GENERAL AGREEMENT ON
TARIFFS AND TRADE

SUMMARY RECORD OF THE THIRD MEETING

Held at the Palais des Nations, Geneva,
on Friday, 26 October 1962 at 2.30 p.m.

Chairman: Mr. W.P.H. van Oorschot (Kingdom of the Netherlands)

Subjects discussed:

1. Residual import restrictions
   (a) Implementation of the procedures
   (b) Review of the "hard-core" waiver

2. Australian Schedule

3. Impact of commodity problems upon international trade

1. Residual import restrictions
   (a) Implementation of the procedures (L/1774, L/1871)

The CHAIRMAN said that when the CONTRACTING PARTIES adopted, at their seventeenth session, the procedures for dealing with residual import restrictions, it had been decided that these procedures would be regarded as of an interim character and that they should be reviewed after they have been in operation for some time. The procedures had now been available for two years and their operation had been reviewed by the Council whose views were recorded in the Council Minute (C/M/12). The review had been carried out in the light of information furnished, first, by a Panel of Experts which had examined the notifications submitted by governments pursuant to paragraph 7 of the procedures, and, secondly, an analysis by the secretariat of action taken under the procedures. The report by the Panel on the restrictions which contracting parties apply contrary to the provisions of the General Agreement and without having obtained authorization from the CONTRACTING PARTIES, had been distributed as document L/1774, and the analysis by the secretariat as document L/1871. Thus the review had been conducted in the light of experience over a two-year period. The Council had concluded that it had no alternative proposals to put forward at the present time.

Mr. McNEILL (United States) said that in the view of his delegation the procedures adopted at the seventeenth session for notifying residual import restrictions had been very useful in relation to import liberalization. However,
such procedures could not be fully effective unless each contracting party responded fully to the invitation to notify the restrictions. In its report the Panel of Experts had noted that four contracting parties had failed to respond and that other notifications had certain important shortcomings. He urged that these omissions and shortcomings be rectified at the earliest opportunity. His delegation no longer considered it necessary to establish at this time a working party to review the adequacy of the procedures, but wished to propose that the present notification procedures be continued indefinitely substantially in their present form. His delegation also wished to suggest that the CONTRACTING PARTIES might instruct the Council to review from time to time the notifications made under these procedures. This suggestion in no way affected the rights of contracting parties to have resort to the provisions of Articles XXII and XXIII. In fact in individual cases the procedures should facilitate recourse to these Articles. It was the intention of his Government to make energetic use of the consultation and complaint provisions wherever appropriate and had already found the notifications submitted by contracting parties useful in this connexion.

Mr. WARREN (Canada) said that his delegation supported the suggestion made by the delegate of the United States and hoped that the four countries which had not yet responded to the invitation to submit notifications on their residual restrictions would do so at an early date.

SHRI JOSHI (India) said that not only were the residual restrictions under discussion basically inconsistent with the provisions of the General Agreement but they were not in keeping with the substance of the Decisions taken by the CONTRACTING PARTIES in December 1961 following the unanimous Declaration of Ministers. His delegation had cherished the hope that by now some concrete shape would have been given to these Decisions; instead the CONTRACTING PARTIES were still discussing questions regarding residual import restrictions. He assumed that the wider question of trade liberalization would be dealt with on a later occasion, but in the meantime he wished to refer to the observations made by Committee III in its interim report on the recent meetings held 8-11 October. In this report the Committee advised the CONTRACTING PARTIES, inter alia, of the gap which still existed between intent and performance. The CONTRACTING PARTIES should now take positive and bold action to implement the Decisions of December 1961. It was disheartening to have to deal with residual import restrictions and procedures relating thereto, especially as the imports of less-developed countries constituted only a minute fraction of the very large imports of the developed countries. Furthermore the imports of simple manufactures from developing countries would not hurt any domestic interest which could not be mitigated or solved, especially at the present moment when industrialized countries were in the process of re-organizing their industrial production on a large scale. In conclusion Shri Joshi recalled the remarks made by the Chairman in his opening statement, that it was up to contracting parties to give the GATT added strength at a time when it stood at a cross-roads. He hoped that this thought would be borne in mind throughout the present session.
Mr. DATSON (New Zealand) supported the views expressed by previous delegations. He appealed to those contracting parties who had not already done so, to submit notifications on their residual restrictions. Mr. Datson said that there might be some misconception regarding the interpretation of the way in which the procedures should be carried out. His delegation believed that this problem was of the first magnitude and would become more difficult if countries continued to retain restrictions under waivers, particularly on agricultural products and on traditional export items of the less-developed countries. The maintenance of these restrictions disrupted the balance of rights and obligations that agricultural exporting countries were entitled to expect to accrue to them under the provisions of the General Agreement.

