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SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva,
on Thursday, 12 March 1964 at 2.30 p.m.

Chairman: Mr. J.H. WARREN (Canada)

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1. European Free Trade Association and the Association Agreement with Finland (L/2125)

Sir EDGAR COHEN (United Kingdom), Vice-Chairman of the EFTA Council, presented a statement on the implementation of the Stockholm Convention since the twentieth session (L/2125). He recalled that at the time of the presentation of the last statement in November 1962 the attention of the member countries of EFTA had been concentrated on negotiations with the European Economic Community. Regrettably these plans had had to be laid aside for the time being. It was, however, his hope that the present statement would show that over the past year, in consolidating the free-trade area and in expanding their fields for co-operation, the partners of the EFTA and Finland arrangements had consciously continued to plan their activities as members of the trading community of Europe and that, no less, they were fully conscious of their world-wide trading links. It was against this background that the attention of the CONTRACTING PARTIES was drawn to three points. In the first place, by the end of 1966, three years earlier than had been prescribed in the Stockholm Convention, EFTA would have essentially completed the process towards free intra-trade. Secondly, EFTA intended that the stimulus to trade and development of dismantling tariffs and non-tariff barriers should be reinforced by the work of a newly-established

Economic Development Committee in EFTA. Thirdly, the EFTA Ministers saw the forthcoming "Kennedy Round" negotiations as their most important task in the immediate future and the Ministers had stated, after their meeting in Geneva in February, that "they look forward to the Kennedy Round as a major opportunity to open world markets and to stimulate the export earnings of the developing as well as the industrialized countries. The member countries of EFTA from the start had welcomed and supported the initiative for a linear 50 per cent reduction of tariffs with a bare minimum of exceptions. Such a reduction would have great value for all EFTA countries, both in the general interest of promoting world trade and in particular for the contribution it would make to the maintenance of intra-European trade."

The statement in document L/2125 and the comments by the representative of EFTA were noted.

2. European Economic Community - Information furnished by the representative of the Community (L/2179, L/2185)

Mr. HIJZEN (Commission of the European Economic Community) reported on the steps taken by the Community in implementing the Rome Treaty; economic trends in the Community; developments in the commercial relations with third countries, including developing countries; and the evolution of the Community's association with the eighteen African and Malagasy States. (The full text of Mr. Hijzen's statement has been distributed as document L/2179.)

Mr. PETROUSOPOULOS (Greece) outlined commercial policy developments, in both the Community and Greece, pursuant to the Agreement of Association of Greece with the Community in November 1962. (The full text of Mr. Petrousooulos' statement has been circulated as document L/2185.)

The CHAIRMAN suggested that delegations might wish to have time to consider the statements made by the representatives of the European Economic Community and Greece, and that discussion should be postponed until later in the session.

This was agreed.

3. Impact of commodity problems upon international trade (L/2182)

The CHAIRMAN recalled that when the CONTRACTING PARTIES had adopted the Resolution on Difficulties Connected with Trade in Primary Commodities, they had agreed to review annually the trends and developments in international commodity trade with particular reference to the impact of commodity problems on international trade as a whole. This review was to be conducted on the basis of a report by the Chairman of the Interim Co-ordinating Committee for International Commodity Arrangements: the 1963 Review of International

Commodity Problems submitted by ICCICA to ECOSOC (E/3731 and Add.1); a memorandum entitled "Inter-Governmental Commodity Agreements" submitted by ICCICA to the United Nations Conference on Trade and Development (E/CONF.46/30); a memorandum entitled "Recent Commodity Developments" issued in December 1963 by the United Nations Commission on International Commodity Trade (E/CN.13/SER.A/49); and the chapter on commodity trade in the latest report ("International Trade 1962") issued by the GATT secretariat.

The Chairman called on Mr. Hasnie, Chairman of ICCICA, to present his report. He recalled that Mr. Hasnie, Governor of the State Bank of Pakistan, had been the CONTRACTING PARTIES' nominee as the Chairman of ICCICA for the past two years and had been reappointed for the current year.

Mr. HASNIE (Chairman of the Interim Co-ordinating Committee for International Commodity Arrangements), in reporting on the work of ICCICA during the past year, commented on a special study concluded in January of this year by ICCICA on the experience gained during the post-war period in the development of inter-governmental commodity agreements. ICCICA, he said, stood 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. He said that it was the intention of ICCICA to deal in its next report with the question of the possible improvements in arrangements for the liquidation of stocks of primary products. Mr. Hasnie then gave details of several inter-governmental consultations and other action taken with regard to specific commodities during 1963. ICCICA had 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 had continued their regular sessions. This co-ordination for which the committee was responsible would seem to extend to any commodity discussions within the GATT and ICCICA was anxious on its side to assist whenever possible. (The full text of Mr. Hasnie's report has been circulated as document L/2182.)

