

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/2182

12 March 1964

Limited Distribution

CONTRACTING PARTIES  
Twenty-first Session

Original: English

## INTERNATIONAL COMMODITY PROBLEMS

### Report of Mr. S.A. Hasnie, Nominee of the CONTRACTING PARTIES as Chairman of the Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA)

1. I am pleased to attend this afternoon as the nominee of the CONTRACTING PARTIES to the position of Chairman of the Interim Co-ordinating Committee for International Commodity Arrangements and to indicate some of the activities of the Committee.
2. I will confine this statement to some general observations on the work of the Committee in relation to international commodity problems because the reports of the Committee are available to the contracting parties and reference may be made to these for the details. I should like to refer particularly to the 1963 Review of International Commodity Problems issued by ICCICA in May 1963, since this contains a special review of the work of inter-governmental commodity study groups. The annual review of the Committee has been supplemented quarterly by a small memorandum published under the title Memorandum on Recent Commodity Developments. The annual report plus these supplementary documents may be used to trace the principal developments in each of the more important commodities.
3. As you are all aware, the prices of primary products have in recent years fallen in relation to the prices of manufactured goods, and this has stimulated increased activities and has been reflected in a large number of inter-governmental commodity meetings.

#### Special study of inter-governmental commodity agreements

4. The last session of ICCICA was held in Karachi in January of this year. During this session, the Committee concluded the text of a special study entitled "Inter-governmental commodity agreements" which has since been distributed under the UN symbol E/CONF.46/30 as a basic document for the United Nations Conference on Trade and Development, which is to meet here in two weeks.

5. In this special study the Committee has reviewed in an analytical way the experience gained during the whole post-war period in the development of inter-governmental commodity agreements. It can, I believe, be said that this is the first time such a comprehensive study of the subject has been made. During this time a number of commodity conferences have been called and agreements negotiated or renegotiated and this review should provide an opportunity to see whether improvements can be introduced as a result of past experience. The first section of this special report deals with the various preparatory measures which must be taken before a commodity conference is called and sets out for the benefit of interested governments the steps which may be taken to initiate inter-governmental action. In this connexion I may take this opportunity to say that ICCICA stands ready at any time to advise the governments concerned as to the kind of action that might be taken in connexion with difficulties arising in international trade in particular commodities. The report also deals at some length with the whole process of the negotiation of agreements, making observations on a number of matters which have not been dealt with before in earlier reports. Such negotiations are necessarily complex and it is difficult to develop short-cuts. The time taken to develop an agreement will depend partly on the efforts made by the relevant study group to develop a type of arrangement appropriate to the commodity concerned. The negotiation of price and quantity is important and this does involve a reasonable attitude on the part of both importers and exporters.

6. Even after an agreement has been successfully negotiated, it is necessary to have signatures and ratifications from a sufficient number of countries so that it can enter into force. There are also subsequent problems, including those relating to reservations and waivers, which are also considered in this report. In some recent instances these matters have been of prime importance.

7. For the detailed administration of the provisions of agreements and the supervision of operations under them, inter-governmental commodity councils of participating countries are constituted. The voting strength of the various importing and exporting countries is generally related to their interest in trade in the commodity. Some important decisions of these councils are subject to special requirements as regards voting, often requiring a specified majority of importing and exporting countries voting separately. The Councils may also make recommendations to governments on amendments to the agreement and on the question of renewal or replacement of it.

8. The Committee recognizes, however, that commodity agreements, whatever their nature, must somehow be adaptable to the rapidly changing conditions of the technological advances and structural economic and social changes. Assuming that the objectives and the form of an agreement are settled, agreements firm in their basic terms, allowing changes only by general agreement, seem preferable to agreements with provisions so flexible as to open up the possibility of undermining the stabilizing influence which it is intended to inject into the trade in the commodity concerned. To enable an agreement to be effective, the Committee thinks it advisable that participation by governments should extend as far as possible to all those with a substantial interest in that trade, and that the conditions for withdrawal should be such so as to maintain the effectiveness of the agreement.

