the export earnings of primary producing countries.

¹ Basic Instruments and Selected Documents, Fifth Supplement, page 26.

² To be published in October.

PART I

ACTION BY INTER-GOVERNMENTAL ORGANIZATIONS

United Nations

1. International commodity problems have continued to occupy the attention of both the United Nations General Assembly and the Economic and Social Council.
2. At the fourteenth session of the General Assembly (September-December 1959) several resolutions relating to commodity matters were adopted. Resolution 1422 (XIV), which followed a discussion of the question of securing adequate participation in commodity arrangements, urged governments to take part in such arrangements and in international study groups. The same Resolution called on the Commission on International Commodity Trade (CICT) "to give particular attention, in carrying out its programme of work, to the study of means for giving temporary assistance to countries encountering serious payments difficulties as a result of a sharp and sudden drop in the prices of their raw material exports, with a view to enabling them to take the necessary measures and at the same time continue to carry out their economic development programmes". In another Resolution having a bearing on the question of compensatory financing (1423(XIV)), the General Assembly requested the Secretary-General "to appoint a group of not more than seven experts to assist the Commission on International Commodity Trade in its consideration of commodity problems by examining the feasibility of establishing machinery, within the framework of the United Nations, designed to assist in offsetting the effects of large fluctuations in commodity prices on balances of payments, with special reference to compensatory financing, and to submit its report to the Commission on International Commodity Trade by its ninth session". The consideration given to this subject by the CICT at its eighth session in May 1960 is described in paragraph 9 below. The General Assembly also had some discussion on the need for a study of the question of the demand for, and the supply of, raw materials and other means of production and, in Resolution 1428 (XIV), it requested the Secretary-General to arrange for a preliminary investigation into the methods and techniques to be used in carrying out such a study. This question of demand and supply projections is receiving increasing attention in the international organizations concerned.
3. The Economic and Social Council also discussed commodity problems at its thirtieth session in July 1960. As a basis for its discussion the Council had before it the report of the CICT on its eighth session (E/3383), ICCICA's 1960 review of international commodity problems (L/3374) and the Commodity Survey 1959 prepared by the United Nations secretariat.

United Nations Commission on International Commodity Trade (CICT)

4. At its seventh session in March 1959, the Commission drew up a programme (paragraphs 54-64 of the report on the seventh session (E/3225)) which is intended to represent the direction of its work for some years. This programme was approved by the Economic and Social Council at its twenty-eighth session in July 1959 (Resolution 726 (XXVIII)).

5. When the Commission met for its eighth session in May 1960, it considered the work which should be undertaken during the following year under each item of its programme. The items concerned and the Commission's discussion on them are set out in the report on the eighth session (L/3383) and may be summarized as follows:

(a) Study of the prospective production of and demand for primary commodities

6. At its seventh session, the Commission had decided that it would be desirable to assemble the best possible information relating to medium-term projections. The Commission envisaged two steps in its consideration of this question, first, an examination of problems of methodology and organization of work, which would be undertaken at the Commission's eighth session, and, secondly, an examination of substantive reports on particular commodities, which would be undertaken at later sessions of the Commission.

7. Two preliminary reports were presented to the Commission at its eighth session, one on agricultural commodities prepared by the Food and Agriculture Organization (E/CN.13/L.70) and the other on non-agricultural commodities prepared by the Secretary-General (E/CN.13/L.66). On the basis of these reports, the Commission examined the difficulties which arise in the preparation of projections, particularly in the case of non-agricultural commodities, and discussed the considerations which might be taken into account in the formulation of a programme of work. A report on the progress made in the preparation of commodity projections will be discussed by the Commission at its ninth session.

8. The Commission supported the proposal that it should hold a joint session with the FAO Committee on Commodity Problems in order, inter alia, to bring together projections on agricultural and non-agricultural commodities. This proposal was subsequently welcomed by the Economic and Social Council at its thirtieth session in July 1960. (Resolution 783 (XXX)). The joint session is expected to take place in 1962.