Mr. SUZUKI (Japan) referred to bilateral consultations which had been conducted recently between his Government and the Government of Italy with respect to remaining discriminatory import restrictions affecting Japanese exports. He stated that as a result of these consultations restrictions had been removed on many items, but that a large number of items were still subject to restriction; it was the hope of his Government that the Italian authorities would soon be able to eliminate these remaining restrictions.

Mr. BAIG (Pakistan) noted that many contracting parties were maintaining import restrictions inconsistently with the provisions of the General Agreement and without authorization from the CONTRACTING PARTIES. His delegation wished to support the procedures by which contracting parties would communicate annually lists of restrictions maintained by them. At the same time it was to be hoped that contracting parties would earnestly attempt to provide forecasts of future action planned by them in this connexion, and to submit programmes for the complete removal of the remaining restrictions over a reasonable period of time.

Mr. VALLADAO (Brazil) noted that the efficacy of these procedures appeared to leave much to be desired. His delegation urged the early removal of the remaining restrictions which adversely affected the trade of all contracting parties. It was to be hoped that the next time this matter was discussed, the prospects would be more encouraging. It was desirable that an annual review of these restrictions should be carried out, pending their elimination.
Mr. HARAN (Israel) drew attention to the restrictions which were applied in a discriminatory manner against imports from his country. He pointed out that a contracting party maintaining restrictions for balance-of-payments reasons was required to participate in a consultation and subject to a cross-examination in the Committee on Balance-of-Payments Restrictions once every two years; while a contracting party maintaining restrictions contrary to the provisions of the General Agreement and without the authorization of the CONTRACTING PARTIES was not required to consult on these restrictions. This did not appear to be a logical state of affairs. His delegation wished to suggest that the CONTRACTING PARTIES might wish to instruct the Council to look into the adequacy of the procedures with a view to devising new procedures under which contracting parties maintaining restrictions without adequate justification would be required to consult on the maintenance of such restrictions.

Mr. Lacrte (Uruguay) said that the procedures under review had not achieved any noticeable results, and that it had been necessary for his Government to have recourse to Article XXIII. In the case of countries such as Uruguay, which were dependent to a very high degree on the sale of agricultural products, there existed an imbalance between the obligations and advantages arising from their membership under the General Agreement. There was a need to re-establish, by adequate means, a fair relationship between such obligations and advantages. His delegation therefore supported the proposals put forward by the delegates of Israel and the United States.

Mr. St/EC (Czechoslovakia) regretted that no complete analysis was available of the residual restrictions maintained by contracting parties, and that little indication had been given of the intention to eliminate such restrictions. He hoped that further progress would be made in this direction, and that the matter would be kept under close review.

Mr. Phillips (Australia) drew attention to some very significant developments in the Australian position. He recalled that at the meeting of Council on 23 February 1961 his delegation had explained why it had not been possible for Australia to move further at that time towards the elimination of residual restrictions. At that time, the representative of Australia stated that the temporary position which then existed did not indicate any change in the Government's intention to make a full statement concerning the remaining restrictions at the earliest practicable date. The restrictions in force at that time covered less than 10 per cent of total imports and were confined to a relatively narrow range of items mainly canned fish, aluminium, toys, footwear, synthetic resins, secondhand machinery and certain textile items including apparel and yarns, as well as travel goods, oilseeds and nuts. As of 18 October 1962 his Government had completely removed all residual import restrictions with the exception of restrictions maintained on a few items mainly aluminium, ball bearings, secondhand machinery, equipment and parts, timber, and pharmaceutical products which were subject to action under Article XIX. With the exception of machinery, which was a very special case due to non-commercial elements, the need to maintain protection for the other items was currently being considered by the Australian Tariff Board. The residual import restrictions had therefore to all extents and purposes been
abolished. His delegation believed that some continuing action by the CONTRACTING PARTIES was necessary in order to secure adequate and useful notifications on the restrictions. To this end the Panel had been very useful. His delegation noted with regret that a number of contracting parties had not submitted the detailed information desired. In the view of his delegation it would not be unreasonable to establish procedures for consultation provided that these had the support and cooperation of all contracting parties. It was understood that this procedure was not acceptable to a number of important trading countries. The position was a very serious one in that it appeared that certain contracting parties did not intend to adhere to one of the basic provisions of the General Agreement. In these circumstances, the only avenue available was to consider action under the appropriate Articles of the General Agreement containing provisions for dealing with the situation. His delegation reserved the right to revert to this question at a later date.

Mr. GARRONE (Italy) expressed satisfaction at the progress which had been made in the consultations held with Japan. In this connexion he drew attention to the latest liberalization measures taken by his Government, and recalled that information concerning these measures had been distributed in document L/1815. His delegation supported the proposal of the United States on the notification procedures.