Inche Abdul Rahman bin HAMIDON (Malaysia) said that his country attached great importance to the impact of commodity problems upon international trade. Malaysia, like all other less-developed contracting parties, depended to a major extent on the production and export of a few primary commodities, mainly natural rubber and tin, in order to earn the necessary income to finance its vital economic development programme. It was noted that measures for the stabilization of commodity markets at equitable and remunerative prices including Commodity Agreements, featured on the agenda of the United Nations Conference on Trade and Development. However, Malaysia wished to present preliminary thoughts on the subject to the CONTRACTING PARTIES in the firm belief that the GATT was no less an appropriate forum for the exchange of views on such topics.

Malaysia, like other producers, had seen her efforts to increase the export earnings from natural rubber through increased production frustrated up to now by the decline in price. This decline had been particularly serious since the beginning of the 1960's when, ironically, the United Nations Development Decade had commenced. The difficulties of natural rubber producers were exacerbated by the impact of substitutes and synthetic rubber. It appeared that the consumption of both natural and synthetic rubber was increasing, but the rate of increase of synthetic, was more rapid than that of natural rubber, and in 1962 consumption of synthetic rubber had for the first time equalled that of natural rubber. This was a matter of great concern to the Malaysian delegation and unless appropriate measures were taken, consumption of synthetic rubber would in future exceed that of natural rubber. One possible solution lay in the Governments of synthetic producing countries agreeing to maintain the ratio of consumption between synthetic and natural at the 50:50 level, though this proposal might not be practicable in most synthetic producing countries which had market economies. Competitive struggle between synthetic and natural rubber was unequal. The integrated synthetic industries were controlled by a few giant corporations with immense resources at their command, whereas the majority of natural rubber producers were disorganized rubber smallholders. Since, in the view of the Malaysian delegation, there was no longer any need to build more synthetic factories for strategic reasons, Malaysia would appeal to the Governments of industrialized countries, particularly those with market economies to avoid encouraging production of synthetic rubber.

Inche Abdul Rahman then referred to duties levied by some industrialized countries on specially processed rubbers. The production of these specially processed rubbers was a genuine effort by Malaysia to improve the quality of natural rubber to meet the requirements of producers of special types of finished products and in accordance with advice given by industrialized countries to the effect that raw material producing countries should improve the quality of their exports and attempt to process them before exporting. If these specially processed rubbers were to be competitive with synthetics, it was essential that they be classified as raw material and as such be allowed duty-free entry. Recently there had been discussion on the desirability of setting up an international commodity agreement in respect of rubber. While not opposed to such an idea, Malaysia would urge reasonable caution. If an international agreement were introduced for rubber, there would necessarily have to be production/export quotas in order to achieve the required price level in times of over-production. Such quotas would imply either stockpiling with production maintained in which case financing would be a problem, or production quotas with consequential unemployment. In addition to the consideration of the adverse effects such an agreement would have on efficient producers, account would have to be taken of synthetic rubber since unless the synthetic rubber producers were prepared to join in the agreement, which was doubtful, it could not be effective.

But even if they were prepared to join, the natural rubber producers would be at a disadvantage in competing against synthetic, as the latter were industrial products whose production, unlike that of natural rubber could be adjusted within a short period with the least effect on employment. The existence of the United States stockpiles would also render the establishment of an agreement difficult.

Turning to tin, Inche Abdul Rahman stated that although the operation of the agreement has been satisfactory from Malaysia's point of view, the situation was far from ideal. A disturbing factor had been the recent release of surplus tin from non-commercial stockpiles, particularly that of the United States Government. The major weakness of the agreement was that it did not have provisions to meet the problems posed by this non-commercial release of surplus tin and it was difficult to see how a solution to this problem could be found. The real weakness of the agreement was that whilst producers of over 90 per cent of the free-world tin production were represented, consuming countries participating covered only between 35 per cent and 40 per cent of the free-world consumption, and the United States one of the major consumers, remained outside the agreement. In order to assure that the US surplus disposal plan should be made in a manner not opposed to the objective and principles of the agreement, the United States Government should participate directly in the agreement. Inche Abdul Rahman also mentioned the operation of the Buffer Stock machinery of the Tin Agreement which was in the view of Malaysia, beneficial not only to the consumer and producer members of the agreement, but to the whole world which had benefited from its operations. Under the present arrangement, while all members of the agreement contributed to the administrative cost of the International Tin Council, producer members which were less-developed countries had to finance the operations of the Buffer Stock. This was a considerable burden for a country like Malaysia particularly when all funds available ought to be mobilized for national development.

