This meeting of GATT is, as we are all aware, a particularly significant one since such important matters as the European Economic Community and the Free Trade Area will be discussed in some detail. Although these matters are of great interest to us as a trading nation, I intend to leave discussion of these topics to other ministers and delegates who are more directly concerned. I wish, however, to refer briefly to the problem of international commodity agreements, a matter of vital interest to all producers of primary products. The problem for all primary producers lies in the violent fluctuations which occur in the prices of their commodities, and in the case of the Federation of Malaya I am thinking of rubber and tin.

We in the Federation, and I am sure I can speak for all primary producers in this respect, view with concern the effects of these fluctuations in price on our economies. We remember with alarm the inflationary effects on our economy of the abnormally high prices which prevailed in 1951 as a result of the Korean War, followed in 1953 and 1954 by a period of disastrously low prices with a drastic fall in our national income and government revenues. Adjustment to such wide variations in our national income is not easy and planning of our domestic economy is difficult when future revenue cannot be estimated even within large margins of error, and surpluses become deficits. We also realize that sharp fluctuations in our export prices will entail large international reserves. But if prices could be stabilized and the variation in yearly exports kept within fairly narrow limits, then part of these reserves might be more usefully employed in developing our assets, increasing our level of productivity, raising our standards of living, expanding our trade and so benefiting those who export to us. I would like to interject at this point that we in the Federation have in the post-war years had no deficit on current account, which means that we are in a better position than most to withstand such fluctuations.

The advantages of stable prices for primary commodities do not lie only with the producing countries. Stable prices, through the appropriate machinery, will benefit the world at large. Violent fluctuations in these prices are detrimental to economies other than our own. During the Korean War boom, when stock-piling was high, prices of raw materials soared and led to cost-inflation in
the manufacturing countries of Europe. In the United Kingdom especially cost-inflation led to sharp rises in domestic prices, and this in turn inspired higher wage demands and intensified the inflation. The result was that the United Kingdom suffered a sharp decline in her balance of payments.

If exceptionally high raw material prices can bring about international disequilibrium, extremely low prices can be just as disastrous in their effects. Low national incomes in producing countries result in a fall in import demand and recession is felt in exporting countries. Further, many raw materials and foodstuffs, such as rubber, tin, coffee, tea, etc., are purchased in large quantities by the United States of America and Canada. A fall in the prices of these commodities means that there are less dollars available to the non-dollar areas for purchases of essential goods from the dollar countries, and this scarcity of dollars has been one of the most serious difficulties affecting the freeing of world trade, the removal of quantitative restrictions, and the convertibility of currencies.

I would strongly urge the support of all governments to the provisions of those rules, procedures, or institutions which will ensure stability in the prices of raw materials. In particular I have in mind the advisability of introducing an international agreement for natural rubber. I strongly agree with the report of the Interim Co-ordinating Committee for International Commodity Arrangements that a continuation of sharp fluctuations in the price of natural rubber is harmful to both exporting and importing countries, and I believe such an agreement is both warranted and practicable.

In the case of tin, such a machinery is already in being. I refer, of course, to the Buffer Stock established under the provisions of the International Tin Agreement.

In conclusion, I would like to refer to a paragraph of the GATT Report on International Trade for 1956 (p. 253), reading as follows:

"Instability of prices of primary commodities has been a matter of great concern to the governments of those contracting parties whose export trade is largely composed of industrial raw materials and foodstuffs and whose economies are therefore affected by price fluctuations on world markets. Both their national income and their balance-of-payments position are subject to rapid change in accordance with their export earnings. Although other inter-governmental organizations have taken an interest in this question, these governments have consistently urged that the CONTRACTING PARTIES should concern themselves with the solution of problems in this important area of international trade."