The CONTRACTING PARTIES agreed:

1. to urge governments to respond more fully to the invitation in paragraph 7 of the procedures to communicate to the Executive Secretary lists of the import restrictions which they are applying contrary to the provisions of the General Agreement and without having obtained the authorization of the CONTRACTING PARTIES,

2. to request the Council to review from time to time the lists of restrictions thus communicated, and

3. to endorse the recommendation, implicit in the Minutes of the Council (C/21/12), that the procedures be maintained in the form in which they were adopted at the seventeenth session.
(b) Review of the "hard-core" waiver

The CHAIRMAN said that the "hard-core" waiver had been adopted at the ninth session in 1955 to deal with problems raised for contracting parties in eliminating import restrictions which had been maintained during a period of balance-of-payments difficulties. At that time, the CONTRACTING PARTIES had recognized that some transitional measures of protection by means of quantitative restrictions might be required for a limited period to enable an industry having received incidental protection from such restrictions to adjust to the situation created when the restrictions were removed. The waiver provided for the concurrence by the CONTRACTING PARTIES in the maintenance of specified restrictions for a period not exceeding five years. Applications for such concurrence had to be made not later than 31 December 1957, but the waiver provided that the CONTRACTING PARTIES might extend this time-limit. Since 1957 the time-limit had been extended each year. Under the most recent Decision, the waiver was due to expire on 31 December 1962. The Chairman said it was his understanding that a number of governments which in previous years had proposed the extension of the time-limit, had decided not to request a further extension since, in their opinion, the validity of the Decision of 5 March 1955 should be allowed to expire. He enquired whether, on the other hand, there were some delegations which felt that the waiver should be further extended.

At the request of the delegate of Austria, a decision on this question was postponed until a later meeting.

2. Australian Schedule

The CHAIRMAN said that contracting parties were informed by Airgram No.303, dated 5 October 1962, of a request submitted by the Australian Government for authority under paragraph 4 of Article XXVIII to enter into renegotiations for the modification of two concessions in Schedule I. At the meeting of the Council on Monday last, the representative of Australia presented his Government's request and explained the "special circumstances" which, in the view of the Australian Government, would warrant the granting of the requested authority. Some members of the Council had not received instructions on this matter and therefore consideration of Australia's request was postponed and the item had been included instead in the agenda for the session. The statement by the representative of Australia was summarized in the Council minutes - document C/M/12. Delegations had now had time to consider this matter and to obtain instructions.

The CONTRACTING PARTIES agreed that there were "special circumstances" in the sense of paragraph 4 of Article XXVIII, and decided to grant the requested authority.

The CHAIRMAN said that any contracting parties which considered that it had a "principal supplying interest" or a "substantial interest", as provided in paragraph 1 of Article XXVIII, should communicate such claim in writing and without delay to the Australian Government, and at the same time inform the Executive Secretary. Any such claim recognized by the Australian Government would be deemed to be a determination by the CONTRACTING PARTIES within the terms of paragraph 1 of Article XXVIII.
3. Impact of commodity problems upon international trade (L/1874)

The CHAIRMAN said that at each autumn session since 1957 the CONTRACTING PARTIES had reviewed the trends and developments in international commodity trade during the year, particularly the impact of specific commodity problems on world trade. Traditionally, the review was carried out on the basis of a report presented by the Chairman of the Interim Co-ordinating Committee for International Commodity Arrangements and other relevant documentation. The documentation available for the current review consisted of a copy of the 1962 Review of International Commodity Problems presented by the Interim Co-ordinating Committee to the ECOSOC in document E/36/14 and a reprint of the Commodity Chapter from the GATT Annual Report on Trends in International Trade. The report by Mr. Hasnie, the CONTRACTING PARTIES' nominee as Chairman of ICCICA, had been distributed as document L/1874.

Mr. André PHILIP (France) said that the CONTRACTING PARTIES had for several years been analysing the situation regarding international commodity agreements and prices for primary products. The recent secretariat study International Trade 1961 showed that the situation had deteriorated in that the trade gap between the industrialized and the less-developed countries had widened, both as regards agricultural and industrial exports. The improvement anticipated during the previous discussion of this problem had not materialized. The rate of growth of the industrialized countries was far exceeding that of the developing countries, a cause for serious concern. Certain efforts had been made to meet the problem, notably in the conclusion of a long-term coffee agreement which was welcomed, and in the negotiation of a cocoa agreement. In this connexion, however, the question arose as to whether or not it was wise to multiply the existence of commodity agreements of this nature. In a product by product approach, there was always the difficulty of overcoming for each commodity similar problems involving legitimate vested interests. On the other hand, there was merit in considering a multilateral approach by adopting a method whereby a number of different products were grouped together and where concessions made by one country on certain products would be offset by advantages gained in respect of others. In this way more positive results might be achieved. If the matter could be placed on a financial basis, then compensation could be given to countries suffering from reduced export receipts. While it was true that commodity agreements tended to stabilize prices, they also might encourage over-production and create grave long-term surplus problems. Given shifts in demand caused by a number of factors including technical advances, an overall approach had to be taken regarding the problem of price stabilization. An international approach was needed on the problem of the industrialization of the countries producing primary products and the diversification of production within the framework of their economic development plans.

