STATEMENT BY MR. MOHAMED EL MEMMI,
REPRESENTATIVE OF TUNISIA, ON 11 SEPTEMBER 1963

The agenda item before us today invites members of our Committee to present their suggestions regarding measures which the governments should take to achieve a marked and rapid increase in the export earnings of the developing countries.

We have heard certain statements which call for our full attention and deserve more thorough examination. I hope that other statements as constructive as these will be made during our discussion, and I should like for my part to present my country's contribution with respect to the solutions which we think might be applied, to some extent, to the numerous and important problems before us.

With your permission, I should like at this meeting to speak about international commodity agreements, to assess their stabilizing effect, and to consider the possibility of revising them.

1. The scope of the stabilizing effect of international commodity agreements

One can single out four characteristics of these international agreements which constitute so many factors limiting their stabilizing effect on commodity prices.

(a) Such agreements are short-term agreements, of not more than five years' duration. Their renewal gives rise to laborious negotiations which are influenced not only by variations in supply and demand for the commodity in question, but also by the political situation of the moment. Thus, the United States position with regard to Cuba's sugar led to the breaking up of the International Sugar Agreement, thus causing great uncertainty for the future of the sugar economies of Africa, Asia and Latin America.
(b) Secondly, these agreements frequently come up against regional preferential arrangements, concluded within the framework of economic groupings or bilateral treaties. This is why a certain number of producing countries, and particularly importing countries, are not parties to the various international agreements concluded.

(c) Thirdly, to the extent that these agreements are quota agreements, they have permitted the accumulation of unsold non-commercial stocks which can become speculative on occasion and in any event constitute a grave threat to the stability of commodity prices.

(d) Lastly, the range of products covered by international agreements, while it is extending, does not cover and is not likely to cover all the commodities exported by the primary producing countries. It is because of these shortcomings and these limitations that a revision of international commodity agreements is needed.

2. Revision of international commodity agreements

One might envisage revising international commodity agreements at the following three levels:

- the extension of international agreements to a greater number of producing and importing countries;

- the integration of these agreements in long-term economic development programmes by the creation of "modernization and reconversion funds";

- the extension of the validity of these agreements to a minimum of ten years.

(a) As regards the extension of international commodity agreements to a larger number of producing and importing countries, the first step to be taken is to reduce to a minimum any possible "conflict" between regional or bilateral preferential arrangements and international agreements.

Any regional or bilateral preferential arrangement is not necessarily unjustified. Furthermore, differences in production conditions - that is to say in production costs - as between commodity producing countries which are due to under-equipment, and to the shortage of technical skills, particularly in agriculture, should be considered as an important factor in the determination of preferential prices within the framework of bilateral and regional agreements and even international ones.
For a certain number of commodities, for example, wheat it would be unjust in fixing international prices to take account solely of the production costs of the most efficient producer.

Of course, regional preferential arrangements should not be conceived as being of unlimited duration. They should not develop into permanent protectionism which perpetuates the existence of an increasing number of marginal producers or producer cartels, nor should they act as a brake on technical progress or on the lowering of production costs.

Such preferential treatment should provide a stimulus to the beneficiary countries, in the form of financial resources intended for productive investment. Thus conceived, we believe that these regional agreements can be co-ordinated with international agreements.

Lastly, it is not beyond the realms of possibility to imagine within the framework of the international agreement on a given commodity, one or more preferential sub-agreements which would be transitional and subject to revision for a particular group of under-developed producing countries whose production costs and investment needs are particularly high.

Such a solution would enable many under-developed countries which export primary products to escape the grip of bilateralism, regional agreements, customs unions, etc., which constitute so many elements of uncertainty, pressure, domination and dependence for the young developing economies.

Such a reform of the contents of international agreements is based on judicious utilization of the price supplements paid to a given group of producing countries, in the form of productive investments.

(b) It would, thus, be desirable to envisage the creation of a "modernization and reconversion fund", corresponding to one or more international agreements, which would be constituted concurrently out of the price supplements paid to certain producers together with other supplementary contributions.

The object of the fund would be to finance agricultural and industrial equipment programmes, with a view to achieving better yields, to process agricultural and industrial raw materials into finished and semi-finished products, or to proceed with the gradual reconversion of production of a given commodity.

This fund would be administered by the international agency or international council for the commodity in question, and that body would have to report every two years to a small committee composed of a certain number of producing and importing countries, parties to the international agreement, on the administration of the fund and the projects carried out in the beneficiary country or countries.
(c) If international trade agreements are thus to be conceived not as temporary remedies and short-term arrangements but as instruments of the commercial and economic expansion of the developing countries, they must be valid for at least ten years. During this period the small committee mentioned above would meet every two years to examine the report of the "modernization and reconversion fund", and every three years to review the general conditions of implementation of the agreement.

It therefore seems to us that having regard to the periodic control exercised both by the agency or council for the commodity in question and by the small committee of the international agreement, there should be no great difficulty in extending to ten years the validity of these international commodity agreements.

Lastly, it would be desirable for the study commenced by the United Nations two years ago on the creation of a "Development Insurance Fund" to be completed rapidly and yield the results hoped for.

The creation of a Development Insurance Fund responds to the need to supplement and strengthen the bilateral, regional and international mechanisms for stabilizing commodity prices and the export earnings of the developing countries.

The concept of the Development Insurance Fund is based on the organization of a social insurance system. The socialization of the risk which the Fund is intended to cover - i.e. fluctuations in export earnings - would in fact result in a unilateral transfer of funds from the industrialized countries whose trade balances are if not continually in surplus, at least relatively more stable, towards the under-developed countries who are subject to continual and ever wider fluctuations in their external receipts and will consequently draw more frequently on the resources of the Fund.

If this social insurance system amounted, in the last analysis, to indirect or disguised financial aid by the developed countries to the commodity exporting countries, it would have achieved a fundamental structural reform in that it would have reconverted the public gifts and assistance, whether bilateral or multilateral, which are made available to the less-developed countries, into commercial financial transfers which have a sounder and more stimulating effect on the growth and general economic equilibrium of the developing countries.