(b) Compensatory financial measures to offset fluctuations in the export income of primary producing countries

9. A report prepared by the International Monetary Fund was among the documentation available to the Commission in connexion with its discussion of this item. The report (E/CN.13/L.71) describes the Fund's policies and procedures bearing on

the subject of compensatory financing and gives a valuable analysis of the nature and magnitude of fluctuations in the export earnings of primary producing countries and of the harmful consequences of excessive fluctuations. The Commission decided that it would not undertake a comprehensive examination of this question until the report of the group of experts to be set up under Resolution 1423 (XIV) of the United Nations General Assembly (see paragraph 2 above) was available. The Commission's report on its session (paragraph 88) does, however, list major lines of enquiry suggested by various delegations on which the Commission would welcome assistance from the group of experts. Compensatory financing will be a major item on the agenda for the Commission's ninth session.

(c) Impact of fluctuations in economic activity in industrial countries on international commodity trade

10. The Commission had before it a preliminary expert study (E/CN.13/L.68) on this subject. It decided to defer detailed consideration of this question until its ninth session.

(d) Measures to deal with fluctuations in primary commodity markets

11. The Commission considered replies on this subject received from governments to a questionnaire addressed to them by the Secretary-General. The information provided will be basic material for the Commission's future work and, over succeeding sessions, it will systematically examine some of the stabilization measures, national and international, described in the replies from governments. Among the measures which will be included in the Commission's programme of continuing work are the following:

- (i) national marketing boards and price stabilizing funds;
- (ii) inter-governmental commodity consultations, including study groups;
- (iii) informal international commodity arrangements;
- (iv) concurrent use of more than one international measure to solve particular commodity problems;
- (v) considerations influencing governments' attitudes towards participation in international commodity agreements; (This item will be considered by the Commission at its ninth session.)
- (vi) method of operations employed in the Commonwealth Sugar Agreement and its possible application to other commodities.

In this work, the Commission will keep in close touch with the other international organizations concerned and particularly with the FAO. The Commission has suggested that, when the agenda for the joint CICT/FAO session in 1962 is drawn up, special consideration might be given to the inclusion in the agenda of one or two of the stabilization measures referred to above.

12. The ninth session of the Commission will be held from 1-16 May 1961. This will be preceded a week earlier by a meeting of a special Working Party.

United Nations Regional Economic Commissions

13. Because of the dependence of their Member countries on the export of primary commodities, the Economic Commissions for Latin America, Asia and the Far East, and Africa continue to be closely concerned with commodity problems. The importance of these problems for the countries of these regions is clearly reflected in the Economic Survey of Latin America, 1959, the Economic Survey of Asia and the Far East, 1959, and the Economic Survey of Africa since 1950, all of which were discussed by the Economic and Social Council at its thirtieth session in July 1960.

14. As an example of recent action on the regional plane may be quoted the Resolution on regional economic co-operation for development of trade and industries adopted by the Economic Commission for Asia and the Far East at its sixteenth session in March 1960, in which inter alia it recommended countries of the region to initiate measures aimed at stabilizing, on a commodity by commodity basis, the prices of primary commodities at fair and adequate levels and in which it appealed to the industrialized countries to help in the attainment of this objective. The Economic Commission for Africa has likewise accorded a high priority to the study of the problem of price stabilization in its programme of work up to 1961. Among the work being undertaken by the Commission for Latin America are studies on agricultural commodities, including the continuation of joint studies with the FAO on productivity problems and future prospects for coffee in individual Latin American countries.

Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA)

15. In 1960, as in past years, an annual review of international commodity problems was submitted by ICCICA to the Economic and Social Council. The review (E/3374) which covers the year 1959 and the early part of 1960, consists of two parts. Chapter I contains the general observations of the Committee on the use of existing international machinery to deal with commodity problems and draws attention to certain developments which the Committee considers important. Chapter II records developments in inter-governmental consultation and action on problems relating to individual commodities. In this chapter will be found a brief description of the activities of the various international commodity councils, study groups and committees; ICCICA has the function of co-ordinating the activities of these bodies.

