THE GATT AND COMMODITY TRADE

Statement to the Commission on International Commodity Trade
(March 1959)

1. The CONTRACTING PARTIES to the General Agreement on Tariffs and Trade have a deep and continuing interest in international trade in primary products. The work of this Commission is followed with keen interest and the news of the Commission's reconstitution and of the convening of this special Session was received with no less satisfaction than the invitation from the Economic and Social Council to participate. The Executive Secretary to the CONTRACTING PARTIES, Mr. Wyndham White, regrets that he cannot be here personally to describe the rôle of GATT in dealing with commodity problems and to explain the recent decisions which are expected to result in more positive action in this field.

2. The instructions given to the Executive Secretary for participation in this meeting are based largely on the report of a working party adopted at the Thirteenth Session last November. Therefore, I propose to give a copy of the report with this statement to the secretariat and I would be grateful if it could be distributed to the delegates. What I shall have to say will be largely an elaboration of that report.

3. In addition to the thirty-nine governments which have acceded to the General Agreement, some twenty countries regularly send observers to the Sessions of the CONTRACTING PARTIES. The thirty-nine contracting parties, together with their dependent overseas territories, are responsible for 80 to 90 per cent of international trade. Primary products make up about 50 per cent of this trade. It is because of this high percentage that trade in primary products has a great impact on world trade as a whole and is important to the achievement of the objectives of the GATT. Many contracting parties are largely dependent upon the export of these products. The instability of their export earnings affects their capacity to import and endangers the maintenance of a high level of international trade. Several GATT studies have stressed that the export trade of countries producing primary products has not kept pace with that of the industrialized countries and that trade

Spec(59)32

English only/Anglais seulement
among industrial countries has increased more than their trade with less
developed areas. The CONTRACTING PARTIES have a responsibility to deal
with these problems insofar as they affect the attainment of GATT object­
ives of raising living standards, making full use of the world's resources
and removing barriers to the expansion of trade. Therefore, it is hardly
surprising that problems arising in the trade in primary products have
figured prominently in the work of the CONTRACTING PARTIES throughout
GATT history.

4. Members of the Commission are familiar with the attempt made by the
CONTRACTING PARTIES some years ago to set down conditions for commodity
arrangements. When this approach had to be abandoned in 1956, because
of the difficulty of securing the agreement of governments, the CONTRACTING
PARTIES examined the procedures of the GATT to see how they could be used
for dealing with commodity problems. They adopted a Resolution laying down
procedures for the examination of particular difficulties arising in the
trade in primary products. As a first step they decided to hold an annual
review, based on a report to be submitted by the Chairman of ICCICA in his
capacity as nominee of the CONTRACTING PARTIES. This was to provide a
general picture of the conditions prevailing in the trade in primary products as
a basis for dealing with particular problems that might be brought forward
by governments. The discussions in these reviews at the last two Sessions
were found to be helpful and, indeed, had an indirect consequence in establish­
ing the terms of reference of the Panel of economists which produced
a report to which I shall allude later. At the last Session, however,
it was felt that these reviews could be more effective if they were more
closely related to the trade consequences of price instability. Therefore,
future reviews will be more carefully prepared and will relate more directly
to the impact of commodity problems on international trade. It is the
intention of the CONTRACTING PARTIES to draw upon the documentation of other
organizations. They will attach particular importance to reports by this
Commission and to any recommendations that the Commission may formulate.
Thus co-ordination of work will be ensured and duplication of effort will
be avoided. Further, the reviews will be better prepared as a result of the
decision to appoint a working party to examine the relevant documentation.
This working party will examine any special problems or situations referred
to it and may make suggestions for their alleviation or solution. It will submit to the CONTRACTING PARTIES a report indicating the extent to which commodity problems have affected the growth and development of trade, particularly of countries producing primary products.

5. The discussions at the Thirteenth Session, as reflected in the annexed report, were directed mainly towards the more effective implementation of the Resolution of 1956. In particular, the CONTRACTING PARTIES drew attention to the potentialities of the GATT consultation procedures, whose effectiveness had been proved in other fields, for dealing with problems arising in commodity trade. These procedures for inter-governmental consultations are among the most valuable features of the GATT. Also at the last Session, these procedures were elaborated so that bilateral consultations may become multilateral in the sense that all countries with substantial interest in the trade concerned may be joined in a consultation. Non-contracting parties may be invited to take part. On the other hand, in a developing situation which might lead to the use of commercial policy measures which would be injurious to the trade in a primary product, the CONTRACTING PARTIES as a whole may be asked to arrange a consultation to deal with the matter through cooperative action and, again, non-contracting parties may be invited to participate.

