1. The Executive Secretary to GATT, Mr. Wyndham White, when addressing the Commission at its Fourth Session in December 1956, emphasized the great interest of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade in the problems arising in international trade in primary commodities. Mr. Wyndham White mentioned the reasons which had led the CONTRACTING PARTIES to abandon a generalized approach through a multilateral agreement, such as the draft Special Agreement on Commodity Arrangements, and he described the Resolution which had been adopted by the CONTRACTING PARTIES in the previous month. That Resolution gives expression to one of the objectives of the GATT itself - to promote economic development through international trade. It recognizes the importance for the world economy that all countries should share in the expansion of world trade. The Resolution requires the CONTRACTING PARTIES to review annually the trends and developments in international commodity trade and to seek solutions through the appropriate inter-governmental machinery for any special problems that may be found to exist. We have now had some experience of the implementation of this Resolution.

2. When the trends and developments in commodity trade were reviewed by the CONTRACTING PARTIES in October-November of last year, the slowing down of business activity in many countries was in the forefront of everyone's thought. It seemed possible that the problems of commodity trade might be aggravated by a fall in demand and by a decline in the prices of many foodstuffs and of raw materials for industry. The terms of trade were turning against countries which are largely dependent upon the export of these products. This carried serious implications for the economic stability of many nations. Might the decline in export earnings of countries producing primary products - and the resulting loss of markets for the products of industrial countries - prove to be the prelude to a serious economic recession? Such fears lent an air of urgency to the discussion and to the search for the underlying causes. There was a demand for positive action in the commodity field. But the facts were not sufficiently clear for delegates to decide upon steps to be taken or upon recommendations to be submitted to governments.
To be in a position to grapple more effectively with this situation at their forthcoming Session, the CONTRACTING PARTIES appointed a Panel of Experts to study the current trends in commodity trade and to clarify the issues involved. However, before describing these preparations for the second review of trade developments in October next, I wish to recount briefly the discussions that have taken place in the GATT in 1957 relating to this vital commodity sector of world trade.

3. The basis for the review of commodity trends at the last Session was provided — as envisaged in the Resolution to which I have referred — by the report submitted to the CONTRACTING PARTIES by their nominee as Chairman of the Interim Co-ordinating Committee for International Commodity Arrangements. That report emphasized the serious consequences of wide fluctuations in price and their repercussions on the economies of producing countries. Further background was provided by the GATT secretariat’s report on International Trade in 1956, which showed that trade between under-developed and industrial countries was not keeping pace with the expansion of trade among the industrial countries themselves. So much importance was attached to these questions that the CONTRACTING PARTIES arranged for the discussions to be conducted at ministerial level. Many delegations posed the question: what could be done to ensure greater price stability? It was recognized that the desire of industrial countries to encourage and protect their agriculture was a factor of prime importance. Policies of agricultural protection command understanding and sympathy, but the fact has to be faced that they may result in uneconomic production and in the closure of markets to traditional suppliers. They also result in the accumulation of surpluses and bring producers in industrial countries — often aided by subsidies and other export incentives — into competition with those of countries which are heavily dependent upon the export of the same products.

4. Some of these questions arose again under another item which appears each year on the agenda of the CONTRACTING PARTIES — the disposal of surpluses. Under a Resolution of 1955, contracting parties, when arranging for the disposal of surplus agricultural products in world trade, are expected to consult with the principal suppliers of the products in question and to avoid causing prejudice to their interests. Experience under this Resolution is reviewed. Some consultations, in the circumstances envisaged, have yielded satisfactory results, but there remain areas where measures of disposal are a disturbing element in world markets.
5. Some new problems for international commodity trade emerged at the Twelfth Session in the examination of the provisions of the Rome Treaty establishing the European Economic Community. It appeared to many delegations that the provisions of the Treaty which relate to trade in agricultural products might lead to organized market arrangements which could result in a striving for even greater self-sufficiency by the Member States of the Community as a group. Would this be a further threat to the traditional markets in Europe of overseas suppliers? Another aspect of the Treaty - the association of overseas territories with the European Community - seemed to carry forebodings for third country exporters of tropical products. This has been under study by a Working Party these past three months. The eventual duty-free entry of such products as cocoa, coffee and fibres from the associated territories into the Member States appears to other exporting countries to portend serious damage to an important part of their commerce and the disruption of established trade channels. To such countries the GATT offers a practical possibility of securing mitigation of adverse effects of regional arrangements.