16. In its review (paragraphs 5-6), the Committee draws attention to the considerable experience which has now been gained in the operation of commodity conferences, councils, and study groups. It is the Committee's intention to give more detailed consideration to this aspect in its next annual review.

United Nations Food and Agriculture Organization

17. The FAO has continued to maintain contact with other bodies with a direct interest in commodity problems, such as the CICT and GATT. It is co-operating with councils and study groups, such as the Coffee Study Group, while it continues to have close working arrangements through its regional offices with the regional Economic Commissions of the United Nations. Reference has been made in paragraph 8 above to the proposed joint session of the CICT and the FAO Committee on Commodity Problems.

18. The Committee on Commodity Problems (CCP) has continued to consider directly questions affecting agricultural commodities generally, difficulties which arise in the case of individual commodities e.g. butter, and national and international policies e.g. national dairy policies. Dairy products will be a major item on the agenda for the Committee's thirty-fourth session in 1961. Further, as a first step in carrying out the wish of the FAO Tenth Conference (October/November 1959) that the CCP should in future "give more attention to the broader aspects of policies, as well as to individual commodity aspects", a review of international commodity stabilization measures and techniques will be included on the agenda of future sessions of the Committee.

19. The Committee has also continued to supervise the activities of the FAO study groups listed below. In addition, at its thirty-second session in October 1959, the Committee established a new group - the Group on Citrus Fruit, which held its first session in May 1960. The report of the Group is contained in FAO document CCP 60/20. At its thirty-third session, in June 1960, the Committee decided to convene an ad hoc meeting as a preliminary to its further consideration of a proposal that there should be a study group on jute. The other FAO study groups and sub-committees are the following:

(a) Group on Grains

The report of the fifth session of the Group, held in June 1960, is contained in FAO document CCP 60/22.

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FAO activities with respect to the disposal of agricultural surpluses will be described in document L/1291 which will also contain a reference to the progress made by FAO in developing some generally acceptable principles for national agricultural price stabilization and support policies.

(b) Cocoa Study Group

No recent session of this Group has been held. Its next session is due to be held in 1961.

(c) Group on Coconuts and Coconut Products

The report of the third session of the Group, held in May, 1960, is contained in FAO document CCP 60/21.

(d) Consultative Sub-Committee on Economic Aspects of Rice

The report of the fourth session of the sub-committee, held in February 1960, is contained in FAO document CCP 60/5.

A description of the recent activities of the FAO study groups and CCP sub-committees and a brief account of developments in regard to the CCP's consideration of special commodity questions are contained in the report of the Committee's thirty-third session (CCP 60/25, pages 13-21).

20. At its thirty-third session the CCP adopted a number of measures with a view to strengthening its future work and concluded its consideration of the criteria and procedures for the establishment, supervision, suspension and termination of FAO study groups. These criteria will now be used by the Committee when requests are received for the establishment of inter-governmental machinery of a more or less continuing character for individual commodities or commodity groups. The text containing the criteria is to be found in Annex B to the Committee's report on its thirty-third session (CCP 60/25, page 38).

International Commodity Agreements, Study Groups and Committees
(other than those under the auspices of the FAO)

21. The following are the international commodity agreements, study groups and committees other than those listed under FAO above:

- (a) International Wheat Agreement.
- (b) International Sugar Agreement.
- (c) International Tin Agreement.

The present agreement expires on 30 June 1961. A new agreement was drawn up at a conference in May 1960 called by the United Nations and, subject to ratification, it will enter into force on 1 July 1961. At its twenty-third meeting in June 1960, the International Tin Council recommended that the Member governments should participate in the new agreement.

(d) International Agreement on Olive Oil.

The International Olive Oil Council established under the agreement held its first session in October 1959, and its second session in April 1960. Its third session will be held in October 1960. All the governments concerned have not yet ratified the Agreement.