6. The annexed report also draws attention to the fact that the consultation procedures are wide and flexible and are not available only to exporting countries suffering injury in their trade. They may also be invoked by an importing country faced with a situation in which it is tempted to impose measures which might be harmful to its suppliers. Through consultation among importing and exporting countries it may often be possible to avoid unilateral action and to find means of mitigating the difficulties of one group without making those of others substantially worse. There have been a number of situations in recent years in which recourse to such a consultation might well have led to mutually acceptable arrangements and the avoidance of action which restricted trade and disrupted trade channels. The harm caused to producers by commercial policy measures may be even greater and of longer duration than the harm resulting from changes in supply and demand. The CONTRACTING PARTIES hope that governments will make more frequent use of this machinery in future.
7. Another important feature of GATT activities is the permanent arrangement for systematic consultations relating to balance-of-payments difficulties. These are not simply enquiries into the balance-of-payments situation; rather, they afford an opportunity for a broad review of the position of the consulting country and of the factors underlying its need to restrict imports including, in many cases, capital goods and necessities. Countries which maintain quantitative restrictions on imports for balance-of-payments reasons are required to consult regularly with the CONTRACTING PARTIES. Such consultations will begin this year with industrial and semi-industrial countries and in 1960 with those in the early stages of economic development. These consultations will be conducted by a committee which is instructed to take into account both internal and external factors affecting the balance-of-payments position. Countries which rely on the export of primary products and have suffered a loss of export earnings through a decline in commodity prices or in the volume of commodity trade will thus have a valuable opportunity for unilateral consultations on their balance-of-payments difficulties and for discussing practical means of avoiding a recurrence of such situations or mitigating their effects.

8. I have already mentioned the Hambory Report when speaking of the annual review of commodity problems in international trade. The decision to appoint a Panel of economists to report on trends in trade arose out of a general discussion of trade questions, which was conducted at Ministerial level at the Twelfth Session, based on the annual reports by the GATT secretariat. The Trade Ministers felt that a number of disturbing elements required careful investigation. Amongst these elements was the prevalence of agricultural protectionism, expressed in restrictive measures in international trade in agricultural and food products, and the building up of large stocks of these products which have no outlet through the normal channels of trade; sharp variations in the prices of primary products, accompanied by wide fluctuations in the export earnings of primary producers; and finally the failure of the export trade of the under-developed countries to expand at a rate commensurate with their growing import needs. The contents of the Panel's report will be well known to the members of the Commission.

---

1 This report is entitled *Trends in International Trade*. Copies can be obtained from the secretariat of the Commission.
and in particular those sections relating to trade in primary products. While recognizing the circumstances which have led countries to impose measures of protection and revenue duties on imports of foodstuffs and raw materials, and in particular, the political, social and security reasons which have led even highly-industrialized countries to protect their agriculture, the economists reached the challenging conclusion that further progress in liberalizing trade depends upon the willingness of both industrial and non-industrial countries to negotiate on a wide range of economic and financial policies. I refer to this report in order to inform the Commission of the response of the CONTRACTING PARTIES to this challenge by inaugurating a programme to promote expansion of trade through the further reduction of trade barriers.

9. This programme comprises three broad lines of attack on tariffs, agricultural protectionism and on other obstacles to expansion. Three Committees have been appointed. The work of the first Committee is based on the initiative taken by the United States Government at the last Session in proposing that the CONTRACTING PARTIES should arrange for another general round of negotiations for the reduction of tariffs. This proposal was welcomed by the CONTRACTING PARTIES. The proposed negotiations will provide an opportunity for governments to seek tariff concessions on any products of special interest to their trade and will also afford the occasion for dealing with a number of problems arising in connexion with the establishment of a common tariff by the Member States of the European Economic Community. The second and third Committees are now meeting in Geneva. Committee II is making a study of the use by contracting parties of non-tariff measures for the protection of agriculture and will examine the effects of these measures on international trade as a whole. This study will include an enquiry as to whether the present provisions of the General Agreement are well adapted to achieve its objectives and may result in the establishment of procedures for regular consultations with individual countries on non-tariff measures of protection, with a view to mitigating their impact on trade in agricultural products. The work of Committee III, which is examining other obstacles to trade particularly those which affect the export earnings of less-developed countries and the growth and diversification of their economies, will be of special interest.
to the Commission. This programme will provide opportunities for countries
which are largely dependent upon the export of primary products to discuss
the difficulties they encounter and the possibility of their alleviation.

10. The three Committees will submit interim reports to the Fourteenth
Session of the CONTRACTING PARTIES in May and their further programme of
work will then be determined. The results achieved in these studies of
the means to promote a further expansion of trade will be examined at the
following Session to be held in Tokyo in October.

11. In conclusion, it should be emphasized that the CONTRACTING PARTIES,
as clearly set down in the Resolution recording their competence to deal
with special difficulties in commodity trade, wish to avoid any duplication
of the work of the United Nations or of other inter-governmental organizations
operating in this field. Accordingly, an essential element in the CONTRACTING
PARTIES' approach to commodity problems is their intention to refer to other
agencies situations where collective action would be more appropriately
taken by them. It is only in exceptional circumstances and where GATT
techniques give promise of being the most fruitful that the CONTRACTING
PARTIES will take an initiative. Thus, the studies undertaken by GATT
and the facilities GATT affords for consultations supplement those of the
Commission and of other organizations.