Mr. CARMODY (Australia) expressed the pleasure of his delegation that, since the previous session there had been a growing awareness of the need to overcome world commodity problems, particularly the problem of fluctuating commodity prices. This had been reflected in an increased willingness to seek workable solutions through commodity by commodity discussions and had been given expression in the resolutions of GATT Ministers in May 1963 in which they had determined that the trade negotiations should provide for acceptable conditions of access to world markets for agricultural products. Australia, dependent as she was on primary products, had consistently supported moves to overcome problems in trade in primary products, and had stressed the need for solutions which linked satisfactory prices with satisfactory market opportunities. Unless this were done, agricultural exporters would continue to feel that GATT was not providing a proper balance between obligations and needs. Australia had been encouraged by the activities of the GATT Groups on Cereals, Meat and Dairy Products, and was hopeful that real progress, of benefit to the primary producing countries, would be made over the next few months in these groups.

The Australian Government welcomed the fact that negotiations between the United States and its principal meat suppliers had been successfully concluded and was satisfied with the objectives of proposed arrangements covering the United Kingdom cereals markets. These measures reflected acceptance in principle by these importing countries, of the right of the agricultural exporting countries to share in the future growth of their markets. Were other major importers to accept this principle there would be hope for a successful outcome to the forthcoming multilateral negotiations.

Mr. VALLADAO (Brazil) congratulated the Chairman of ICCICA on his report and on the document prepared by ICCICA for submission to the United Nations Conference on Trade and Development (E/CONF.46/30). The report, he pointed out, constituted a formal link between GATT, which did not in its Articles provide for commodity arrangements as such, and the machinery which dealt with commodity matters. The report had brought out succinctly the problems inherent in achieving agreement on commodity marketing and the institutional arrangements needed. It was the opinion of the Brazilian delegation that the report might have dealt more at length with the setting up of commodity arrangements in the overall context of the development needs of less-developed countries. In this connexion he referred to the fact that the text of the Havana Charter had stipulated that prices arrived at in the course of negotiating commodity arrangements should be "fair to consumers and provide a reasonable return to producers". In his view the price negotiated should also take into account the need for higher export earnings on the part of the participating less-developed countries. He also suggested that the machinery established for the negotiation of commodity agreements should take cognizance of and attempt to compensate for the usually weak bargaining position of the primary producers vis-à-vis the importing industrialized countries. The Cocoa Conference called at the end of 1963 had been a complete failure largely because the wider issues such as those he had mentioned had been neglected.

Mr. HOO TJING SAN (Indonesia) expressed the gratitude of his delegation to the Chairman and the members of ICCICA for the useful and interesting review of the Interim Committee's work. Whatever were the merits of existing commodity agreements, there could be no doubt that their impact on international trade was rather limited, and that the fact remained that the terms of trade of the developing countries, producers of primary commodities, continued to worsen and the gap between the industrialized countries and the developing countries to widen. In the view of the Indonesian Government the means of remedying this undesirable situation lay in adopting fundamental changes in the system of world trade, including a far greater utilization of commodity agreements. It would be useful therefore if the GATT could, as a matter of urgency, focus attention on commodity agreements. In the meantime he suggested that the report of the Chairman of ICCICA should be referred for further study to the Working Party on Commodity Problems and/or to Committee III.

Mr. MANI (India) said that his Government considered that commodity agreements were a useful means of introducing stability in primary product markets and thus it generally supported the principle of international co-operation in the field of trade in primary commodities. India was a member of four out of the five international commodity agreements extant, being an importing country in the Tin and Wheat Agreements and an exporting country in the Coffee and Sugar Agreements. In the post-war period three broad principles had been adopted in the formulation of commodity agreements, namely: multi-lateral contract, as in the Wheat Agreement; export quotas coupled with price regulations, as in the Sugar and Coffee Agreements; and buffer stocks coupled with floor and ceiling prices, as in the Tin Agreement. Except in the case of the Wheat Agreement, the less-developed countries were primarily the producing countries in international commodity agreements and perhaps, because of social change in the less-developed countries, it had not always been possible to eliminate price fluctuations or dissatisfaction with export quotas established by the agreements.

