

RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

W.20/13
8 November 1962

Limited Distribution

CONTRACTING PARTIES

Twentieth Session

IMPACT OF COMMODITY PROBLEMS ON INTERNATIONAL TRADE

Note by the Executive Secretary

At the conclusion of the discussion of this item by the CONTRACTING PARTIES on 26 October 1962 (SR.20/3), the Executive Secretary suggested that it would be desirable to formulate certain practical conclusions. For this purpose the following form of words is suggested for inclusion in the Summary Record:

"Following the discussion on 26 October the CONTRACTING PARTIES formulated the following observations and conclusions:

- (a) They noted that, even though some improvement in the volume of exports of primary products might be looked for, there appeared to be no basis for expecting any substantial favourable change in the level of prices relative to prices of manufactured products.
- (b) For some products commodity arrangements might be of some assistance in restoring a balance between supply and demand and thus avoid a persistent unfavourable trend in prices. For these reasons governments should adopt a positive attitude towards the conclusion of such arrangements. In this connexion the CONTRACTING PARTIES welcomed the conclusion of the Coffee Agreement and noted with satisfaction that discussions were shortly to be resumed for the conclusion of a Cocoa Agreement. They welcomed the constructive attitude now being adopted by contracting parties generally in the discussion of these matters.
- (c) They noted also that the fluctuation of commodity prices continued to be a matter of grave concern to developing countries because of the corresponding uncertainty which this introduces in their balance of payments, and consequently in their development planning.
- (d) For this reason the CONTRACTING PARTIES welcomed the careful attention which is being given to this question by the competent international organizations, including the study of various possibilities for compensatory financing.

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- (e) In this connexion the CONTRACTING PARTIES also expressed satisfaction that, in line with the Recommendation made at the fifteenth session, a high priority was being accorded by the international financial agencies to the balance-of-payments problems of the developing countries.
- (f) Nevertheless, the CONTRACTING PARTIES recognized that the foregoing measures were in the nature of palliatives to deal with the symptoms of a deeper structural problem which was the economic dependence of many developing countries upon earnings from the export of primary products. It was clear that for these countries the continuance of such dependence would be a factor seriously limiting their capacity to increase export earnings to any degree comparable to their growing needs. Accordingly, the time gained by the use ~~of~~ the expedients referred to above to deal with urgent short-term problems should be used for the purpose of initiating energetic measures to assist the developing countries to enlarge and diversify their export trade, that is to say to develop trade in other than traditional products.
- (g) In this connexion the CONTRACTING PARTIES recalled the terms of paragraph 3 of the Declaration of 7 December 1961 and suggested that the various subsidiary bodies intensify their efforts to devise specific programmes of action to give effect to the intentions expressed in the said Declaration."

(e) For this reason delegations welcomed the careful attention which is being given to this question by the competent international organizations, including the studies of various possibilites for compensatory financing.

(f) In this connexion the conclusions in the report of the Commodities Working Party at the fifteenth session will be recalled and it will be noted with satisfaction that international financial agencies are according a high priority to the balance-of-payments problems of developing countries.

(g) Nevertheless, the foregoing measures are more in the nature of palliatives than measures undertaken specifically to deal with the deeper structural problems including the economic dependence of many developing and less-developed countries upon earnings from the export of primary products.

(h) In this connexion the terms of paragraph 3 of the Declaration of 7 December 1961 should be recalled and the various subsidiary bodies might be asked to intensify their efforts to devise specific programmes of action to give effect to the intentions expressed in the said Declaration.