

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## IMPACT OF COMMODITY PROBLEMS UPON INTERNATIONAL TRADE

Statement by the Chairman of ICCICA,

Mr. L. K. Jha on

16 May 1961

I regret that I was not able to be present at the seventeenth session of the CONTRACTING PARTIES personally to present my 1960 report as Chairman of ICCICA which was circulated as GATT document L/1329. The current session of ICCICA in Geneva, however, affords me an opportunity to attend this meeting of the CONTRACTING PARTIES and to present certain supplementary information.

I would like first to express appreciation for the way in which my report was received at the seventeenth session. I note particularly the agreement in your discussion with the emphasis on the promotion of liberal trade policies and the use of existing machinery for dealing with commodity problems, and also the basic emphasis among delegations on the need for the continuation, in accordance with the principles enunciated in the Havana Charter, of a commodity-by-commodity approach to the solution of problems arising in international commodity trade. Such inter-governmental consultation does, of course, not necessarily lead to a formal arrangement in each commodity but it does provide a most useful means of studying specific problems and coordinating action between governments. In fact, inter-governmental discussions have taken place through study groups or other less formal meetings on a large number of the commodities important in international trade. I need only mention those which have taken place on cocoa, coffee, copper, cotton, jute, lead, olive oil, petroleum, rice, rubber, sugar, tea, tin, wheat and other grains, wool and zinc, to indicate the extent to which the commodity-by-commodity approach is already being used.

Since the last session there have been some significant developments in the commodity field. Insofar as it is valid to speak of a "general trend" from many diverse commodity markets, there seems to have been a decline in the price level of primary commodities in the last half of 1960 with some recovery in the early part of 1961. So far as inter-governmental action on particular commodities is concerned, I shall confine myself to a few of the more important developments because the 1961 report of ICCICA, with detailed information, will be circulated within a few weeks after the meeting of the Committee this week.

Incidentally, this report will also have a section containing a general analysis by the Committee of commodity-by-commodity experience in the post-war years which I think should be of general interest. We were pleased to see that the Commission on International Commodity Trade recently used a draft chapter of our forthcoming report as the basis for its consideration of the question of participation in international commodity arrangements.

#### Cocoa

In recent years increases in consumption of cocoa beans have not kept pace with those in production. The imbalance has had a depressing effect on world markets, stocks have increased in importing countries and prices have declined sharply. The FAO Cocoa Study Group held its fourth session in Accra in April 1961. It had before it the reports of working parties on price stabilization and the development of cocoa consumption and took action for further work on a possible inter-governmental agreement.

#### Coffee

Prices of coffee have been relatively stable at low levels under the influence of the present one year arrangement which expires in September 1961. An Inter-African Coffee Organization was established in December 1960 to concern itself with the special problems of the African producing countries. The Coffee Study Group, in which representatives of both producing and consuming countries participate, has continued to study the long term problems of the industry and in January 1961 received a preliminary report on some of these problems and on proposals for a long term agreement.

#### Lead and zinc

The International Lead and Zinc Study Group held its third session in Mexico City in March 1961. The Study Group reviewed the lead situation and found that the voluntary curtailments in commercial offerings of lead, which had been in operation since 1959, had had little effect on world production and the world lead surplus had been larger in 1960 than in 1959. The price of lead in London had declined to the lowest level since 1946. In the light of this situation voluntary curtailments on production were announced by certain countries. These reductions were expected to bring the level of metal production in 1961 about 2 per cent below estimated consumption and so reduce surplus stocks. With regard to zinc the Study Group noted that there had been a surplus of metal production in 1960 accompanied by an increase in the level of producers' stocks and a decline in prices. The rise in stocks had however been confined largely to the United States. Demand outside the United States continued to be buoyant and, as a decrease in the surplus was foreseen for 1961, it was decided to take no action for the time being.

With regard to the longer term the Group established a special working party to examine the long term problems of the industry and possible solutions to them including the use of an inter-governmental commodity agreement.

### Olive oil

The International Olive Oil Council held its third session in October 1960 and its fourth in January 1961. The Council adopted a publicity programme and considered the problems raised by fluctuations in prices and production and measures to deal with them as well as a number of administrative and technical matters.

### Petroleum

Certain petroleum exporting countries have met to consider current problems but no steps have yet been taken to convene a meeting on a wider basis to deal with basic problems.

### Sugar

Sugar markets have recently been dominated by the structural changes resulting from the elimination in July 1960 of the quota for import of Cuban sugar into the United States. Imports into the United States from some sources other than Cuba were higher and Cuban exports to destinations other than the United States, especially the centrally planned countries, have also increased. The International Sugar Council has taken a number of steps relating to quotas, shortfalls and tolerances in order to adjust conditions in the free market to the new circumstances. In addition, world production reached a new record in 1960/61 and until recently prices in the free market were at low levels. The Council has requested the Secretary-General of the United Nations to convene a Conference in 1961 to discuss the special difficulties of the industry and to make a thorough examination of the operation of the present agreement especially in the light of the substantial structural changes in the pattern of world trade in sugar.

### Tin

Restrictions on exports of tin under the first International Tin Agreement were removed on 1 October 1960. As a result of the excess of world consumption over production in 1960 and expectations of a continuation of this excess in 1961 market prices in London rose in April 1961 above £830 per ton for the first time since the Suez crisis in 1956, thus entering the upper third of the range of prices in which tin in the Buffer Stock may be sold. The present price is around £860 per ton.

The present agreement will expire on 30 June 1962. The second agreement, which was drawn up at the United Nations Conference in 1960, had been signed by the end of the year on behalf of enough countries to bring it into force on 1 July 1961, provided the signatures are followed by the requisite ratifications or acceptances or by undertakings to ratify or accept.

### Wheat

The International Wheat Council held its thirty-first session in November 1960 and reviewed the world wheat situation and the operation of the Agreement during 1959/60, the first year of the present Agreement.

The Council agreed that the obligations of participating importing countries to purchase and of participating exporting countries to make supplies available within the price range had been fulfilled and noted with particular satisfaction that every participating importing country had purchased from participating exporting countries a percentage of its total commercial purchases of wheat from all sources which was larger than the minimum set out in the Annex to the Agreement. It is of interest, however, that a very high proportion of total world trade in wheat and flour involves countries participating in the International Wheat Agreement.