In the opinion of the Indian delegation attempts should be made to discover means for more effective participation and price regulations in commodity agreements. In this connexion he mentioned the work being undertaken by the Preparatory Committee of the International Sugar Council, in which an attempt was being made to formulate, in the light of past experience, an agreement which would command general acceptance and remove the present disequilibrium in supply and price. India recognized the desirability of a commodity-by-commodity approach in international agreements, but it was discouraging in this context that the negotiations for a cocoa agreement had failed on the question of price. India would, however, welcome discussion either by a Study Group or by important producers on the international marketing of mineral ores.

Mr. Mani noted that existing commodity agreements did not provide, generally, the means for conducting research into new uses for primary commodities, particularly those faced with competition from synthetics. He observed however that the promotional activities of the relevant international bodies had led to an increase in consumption of coffee, sugar and olive oil. He proposed that international commodity councils could provide valuable assistance to the less-developed countries by employing qualified persons from such countries in order to enable them to obtain experience in the problems of commodity marketing.

On the question of stock-pile releases Mr. Mani said that his Government was in favour of such releases where they were made to bring about a better balance between supply and demand and to prevent runaway price increases.

Concluding, Mr. Mani felt that the impact of commodity agreements had been mixed and, for certain unforeseen reasons, their objectives had at times proved unattainable. However, it had to be noted that the prices of some primary commodities had remained at a satisfactory level and had resulted in improved terms of trade for the exporting countries concerned. Primary producing countries wished above all to see prices stable at a level conducive to economic growth; thus reducing their dependence on aid. It was the hope of the Indian delegation that the question of commodity agreements would be investigated by the United Nations Conference on Trade and Development and that the unsolved problems inherent in these agreements would be analyzed. In this way it was hoped that attention would be focussed on the value of international co-operation in this important field.

Mr. GARCIA OLDINI (Chile) said that as his delegation had only seen the report of the Chairman of ICCICA that morning, he was not in a position to comment on it. However, he would address certain remarks on the question of commodity problems basing himself on the GATT publication "International Trade 1962". At first sight the figures in this publication would seem to give rise to some grounds for optimism on the part of less-developed countries. However, closer analysis revealed a rather perturbing situation. In the first place it had to be appreciated that between 1953/55 and 1962, the value of exports of the industrialized countries had risen by 76 per cent, that of the Eastern trading area by 98 per cent but that of the non-industrial countries by only 31 per cent. Imports by less-developed countries had, in fact, risen faster than exports, and by 1962 the gap in their overall trade amounted to \$2,670 million which admittedly compared favourably with the \$3,480 million in 1961. This slight improvement was reflected by the fact that, in 1962, less-developed countries covered 83 per cent of their imports with their export earnings as compared with a figure of 81 per cent in 1961. In Latin America, five countries had favourable trade balances but the rest, including Chile had experienced adverse trade gaps.

Referring to two major export products of Chile, Mr. Garcia Oldini indicated that wool prices had been lower in 1962 than in either 1960 or 1961 and that although copper prices had risen in 1962 as compared with 1961, they were still lower than the 1960 level. Commodity prices were endangered by competition from substitute products, whether natural or synthetic and from over-production. Adverse price movements in the commodity field had had a detrimental effect on the export earnings of less-developed countries and in the case of Latin America the greater volume exported, had been largely offset by falling prices.

Mr. Garcia Oldini suggested that it might be appropriate to commence studies on the problem of commodities in order to find a solution in line with the interests of the developing countries and which would avoid the threat of real economic catastrophes in certain cases. Such studies should be made in advance of any adverse developments in regard to any particular commodity which as Chile had experienced, could be sudden and unforeseen. He had referred specifically to wool and copper but in fact the problem was equally prevalent in the case of other commodities and GATT should give its urgent attention to conducting commodity studies.

Mr. ONYIA (Nigeria) said that his country was one of those which depended and would continue to depend on trade in primary products for survival and economic development. His Government believed that commodity agreements could go a long way towards stemming the decline in the terms of trade in primary products and its consequences on Nigeria's economy, and since independence had taken an active and constructive part in several commodity agreements. His delegation was grateful to Mr. Hasnie for his useful report, and was particularly happy to note that the report stressed that on a number of occasions interest in negotiating commodity agreements had wavered when market conditions had improved. In his view this had been very much in evidence in respect of the Cocoa Agreement. Nigeria's hopes were raised when the United Nations Conference on Cocoa was summoned, only to be dashed because a fair price could not be agreed. His delegation had therefore not adopted the optimistic view that the first session of the United Nations Conference on Cocoa had laid a foundation good enough for a successful agreement to be reached ultimately. Perhaps active participation by officers of the GATT as suggested by ICCICA would be very useful particularly in respect to cocoa, having regard to the discussions and conclusions of the Special Group on Tropical Products.