At the Bretton Woods conference, the delegation of the United Kingdom had suggested a project envisaging an international economy based on a clearing union which would achieve a unified approach to problems of short-term monetary
equilibrium, long-term investment, the organization of agriculture, and of international trade. This concept had been abandoned in favour of the establishment of a number of specialized agencies. It was incumbent upon these agencies, in particular the GATT, to take the initiative to embark upon a series of studies to arrive at a general stabilization of prices and the maintenance of minimum prices for primary products. The question revolved around providing at the same time assistance to the less-developed countries on matters of trade, monetary problems, financial assistance, technical assistance and assistance in the field of commercial policy. It was to be hoped that the CONTRACTING PARTIES would seek out ways and means by which they could initiate studies, and deal with the problem of accelerated assistance to the less-developed countries.

Mr. HAKIM (Indonesia) said that the reports by ICCICA and the GATT secretariat had given a clear picture of the magnitude and the complexity of the problems in international trade for primary commodities. Perusal of these documents had left his delegation with rather mixed feelings, because whatever efforts had been made by various bodies and study groups, trade in tropical products were suffering more than ever by an inadequate price level, from instability of prices and from a badly functioning price mechanism. The gap between the industrial countries and the developing countries was becoming wider and wider. The secretariat report estimated that the difference between the value of net exports of traditional primary products, and their minimum import requirements of manufactured goods would reach or exceed $7,000 to $8,000 million in 1975 for South-east Asia and other countries. It was obvious that if these estimates came true the developing countries would be faced with disaster. It would affect in no small degree the prosperity of the developed countries as well, because the important markets for manufactured goods which the developing countries now provided to the developed countries would shrink considerably by lack of money to pay for these imports. In his opening address, the Chairman stated that the GATT had now arrived at a cross-roads and faced various unsolved problems. This was certainly the case when one considered the terms of trade between the developing countries exporting primary products and the developed countries. It was therefore understandable, that a certain apprehension was felt regarding the many discussions on commodity arrangements. What was really needed was a fundamental break through in order to avoid disaster in the near future. Primary products of developing countries must be put on a remunerative price level. Stability in prices must be achieved; trade and tariff barriers facing these products must disappear.
Mr. PHILLIPS (Australia) said that in the past his delegation had attached considerable importance to the inclusion of this item on the agenda as a means of focussing attention on the problems faced by the less-developed countries and by those other countries which were dependent to an important degree on exports of the bulk commodities. It was a source of considerable satisfaction to the Australian Government to note the general recognition of GATT's competence in this field - a recognition which had to a significant extent developed from its consideration of this and related items on its agenda.

Mr. Phillips then expressed his Government's satisfaction at the recent conclusion of an international agreement on coffee. Continuing, he said that his Government welcomed the recent apparent change in the attitude of some of the leading industrial countries in declaring their willingness to seek workable solutions to commodity problems. The Australian delegation was prepared to participate actively in endeavours to translate the declaration of intent into practical solutions to the problems of trade in agricultural products and industrial raw materials. Mr. Phillips stressed that it was essential that attention should be devoted not only to ways and means of providing increased access to markets but just as importantly to measures which were designed to improve the terms of trade of the developing countries. Until solutions which linked satisfactory prices with satisfactory market opportunities could be found, agricultural exporters would continue to feel that the GATT was not providing the type of balance between obligations and benefits which they had envisaged.