#### Recent inter-governmental consultation and action

9. The year 1963 was an active one. Acting on the Committee's recommendation, the Secretary-General of the United Nations convened a conference in Geneva last February which negotiated a renewed international olive oil agreement. The new agreement was approved on 24 April 1963 and entered into force provisionally on 1 October 1963 for a period of four years. The Secretary-General also convened in London at the beginning of July 1963 a United Nations Sugar Conference which adopted a protocol to the International Sugar Agreement of 1958, extending the part of the Agreement still in force until 31 December 1965, that is for a further period of two years. Under the provisions of the protocol the International Sugar Council is making a study of the bases and framework of a new agreement to succeed the current one. In implementation of the International Coffee Agreement of 1962, the Secretary-General of the United Nations convened in July 1963 in London the first session of the International Coffee Council set up to administer the Agreement which, as of the end of January 1964, twenty-five countries accounting for 89 per cent of world exports of coffee and fourteen countries accounting for 85 per cent of world imports, had ratified. The Agreement extends over five full coffee crop years, that is until 30 September 1968, but is subject to review after two years, that is before 30 September 1965. A United Nations Cocoa Conference was held and agreement reached on the basic mechanism to be used, but the Conference adjourned in the light of the failure to reach agreement on prices. The Committee, which has responsibility to make a recommendation regarding the resumption of the Conference, considers that at the first session of the Conference a foundation was laid for a successful agreement. The United Nations Committee

on Tungsten met in Geneva towards the end of October, when it reviewed the basic problems of the tungsten market and made arrangements to obtain by questionnaire additional information for study by a technical working group which is meeting this week. The enquiries are to be transmitted to a further meeting of the Committee later this month. The November 1963 session of the International Lead and Zinc Study Group, in addition to reviewing the situation in these two metals, made arrangements for the development of various economic and technical studies. The report of the session indicates its concern with quotas and stockpile releases. Other matters are under active consideration by the Committee, including the question of possible action on copper and resumption of the Cocco negotiations, when the time is considered appropriate.

#### Disposal of non-commercial stockpiles

10. You will recall that ICCICA on an earlier occasion referred to the possible improvement of arrangements for the liquidation of stocks of primary products (see GATT document L/1831). The Committee proposes to deal with this question in more detail in its next report. Discussions so far have led the Committee to believe that improvements may be made in a number of ways including:

- (a) an extension of the time required for prior notice of intention to liquidate strategic stocks;
- (b) more definitive arrangements for consultation with the inter-governmental group or council concerned with the commodity, and
- (c) development of some relationship between the time of disposal and market conditions.

The Committee notes with satisfaction that the governments disposing of non-commercial stockpiles appear to have been concerned not to disrupt the market and have in fact apparently taken steps along all of the three avenues mentioned.

#### General observations

11. The Committee has of course continued, as part of its co-ordinating responsibilities on behalf of the United Nations, to keep in close touch with the various commodity study groups as well as the commodity councils, which have continued their regular sessions. The active co-operation of the officers of these inter-governmental commodity organs is certainly appreciated by ICCICA. This co-ordination for which the Committee is responsible would seem to extend to any commodity discussions within GATT and the Committee is anxious on its side to assist whenever possible.

12. The need for continuity in the negotiation of commodity agreements is giving concern to the Committee, which proposes to make a special point of this matter in the report to be submitted to the Economic and Social Council in July of this year. This report will show that on a number of occasions interest in negotiating a commodity agreement has waivered when market conditions have improved, so that no adequate agreement is on hand to deal with the situation when market conditions are unsatisfactory. If an agreement is to make a real contribution to the removal of extreme fluctuations in price, it is helpful if work proceeds on developing such an arrangement, irrespective of market conditions.

13. After reviewing post-war experience in the preparation, negotiation and bringing into force of inter-governmental commodity agreements, the Committee remains of the opinion that the negotiation of agreements commodity by commodity is the only satisfactory way to examine the problems which arise in international trade in primary products. The present Conference procedure provides a suitable mechanism for the negotiation of such agreements which are tending to have a more broad base, dealing with all aspects of international trade in the commodity concerned. In the light of this, it will be noticed for example that the negotiations on coffee and cocoa included certain aspects of commercial policy. This trend seems to us to be inevitable and perhaps raises the question as to whether the GATT secretariat ought not to provide one or more officers for the secretariat of United Nations commodity conferences, in the same way as the FAO does for United Nations conferences concerned with agricultural commodities. The Committee has close connexion with the CONTRACTING PARTIES of GATT, which under a United Nations resolution, nominates its Chairman. For this reason I am particularly pleased to meet with you today.