STATEMENT MADE BY THE HON. DR. LIM SWEE AUN
MINISTER OF COMMERCE AND INDUSTRY, FEDERATION OF MALAYA
ON 17 MAY 1963

Item I: Measures for the Expansion of Trade of Developing Countries as a Means of furthering their Economic Development

I fully agree with the representative of the European Economic Community that the problem of the expansion of trade of developing countries as a means of furthering their economic development is not solely a question of the removal of tariff and non-tariff barriers by the industrialized countries. Despite the case he has tried to put forward that less-developed countries have since the war increased their trade, there is no doubt that the gap between the needs of the less-developed countries and their current earnings from exports is so large that even the adoption of measures outlined in the seven point Action Programme might not be adequate.

The Special Group on Trade in Tropical Products studied only seven commodities. In the case of coffee, there is already an International Coffee Agreement, but unfortunately, it is not working as it should. In the case of cocoa, the Group has recommended that an international agreement should be negotiated speedily, whilst for the remaining four commodities they have recommended further studies. What is most interesting in the case of bananas is the recommendation that each consuming country should consider the possibilities of increasing the consumption of bananas.
Malaya believes that if there is co-operation and goodwill between consumers and producers, commodity agreements are workable.

Whilst we in Malaya agree that there is not and cannot be a single blanket solution to cover the problems of all primary commodities because of their inherently disparate features, we nevertheless contend that for some commodities the solution still lies in international commodity arrangements. We are disappointed that certain industrialized countries are reluctant to take a more positive approach to these problems in the form of commodity agreements. Speaking of our experience in the International Tin Agreement, of which a number of countries here today are members, we have found that an international commodity agreement is the only workable solution for a commodity like tin. In view of its success, it would be useful perhaps for us to focus our attention on certain aspects of this Agreement. In the first place, there is the question of the financing of the buffer stock. Under present arrangements the total cost of the buffer stock, amounting to US$45 million, is borne wholly by the producers who belong to the less-developed countries. The resources of this buffer stock are used to protect not only the interests of the producers but also those of the consumers. This is done by the buffer stock manager buying tin when the market price falls to a certain agreed level written in the Agreement, and selling of tin he had bought previously, when the price recovers to a higher level in order to mitigate any further price increase. Such being so, it is therefore a paradox that the poor producing countries should pay the whole cost of the insurance policy for the rich consuming countries.

It is only fair to suggest that, in the spirit of helping the economic development of the less-developed countries, the consuming countries of the International Tin Agreement should bear proportionately the cost of the buffer stock operations. If consuming countries find this not possible, then perhaps they could lend their support to our application to other international bodies, like the International Monetary Fund, to grant us loans for this purpose, because it will be recognized that US$45 million is a huge sum for less-developed countries, which are already short of capital resources, to deposit in the buffer stock at the expense of other urgent development expenditure in their countries.

The second point relates to the membership of the International Tin Agreement. At present the Agreement is upheld by six producing countries which between them produce about 90 per cent of total world production, and fifteen consuming countries, which represent only about 70 per cent of the free world consumption. The largest single consumer of tin, and another fairly important user, are not yet members. It is widely acknowledged that no commodity agreement can operate at its fullest potential if some of the larger consumers of that particular commodity remain outside the Agreement. Malaya therefore would like to urge both these countries to consider joining the International Tin Agreement.
As a less-developed country Malaya fully endorses the seven points in the Action Programme. However, it must be pointed out that for some less-developed countries like Malaya even the full implementation of all these seven points would still not meet their problems, which lie largely outside the commercial policy field and demand other types of solution. For this reason, Malaya particularly welcomes point eight of the Action Programme which urges the adoption of other appropriate measures which would facilitate the efforts of less-developed countries to diversify their economies, strengthen their export capacity and increase their earnings from overseas sales.

Most of the less-developed countries have in fact started to diversify their economies through the introduction of secondary industries, but this must take time, probably from between ten to twenty years, before the results of diversification can be realized. During this transition period it is important to recognize that such less-developed countries are still very dependent upon the earnings of their traditional exports of primary raw materials. It is to tide over this interim period that appropriate measures other than the removal of tariff and non-tariff barriers are imperative. You yourself, Sir, did say yesterday that new ideas have to emerge and to take root; new techniques have to be devised to provide real help. Beside measures like compensatory financing, commodity agreements, buffer stock and even the appeal to industrialized countries to consume more and more of the primary products of less-developed countries as was recommended in the case of the banana problem, new measures like international discussions on production policies may have to be considered. Certain primary commodities produced by less-developed countries have been threatened by the substitution of synthetics produced by industrialized countries. In such cases, a commodity agreement or buffer stock approach will not solve the problem. Malaya feels that in such cases a new approach by the introduction of new ideas might be the answer.

A commodity which comes within this category is natural rubber and I suggest that consumer countries and producing countries should hold discussions on the production and consumption policies of both synthetic and natural rubber with a view to maintaining the proportion of these two products at the present ratio. Today the total world consumption of rubber is slightly over four million tons of which both synthetic and natural rubber are consumed in equal quantities. I consider that if the producers and consumers of synthetic and natural rubber can agree on a policy of retaining this ratio in the production and consumption of both these commodities, it would be a new method in an attempt to solve the trade expansion problems of the less-developed countries.
Whilst trying to diversify their economies through industrialization the less-developed countries must buy from the advanced countries the complex machines to produce the simpler consumer goods. In the initial stages, the domestic markets will absorb the locally-produced manufactures but, with expansion and progress, semi-manufactures and simple manufactures must find export markets. We therefore hope advanced industrial countries will agree to the "move-over movement", that is, the industrially advanced countries should move over to the manufacture of complex and sophisticated goods for export to less-developed countries thus allowing the less-developed countries to manufacture the semi-manufactures and simpler manufactures for export to the industrially advanced countries. It is here that the removal of tariff and non-tariff barriers can be of great assistance to the less-developed countries in their attempt to diversify their economies.

We are fully aware that GATT does not have the authority to go beyond its present terms of Agreement. To help solve the problem of expansion of trade of less-developed countries we support the recommendation that a working party be set up to study what amendments to the text of the General Agreement are necessary.

As you have said, Sir, the success or failure not only of the Action Programme but of GATT itself, rests mainly in the hands of two or three large participants. The real test remains as to whether the mighty ones of this earth will not only stick to their repeatedly proclaimed determination to follow an outward looking liberal policy in the interest of world trade as a whole, but also bear it out in actual fact.