Mr. BAIG (Pakistan) pointed out that Pakistan as an exporter of primary commodities was interested in the stabilization of the prices of these commodities. The Chairman of ICCICA in his report had underlined the fact that there had been a striking deterioration over several years in the terms of trade of primary exporting countries and that the objectives of commodity agreements should include the provision of reasonable returns to producers. The ICCICA report also stated that fluctuation in the prices of primary products continued to be of serious concern both to primary producing countries whose export proceeds varied to an extent which sometimes threatened their economic plans, as well as to importing countries which depended upon the supplies of food and raw materials at reasonable prices and on the stability of their export trade. Mr. Baig said that the prices of primary products were falling for the fifth year in succession while the prices of industrial goods which the less-developed countries required continued to rise. In order for the less-developed countries to obtain their requirements of industrial goods, the question of stabilizing prices of primary products was becoming more urgent and more important for the developing countries as time passed. Although the question had been examined in other governmental forums, the Pakistan delegation had always considered that the CONTRACTING PARTIES should continue to pay close attention to these problems and it was its hope that further work in this field would be continued. The main and especially urgent point for consideration was the possibility of increasing the opportunity for less-developed countries to expand their exports.
Mr. GARCIA OLDINI (Chile) remarked on the continued deterioration in the terms of trade of the developing countries vis-à-vis the industrialized countries. As brought out in the reports before the CONTRACTING PARTIES the intensification of commercial trade between the industrialized countries had had an unfavourable repercussion on their trade with less industrialized countries. In 1961 the value of trade among industrialized countries rose by $5,600 million while imports from the non-industrialized areas rose by only $2,000 million. This gap was very disturbing for countries who were producers of raw materials. According to the secretariat study "International Trade 1961", the exports of minerals and metal of industrialized countries to industrialized countries in 1961 was $7,400 million, whereas the imports by the same countries from the less-developed countries amounted to $2,700 million. This was particularly significant if it were considered that metals for example copper, which was of particular interest to Chile, had experienced an increase in consumption by 3.6 per cent while simultaneously its price had fallen by 6 per cent. The phenomenon where a fall in price of exports of raw materials was replaced by an increase in volume represented a danger to which he had already drawn attention during the 1961 ministerial meeting. At that time the representative of the EEC had stated that such a development had taken away from the developing countries a share of the profits and achievements which an increase in the volume of sales could obtain for them. The meaning of this statement could be appreciated if it were considered that a drop of 1 per cent in the price of copper represented for Chile's export industry a loss of earnings amounting to about $10 million. The Secretary-General of the United Nations had made an observation before the Economic and Social Council that a drop of 5 per cent in the average prices of the exports of the less-developed countries represented roughly the equivalent of the combined annual earnings of the private and public sectors, and of subsidies given to the developing countries. Concerning the overall situation, the threat and menace of the possible liquidation of large stocks and inventories should be borne in mind. In his opening statement the Chairman mentioned that the slogan "Trade not Aid" should be replaced by another "Trade and Aid". The latter slogan should be taken from the field of phrases and brought into line with reality. If this were done many of the difficulties which the developing countries were undergoing would disappear.

Inche ABDULLAH BIN ABDUL KADIR (Federation of Malaya) recalled that at earlier sessions of the CONTRACTING PARTIES his delegation had stated that Malaya produced substantially two of the important commodities in international trade; about one third of the world consumption of tin and one third of its consumption of natural rubber. Malaya's problem with regard to these two commodities was that the price of rubber had been falling and the price of tin had been fluctuating. If prices of Malaya's main commodities continued to fall a point might be reached when the low prices of its exports would threaten the successful implementation of its development plan. It was hoped that in the various measures taken by international agencies sympathetic consideration would be given by the industrialized countries concerned, so that this critical point would not be reached. His delegation believed that commodity agreements and commodity study groups could to a certain extent arrest and correct the imbalance of commodity prices.
It was for this reason that Malaya participated actively in the International Tin Council and in the discussions of the International Rubber Study Group. It should be remembered that commodity agreements and study groups will need the participation and co-operation of all producing and consuming countries in order to do their work effectively. The problem of falling prices for primary commodities could not be taken as the problem of primary producing countries alone. This was a problem which the more-developed countries must share with the primary producing countries not only because of the moral obligation expected of them but also for purely economic reasons. It was hoped that major consuming countries who were not yet members of commodity agreements would in due course become members.

With regard to the problem of fluctuations in total export income through fluctuations in prices of export commodities, fluctuations in export income made it difficult for the developing countries to plan their economic development. Some form of international mechanism was required to bring about stability in the total export income of primary producing countries. In this connexion, his delegation noted with interest the work of the Commission on International Commodity Trade on the possibility of setting up an international compensatory financial mechanism to off-set fluctuations in export income of primary producing countries. His delegation felt that the setting up of such an international mechanism will gradually relieve primary producing countries from the present difficulties of fluctuating export income. As the success of such a mechanism will depend on the support and co-operation of both primary producing and industrial countries it was hoped that all countries would give their support and co-operation.

Mr. van WIJK (Kingdom of the Netherlands) said that after having examined the report of the Chairman of ICCICA and the report of ICCICA itself, his delegation was struck once again by the important rôle which ICCICA played as a co-ordinating body. A great number of international bodies and inter-governmental organizations dealing with commodity problems could lead to duplication and overlapping. On the other hand the present situation provided a flexible set-up for consultation and action. His delegation preferred this flexible arrangement rather than a rigid one with a severe division of tasks. Such a flexible set-up required a co-ordinating committee like ICCICA, and it was hoped that ICCICA would be given all the necessary facilities for the continuation of its work. His delegation fully endorsed the statement made by the French delegate and felt that his statement contained many thought-giving elements.

Mr. van Wijk expressed satisfaction at the very positive results of the Coffee Conference in which his Government had participated. His Government also took a positive attitude towards the proposed Cocoa Conference and hoped that the promising results concerning coffee would be a good omen for cocoa and for further international co-operation in the field of commodities. His delegation also took a positive attitude towards the idea of compensatory
financing measures and hoped that during the coming conference progress could be made on this subject. Referring to the question of Futures Markets, Mr. van Wijk recalled that the report of the Commodities Working Party in 1961 had contained a recommendation inviting governments to examine their regulations and to see to what extent they could modify such regulations in order to facilitate the operation of Futures Markets. The Netherlands had no obstacles against dealings in Futures and it was hoped that governments still maintaining restrictions in this area would be able to eliminate them. A system of Futures Markets could have a good influence on short-term price fluctuations.