Mr. STOMER (Canada) said that Mr. Hasnie had rightly drawn attention in his report to the fact that interest in negotiating commodity agreements often wavered when market conditions improved. Canada, as an important producer of many commodities and a very large importer of others, had come to realize that central to any international price stabilization arrangement should be provision for fair and remunerative prices for efficient producers, coupled with effective protection for consumers in importing countries. While prices should be remunerative it was doubtful if the long-term interest would be served if prices were established at levels which gave incentives for over-production and surpluses. Clearly it was in the interest of the developing economies to secure the greatest returns possible for their production. However, to attempt to set prices at levels higher than necessary to provide remunerative returns to efficient producers would not seem to be in the interest of long-run market stability. Disadvantageous effects could be created in both production and consumption, especially if in relation to the latter suitable substitute commodities could be developed. Fixing prices, without recognizing the need not only for stability but also for reasonableness might solve the immediate income problems of primary producers but might well transfer the problem to a later stage in a more intense form. The Canadian delegation, as in the past, would continue to have an interest in exploring new techniques related to commodities in which Canada had either a producer or a consumer interest.

Mr. PROPPS (United States) thanked Mr. Hasnie for his interesting and thorough report. His delegation noted particularly the features of the report which indicated the great care with which preparations were made for the study of commodities on an individual basis. The United States Government shared many of the concerns which had been expressed by previous speakers regarding features of trade in primary commodities and their significance for developing countries, for producers in general and for consumers. All these features were very difficult to weigh and reconcile in international negotiations and agreements. The United States Government was prepared to examine these matters in a co-operative spirit. He noted that some speakers had referred to the questions of access. In his view there was room for primary producers to take action within the GATT for the removal of trade barriers and to make provision for increased access to the existing markets for primary commodities. The United States was now armed with authority to participate in the forthcoming trade negotiations which it was hoped would make a further considerable step in giving increased access to markets for primary and other commodities. Mr. Propps went on to say that the need for diversification and for increased efficiency of production in the countries which produced primary products was generally accepted. These adjustments, particularly for the producers of agricultural products, took place gradually, and while immediate short-term gains of a striking nature might not be anticipated in this sector, he felt that over the long run it was an area in which a great deal could be done of greater and long-term significance to the trade and development of less-developed countries. His delegation was happy to see that the GATT was working actively on questions of access in trade and had commenced some work on relating trade problems to the problems of economic development.

Mr. HASNIE (Chairman of ICCICA) said that although the points raised in the discussion were of extreme importance to the various countries, they fell outside ICCICA's terms of reference. Several delegates had referred to the deterioration in the terms of trade of the primary producing countries and the delegate of Brazil had suggested that, in view of the situation, the machinery of commodity agreements should be reviewed. The delegate of Indonesia and other speakers had expressed concern on the limited impact of the commodity agreements that had been hitherto negotiated or renegotiated. He agreed with the Canadian delegate that prices should be set in such a way as to give adequate returns to producers and at the same time should not be unrealistically high. While reference had been made by ICCICA to the problem of price in paragraph 45 of document E/CONF.46/30, questions of this nature were matters to be dealt with in the commodity conferences themselves. The questions of prices and quotas were very difficult ones and should remain a matter of negotiation between producers and consumers; even guide lines by ICCICA on these subjects would not be very effective. All that ICCICA could do was to draw the attention of the relevant study group or conference to the extreme desirability of keeping certain points in view during their discussions.

The delegate of Malaysia had suggested that when the conference on rubber was convened it should include in its membership the representatives of the producers of synthetic rubber. As far as ICCICA was concerned, it took care to invite to its discussions all countries interested in a particular commodity or in the substitutes of that commodity. However, during discussions by study groups or conferences, these bodies themselves decided on the interests which should be included in their deliberations. He had heard with interest the statements made by the representatives of Canada and the United States of America and it gave him considerable satisfaction to learn that they were equally aware of the difficulties of the less-developed countries.

The CHAIRMAN said that there had been a wide-ranging discussion of the subject. Comments had been made on the adequacy or inadequacy of existing commodity arrangements and certain suggestions had been made for new international commodity arrangements and on new concepts which might be taken into account in considering such arrangements.

The CONTRACTING PARTIES noted the report submitted by the Chairman of ICCICA and the comments made by various contracting parties.

The meeting adjourned at 5 p.m.