

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.15/8
31 October 1959

Limited Distribution

CONTRACTING PARTIES
Fifteenth Session

WORKING PARTY ON COMMODITIES

STATEMENT BY THE CHAIRMAN OF THE WORKING PARTY AT THE FIRST MEETING ON 28 OCTOBER 1959

At the thirteenth session the CONTRACTING PARTIES decided that their annual review of trends and developments in international commodity trade under the Resolution of 17 November 1956 should, in future, be more closely related to the question of the impact of commodity problems on international trade. It was felt that past reviews had been too vague and had tended to duplicate discussions which took place in other organizations.

Our Working Party was set up at the thirteenth session to do certain preparatory work for the annual review which the CONTRACTING PARTIES will carry out at this session. We have to examine relevant documentation, including the report of the Chairman of ICCICA as the nominee of the CONTRACTING PARTIES, and submit a report to the CONTRACTING PARTIES which will form a basis for the review. It is open to us, if we so wish, to make recommendations to the CONTRACTING PARTIES.

We have the report of the Chairman of ICCICA in document L/1047. We also have a secretariat paper L/1036 and L/1036/Add.1. This paper sets out what other organizations are doing in the field of commodity problems, points to the impact of these problems on international trade in 1958 and describes developments in the export earnings of primary producing countries in the period 1956-58.

We have a further secretariat paper W.15/4 which, insofar as available statistical data has permitted, describes developments in the first half of 1959

I wish to draw the attention of the Working Party to page 8 of secretariat paper L/1036. At the thirteenth session, the Executive Secretary was authorized to pursue the suggestion that those directly responsible for the administration of existing commodity agreements and study groups should meet and have an informal exchange of views and experiences. As members of the Working Party will see, such a meeting was held at the session of the ACC Sub-Committee on Commodity Problems in July 1959. The informal discussions which took place, in which representatives of the GATT secretariat participated, covered the sugar, tin and wheat agreements, the rubber study group and the FAO commodity groups. The experience of the United Nations in connexion with copper and the establishment of the lead and zinc study group was also considered. It was agreed that this exchange of views had been useful.

In addition to the documents to which I have already referred we should take account of other relevant documentation, including the United Nations World Economic Survey, 1958, the annual report of ICCICA and documents and reports produced by the CICT, FAO, GATT and other inter-governmental agencies; these have been described in Part I of the secretariat paper L/1036. The GATT annual report, International Trade 1957/58, deals with commodity developments in considerable detail. This and the other studies of course reflect the situation as it was some time ago. The general recovery in business activity has meanwhile brought about more favourable conditions for the trade in some primary products.

When considering what recommendations, if any, we should make in our report to the CONTRACTING PARTIES, we should bear in mind the work which is already being done on commodity problems in other organizations. We should also remember that some aspects of these problems are being pursued in the Committees set up by the CONTRACTING PARTIES as part of the programme for the expansion of trade. Further, in the GATT balance-of-payments consultations, and particularly the consultations which will be held next year under Article XVIII, countries will have opportunities of explaining the effect of commodity problems on their export earnings.

The chronic problem is of course the question of acute short-term fluctuations in the prices of some primary products. It is a striking fact that, despite the almost continuous discussion of this problem in almost every international economic forum, governmental and non-governmental, we seem as far away as ever from a general programme of international measures to mitigate these fluctuations, the harmful effects of which on producing countries are generally recognized. There seems to me, indeed, to be a growing acceptance - albeit in some cases a reluctant acceptance - that this problem has to be examined on a product-by-product basis.

The second observation I might venture to make is that one of the main sources of hesitation in the face of commodity stabilization schemes is that they may result in an attempt to freeze prices at a level which is out of touch with the long-term future of the product in question. For example, if the price is above that which would be established by market forces, there is always the risk that this will stimulate the search for substitutes or for technical measures aimed at economizing the use of the product in manufactures. In these circumstances the disadvantage of a certain degree of price instability may be the price which has to be paid by producers in order to preserve their markets over the longer term. This does not, of course, exclude that in certain cases a commodity agreement may be a feasible and practicable approach, although experience shows that there are relatively few commodities for which such agreements are appropriate. There are other, more flexible, methods by which temporary difficulties may be mitigated as and when they appear. Speaking generally, I would suggest that international effort should mainly be towards (a) assisting countries which are heavily dependent on the export of these products to diversify their economies, and (b) 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. The fact that the resources

of the International Monetary Fund have recently been increased and that with the improvement in the financial position of the more highly developed countries it may be expected that these countries will not be making such substantial calls on the Fund's resources as in the past, suggests that international resources may be more readily available for this particular purpose.

In the longer view, the steady expansion of production and trade should lead to a steady expansion of long-term demand and organizations concerned with international trade should be vigilant to assist in bringing about conditions in which the advantages of these growing markets are not nullified by protectionist measures in the consuming countries. This is particularly important during the down-swing in the trade cycle, when there is a temptation to take restrictive measures in favour of marginal domestic producers.

These are considerations of a general nature, some of which might usefully figure in our report. In addition, in our review of the documentation, we might consider whether there remain special difficulties and situations which are not being dealt with adequately elsewhere and which warrant special attention and separate treatment, either by the CONTRACTING PARTIES themselves, or possibly, by some other organization at the suggestion of the CONTRACTING PARTIES. If we feel that certain commodities require further study before any action can be taken we could recommend to the CONTRACTING PARTIES that they suggest to the competent organization that the possibility of undertaking such a study should be investigated. If, on the other hand, we feel that it would be profitable and practicable in the context of international trade and commercial policy for the CONTRACTING PARTIES to take action, we could recommend accordingly to the CONTRACTING PARTIES, suggesting what action might be appropriate. In this connexion we should bear in mind the value of the multilateral consultation procedures provided for under Article XXII of the General Agreement.