Mr. TASIC (Yugoslavia) recalled that in his opening statement the Chairman had referred to the importance of the problems of trade in primary products and the trade of the developing countries and had emphasized that these problems still remained unsolved. While his delegation admitted that the stabilization of prices through compensatory financing mechanisms and other similar means were beyond the purview of GATT, the solution of commodity problems in this way would have an impact on some of the problems with which the GATT would have to deal. The rôle of GATT in the solution of all these problems was of major importance and his delegation felt that through the work of Committee III, GATT would make its most effective contribution.

Mr. WARREN (Canada) said that his country also had a very important interest in international commodity trade. Canada was at one and the same time an industrialized country as well as a developing economy. It was an important consumer as well as a very significant producer of primary goods. As other delegations had pointed out, many commodity markets continued to be characterized by a certain instability as well as by imbalance between demand and supply. The problem was very complicated, a fact which was increasingly being recognized. He did not feel in all cases that direct control of commodity markets and commodity agreements necessarily the most satisfactory solutions. There were many factors which bore upon these problems and all of these had to be taken into account in the totality of the policies being followed by the trading countries. Perhaps one of the most significant factors influencing the problem was, and would continue to be the level of business activity in the main industrialized countries. There was also the question of the relative terms of competition between traditional primary exports of many countries and the new products developing in the synthetic field. The problem of supply and demand had to be looked at from two sides. There should be prices which enabled a fair and remunerative return to producers on the one hand, and, on the other there should be the realization that the general long-term interest would not be served by prices which so stimulated production and supply as to transpose the problem to a later stage in a more intense form. Further there was the problem of access to markets; it would seem particularly important that countries depending on imports for their supplies of raw materials should not place undue barriers to the importation of such materials which entered so importantly into their costs of production. Many proposals were now being considered and each of them required the most careful consideration. The matter of compensatory financing
had to be looked at and linked with the questions of the available assistance for balance-of-payments difficulties and longer-term aid. None of these problems will yield to easy solution but the effort must be made. Canada had actively participated in the discussion of commodity agreements in which it had either a producer or a consumer interest and it would continue to have an interest in exploring new techniques in this and related fields which may hold out the promise of expanding and stabilizing commodity markets at remunerative levels of return.

Mr. AFE (Nigeria) said that it was encouraging to find in a forum such as the GATT that the problems of the developing countries were well understood. Three solutions to commodity problems had been suggested and tackled at various times. The first solution which had been proposed was stabilizing the prices of primary products, in which connexion international monetary financing stabilization schemes had been put forward. The second solution was that the developing countries should be assisted in diversifying their economies. On this particular aspect the Chairman had, in his opening speech, referred to the slogan of both trade and aid. The third solution was the removal of various barriers to the trade of less-developed countries. In this connexion Nigeria had put forward a proposal for duty-free entry for tropical products during the 1961 ministerial meeting. It will be recalled that a Special Group had been set up to examine this question; and his delegation wished to stress the need for the Special Group to tackle this problem.

Mr. TENNEKOON (Ceylon) said that the reports by ICCICA and the GATT secretariat disclosed very disturbing trends in international trade. Mr. Tennekoon then summarized the essential features of plans which had been put forward for tackling the problems facing commodity trade. Firstly, there were plans for the removal of the barriers to the trade of less-developed countries, to which the work of Committee III was relevant; secondly, the treatment of commodity problems on a commodity-by-commodity basis through the medium of commodity arrangements. With regard to the latter, there were plans for compensatory financing either by a development insurance fund as suggested by the United Nations experts, an international fund for stabilization of export receipts as proposed by the Organization of American States, or by expanding the scope of the use of the resources of the International Monetary Fund. Concerning the last proposal, the United Nations had suggested that the International Monetary Fund should, inter alia, expand the present qualitative criterion for the use of Fund resources. Further that it should increase the use of standbys and near standbys for compensatory financing, and should clarify the conditions which would assure the full use of quotas without waivers.
Mr. Tennekoon went on to say that, it was well known that the prices of primary products had been moving downwards while manufactured products had moved upwards both in volume and price. The terms of trade of the less-developed countries especially those relying on a few primary commodities had been very adverse. Hence the development plans of the less-developed countries were in jeopardy. There could not be prosperity in one part of the world and poverty and insecurity in another; this imbalance had to be corrected by the industrialized countries taking such steps as would liberalize and expand trade the world over. In considering commodities such as natural rubber and coconut oil, products in which Ceylon was particularly interested, it was necessary to take into account synthetic and similar commodities which were being produced with detrimental effects on natural products. The object of the reports which had been placed before the CONTRACTING PARTIES was to highlight the dangers and adverse trends so that countries which were in a position to do so could take appropriate action. The delegation of Ceylon looked forward to a concrete programme of action by the industrialized countries at the next meeting of ministers. His delegation was disappointed at the progress made in the commodities field and hoped that in future specific action would be taken to remove barriers to trade in commodities. With regard to the statement made by the representative of France, Mr. Tennekoon said the problem of commodities had to be approached on a world-wide front, and that here the work of Committee III would assume greater importance than ever.