6. Problems of international commodity trade were brought before the CONTRACTING PARTIES through yet another item on their Twelfth Session Agenda. In 1957 the CONTRACTING PARTIES conducted a series of consultations with some twenty countries on the quantitative import restrictions which they maintain for balance-of-payments reasons. Under the provisions of the General Agreement, contracting parties are permitted to restrict importation in order to protect their monetary reserves. Many countries have maintained such a system of trade control ever since the Second World War. These were expected to be temporary, but they have endured for so many years that their removal, especially for agricultural products, encounters awkward political as well as economic obstacles. Thus under the cloak of balance-of-payments difficulties, agriculture in many industrial countries has enjoyed the protection afforded by quantitative restrictions.
7. In the consultations held in 1957 countries which are largely dependent upon the export of primary products stressed that restricted access to external markets had contributed to their financial difficulties and to their need to maintain restrictions on the importation of manufactured goods. Some had found that traditional markets, especially for foodstuffs, were pre-empted by non-competitive suppliers through bilateral deals, and that countries, previously net importers, were subsidizing production and accumulating surpluses which further depressed trade and prices. Many countries in Asia, Australasia and Latin America whose export earnings depend - in some cases to the extent of 60 or 80 per cent - upon sales to industrial countries of the staple commodities, especially of raw materials, which they are best able to produce, had found that instability of export income left them no alternative but to maintain controls over their purchases abroad. Import restriction may be limited in mild cases to non-essential consumer goods, but in less favourable circumstances even the importation of capital goods for economic development and the diversification of national economies must be cut back. The repercussions on the production and exports of industrial countries may be an important factor in retarding the development of the world economy as a whole.

8. These consultations showed that both industrial and less-developed countries have a common interest, because of the direct and indirect effects of fluctuations in export earnings, in seeking solutions for problems in international commodity trade. In future, such consultations will be held annually with industrial countries and every second year with countries in a less advanced stage of development.

9. Thus the trade discussions and consultations at the Twelfth Session brought out many disquieting factors which could result in a further deterioration of the economic stability of countries producing primary commodities for export. The examination of these factors will be resumed when the CONTRACTING PARTIES reassemble in October. They will then have before them a second report by the Chairman of IOCICA and also a report by the Panel of Experts to which I referred earlier. The Chairman of the Panel
is Professor Haberler of Harvard University. He and his colleagues - Professor Tinbergen of Rotterdam and Professor Campos of Rio de Janeiro - have set to work on this task and will meet in July to draft their report.

10. The content of the study undertaken by the Panel is not yet finally decided, but the report will undoubtedly be of interest to the Commission. Broadly, it will analyse the present trends and developments in world trade and will examine agricultural protection in its relation to international trade and to the objectives of the GATT. The Panel proposes to obtain factual background for its study, including data on the export earnings of non-industrial countries, the extent to which instability of earnings is caused by instability of price, and the effects of fluctuations of export proceeds on capacity to import. The Panel may then describe the problems resulting from such instabilities. The analysis will include a study of the major factors affecting both demand and supply - improvements in technology, the use of substitutes, demand and supply elasticities, import and export duties, import controls, measures taken by governments in the field of agriculture, the effects of industrialization policies in primary producing countries upon their exports, and also the extent to which trade in agricultural products has failed to benefit from the progressive liberalization of international trade in general. The Panel has been explicitly asked not to comment on the policies of governments, but merely to establish the facts which would assist governments in their further consideration of these issues.

11. This objective and factual study by recognized authorities should be an invaluable aid in preparing the ground for any action which the CONTRACTING PARTIES or other inter-governmental organizations may decide to take. Before deciding upon any action the CONTRACTING PARTIES will certainly take into account, in accordance with the Resolution of November 1956, the activities of the Commission and of other agencies operating in this field. Their policy is, and has always been, to co-ordinate their activities with those of other organizations and to collaborate with them as fully as possible.