(e) International Coffee Agreement.

A one-year arrangement for the stabilization of the international coffee market, which replaced an earlier one-year arrangement among certain countries, entered into force on 1 October 1959. A description of the arrangement is contained in ICCICA's 1960 Review of International Commodity Problems, pages 22-23. A further arrangement, also for one year, will replace the existing arrangement when it expires on 30 September 1960.

(f) International Cotton Advisory Committee.

(g) International Rubber Study Group.

(h) Coffee Study Group.

(i) International Lead and Zinc Study Group.

This group held its first session in January-February 1960 and its second session in September 1960.

(j) Wheat Utilization Committee.

Organization of American States

22. The Council of the Organization of American States, as well as the Inter-American Economic and Social Council of this Organization, discuss and recommend action to member governments with regard to commodity problems. A number of resolutions dealing with commodity problems were approved by the Council during 1959. These include the following:

Resolution VIII - Analysis of Price-Support Systems and Export-Subsidy Policies.

Resolution XVIIIV - Co-operation in the Problems of Excessive Fluctuations in the Market for Basic Products.

Resolution XVIII - Liberalization of International Trade in Basic Products.

Work in connexion with these Resolutions is in progress in the Inter-American Economic and Social Council and in the Department of Economic and Social Affairs of the Pan American Union.

General Agreement on Tariffs and Trade

23. The consideration of problems affecting trade in commodities is one of the most important tasks being undertaken by the Committees set up by the CONTRACTING PARTIES within the programme for the expansion of international trade. Committee II, which is considering the question of trade in agricultural products with particular reference to agricultural protectionism, has so far submitted two reports to the CONTRACTING PARTIES (COM.II/5 and L/1192). Committee III which is considering the obstacles affecting an expansion of the trade and export earnings of the less-developed countries, has submitted three reports to the CONTRACTING PARTIES (COM.III/1, L/1063 and L/1162). Both Committees will submit reports to the seventeenth session of the CONTRACTING PARTIES.

24. Apart from action which the CONTRACTING PARTIES might take under the programme for the expansion of trade, the Working Party on Commodities, in its report to the fifteenth session (BISD, Eighth Supplement, page 85) emphasized the availability of the facilities offered by the General Agreement for bilateral and multilateral consultations when difficulties arise in international commodity trade. It suggested that contracting parties should keep these procedures prominently in mind whenever they are faced with difficulties, either as exporters or importers, or when they are contemplating action on problems in commodity trade. Consultations of this sort, on lead, zinc and aluminium, took place in December 1959 between certain contracting parties and the Member States of the European Economic Community.

25. In the conclusions to its report, the Working Party on Commodities also stressed the importance it attached to "international efforts directed towards (1) assisting countries which are heavily dependent on the export of primary products to diversify their economies and (2) directing international financial resources towards helping the producing countries in periods of balance-of-payments difficulties due to a decline in export earnings during periods of falling prices". Considerable international attention is being directed to (1) (by the United Nations, ECOSOC, IERD, etc.) while, in connexion with (2), the consideration being given to compensatory financing by the CICT should in particular be noted (see paragraph 9 above).

The Sub-Committee on Commodity Problems of the United Nations Administrative Committee on Co-ordination

26. The Sub-Committee held its fifth session in January 1960 and its sixth session in July 1960. Recent developments in the commodity field were reviewed by the Sub-Committee.

27. At its fifth session, the Sub-Committee decided that there should be a further inter-agency meeting on commodity demand and supply projections to supplement the work done at an earlier meeting in October 1958. This meeting took place in July 1960 and was attended by representatives of the United Nations, ECE, ECAFE, ECLA, and ECA; FAO; GATT; IBRD; ILO; UNESCO; OEEC; ECSC; and EEC. The meeting concerned itself particularly with techniques of economic projection in under-developed countries. Special attention was also given to the long-term economic projections envisaged in General Assembly Resolution 1428 (XIV) referred to in paragraph 2 above.