Mr. BARBOSA DA SILVA (Brazil) said that the facts reported in the documents before the CONTRACTING PARTIES had been fully commented on. His delegation was satisfied at the conclusion of the International Coffee Agreement in which it had had the pleasure of the full support of both producers and importers. His delegation felt that special mention should be made concerning the efforts of the representatives of the United States and the EEC who had given very substantial backing in the finding of solutions for the grave problems which were faced. The Brazilian Government was giving whole-hearted support for completion of the work for the establishment of a World Cocoa Agreement. The Brazilian delegation was still surprised to see that there were certain practices, discriminatory and otherwise, restricting the access of these commodities in international markets. It was hoped that measures propounded by these newly-born organizations would meet the response of the responsible authorities in the different governments which seem to have been acquiring a better consciousness of the significance of their domestic policies in guaranteeing access for primary commodities coming from abroad. Mr. Barbosa da Silva said that he had noted with great satisfaction the statement made by the French delegate and his delegation would have great interest in exchanging views with the French delegation in order to push ahead the forceful points he had made.
Mr. RYSKÂ (Czechoslovakia) said that the scope and variety of international activities in the field of commodity trade was quite impressive. The causes of this intense activity were rather disquieting. It was noted from the documents before the CONTRACTING PARTIES that the decline of prices of most commodities and a contrary movement of the prices of industrial products combined to deteriorate further the position of the developing countries. Thus the lack of improvement in export proceeds continued to be a major limiting factor on the economic development of many countries. The idea seemed to be gaining ground that the specific character of individual commodities required an approach on many lines, from various angles and by various means. Experience had revealed that such actions should be part of broader measures directed towards the promotion of an accelerated growth of the developing countries. For example, it would hardly seem logical to create ingenious schemes for individual commodities and ignore the restrictive policies of importing countries. International action even if it were substantially enlarged, could not substitute for measures effected through national policies. His delegation believed that the formation of national policies should take into account much more seriously the interests of those countries which were desirous of changing their role of primary commodity exporters by diversifying their economies. The combination of international action and national policies would make it possible to utilize in a most effective way the specific capacities of all countries to the benefit of the developing countries and to the advantage of international trade generally. The results of the national economic policies of all countries provided the final criterion for all efforts. Such a criterion was the ability of countries to create a steady and increasing demand for products of the developing countries.

Mr. VAVAL (Haiti) said that the Haberler report and other serious studies had already drawn attention on the need for an alleviation of the problems of primary products and of the trade of the less-developed countries. The disappointment felt by the general public on developments in the commodity field in his view, reflected a legitimate pessimism. While contracting parties were well aware of the efforts which were being made in the GATT to deal with these problems, it must be recognized that much more progress could be made. It would perhaps be a good idea if the CONTRACTING PARTIES, within the framework of its possibilities could envisage in co-operation with ICCICA, a more positive way for dealing with these problems. His delegation hoped that these matters could be dealt with on the agenda of the proposed ministerial meeting.

Mr. LARENA (Argentina) said that in Committee II his delegation had already expressed its views on certain regulations arising from the common agricultural policy of the EEC as well as its concerns on the degree of access which was offered to its products in traditionally important markets. His delegation agreed with the view expressed by the Chairman of ICCICA that production could be stimulated through sheltered markets to such an extent that the imbalance between supply and demand on world markets would be aggravated. With regard
to the problems posed by the existence of surpluses, while his delegation appreciated the anxiety of countries having large surpluses, it felt that disposals shall be carried out in an orderly fashion in order to avoid disturbances to other exporters. The worsening in the terms of trade of the less-developed countries caused mainly by drops in commodity prices, the customary trend towards a greater separation between the less-developed countries and the industrialized countries, and the restrictive and discriminatory policies followed by the latter, formed part of a familiar lexicon in the commodity field. The developing countries were no longer demanding theoretical studies but practical and concrete action. Since the last GATT ministerial meeting there had been a certain tendency to seek solutions to problems affecting commodities through world commodity arrangements. It was hoped that these proposals would enjoy in practice the advantages which they seemed to offer in theory.

Shri JOSHI (India) shared the views expressed by previous delegates, and in commenting on the reports submitted to the CONTRACTING PARTIES, said that the analyses of the problems were very familiar ones. Year by year it was the same story. The prices of primary commodities in relation to those of manufactured goods continued to be unfavourable. While all these problems had been analysed it was not clear whether solutions were ready at hand. With regard to proposals on price compensatory arrangements and international commodity agreements, the former was still to be worked out in concrete form, while the latter required time for negotiation. However there was no doubt that it was only these directions in which progress could be made. The European Economic Community had found some solutions in respect of their agricultural commodities by ensuring a fixed level of prices to growers in the area of the Community; it might well be that if the members of the Community and others applied their efforts to the commodities field solutions to long-standing problems in this area might be found. Now that there was a wider measure of agreement on all sides as to the existence of these problems his delegation hoped that it would be possible to arrive at concrete solutions at a fairly early date.

Mr. IACARTE (Uruguay) said that the facts and figures given in the secretariat report _International Trade 1961_ supported the view of his delegation that action in the commodity field should be intensified in order to give practical results. The report contained a new development. It showed that not only was there a drop in the exports of countries exporting agricultural products and foodstuffs, but that there had also been a drop in the exports of industrialized countries to the developing countries. Considering the continued fall in the prices of the products of developing countries it was not surprising to see the reduction of their purchases from the developed countries. The GATT's achievements since the ministerial meeting of 1961 had not been satisfactory. It could not be said that the Tariff Conference which ended in July 1962 had contributed fundamentally to alleviating the position of the developing countries. Neither could it be said that the work of Committee II had shown a noticeable improvement as far as trade in livestock and agricultural products were concerned. Committee III had not achieved any great successes
and had found it appropriate itself to notify the CONTRACTING PARTIES of the margin which still existed between intentions and practical results. The delegate of France had made a statement of great interest, and under the item in which the possibility of holding another ministerial meeting would be discussed the French delegate might be able to give further fresh ideas and details, which would enable the CONTRACTING PARTIES to convene a meeting of ministers with practical proposals before it. This would be the only way in which another ministerial meeting would be justified.

Mr. GRIFFITH JOHNSON (United States) said that his delegation fully shared the concerns expressed over the continued decline in commodity prices and the further deterioration in the terms of exchange of primary products. He felt it scarcely necessary to emphasize the seriousness of the resulting problems for both developing and developed countries. It was noted that this continued deterioration had occurred in a period when there had been an unprecedented degree of activity and co-operation among governments in the search for solutions to these problems. Although these efforts had not borne the kind of fruit which all desired this should not lead to a lessening in such activity but rather to its intensification on the part of all governments. As far as the United States was concerned, it intended to continue to engage actively and wholeheartedly in these efforts. Perhaps one of the main reasons why efforts made so far had shown so little success was that it had not yet been recognized sufficiently, that the current behaviour of commodity prices was largely due to long-term problems for which long-term solutions were required, particularly solutions which were consistent with, and took advantage of free market forces.

While countries should not disregard the possibility of measures providing short-term relief such as price stabilization agreements, compensatory financing and the like, it must be recognized that these measures treated only the symptoms and did not get at the basic imbalance between supply and demand which characterized the current period, and accounted for the persistent downward trend in world commodity prices. Several delegations had mentioned the World Coffee Agreement which had recently been negotiated. The United States Government had participated actively in that Agreement and hoped that all governments were aware that the Agreement alone was no solution. The long-term solution would require measures to increase consumption and to shift resources out of coffee production. Provisions which took account of the need for such measures were an integral part of the Agreement and while those provisions were not as strong as the United States would have liked, nevertheless they did provide a basis on which governments could begin to work out a real solution to the coffee problem. With regard to measures designed to lessen the dependence of developed countries on those commodities which were in surplus supply, Mr. Griffith Johnson emphasized the use of the various programmes for development assistance to aid in the diversification of the economies of countries where such a situation existed. He stressed that through its trade expansion programme, and the activities of Committees II and III, as well as the Group on Tropical Products, the GATT had placed itself in a position to make a major contribution to the improvement in conditions in world commodity markets. He hoped that all contracting parties would appreciate the importance of these activities and, like the United States, would give this work their full support.
The EXECUTIVE SECRETARY gave his impression of the debate and suggested some conclusions which he thought would be relevant to the work of the CONTRACTING PARTIES.

Summing up the discussion, the CHAIRMAN said that there was general concern regarding the continued fall in commodity prices and that for certain commodities both the price level and the volume of trade were far from satisfactory. Exporting and importing countries had recently shown an increasing readiness to co-operate in the finding of solutions to international commodity problems. Special reference had been made to the International Agreement on Coffee and to the proposed cocoa conference, and there appeared to be a general feeling that the Coffee Agreement was a big step forward. Nevertheless there was also the view that progress generally in the commodities field was too slow. He suggested that the arrangements for the next commodities review to take place at the twenty-first session should be made by the Council which should consider whether or not the Commodities Working Party should be convened to prepare for the review.

The Chairman invited the Executive Secretary to distribute his conclusions for consideration at a later meeting; these would be helpful in furthering the work of Committees II and III, and for the preparation of the ministerial meeting which it was hoped would be decided on later in the session.

These proposals were agreed.

The meeting was adjourned at 6 p.m.